
	Profetika: Jurnal Studi Islam P-ISSN: 14110881 E-ISSN: 25414534 Vol. 27, No. 1, 2026, pp. 113–134 https://doi.org/10.23917/profetika.v27i01.13570	
	Received October 30, 2025	

Innovation in Islamic Banking Services for Sustainable Development: An Analysis of the Alignment of Islamic Values with SDGs

Mardelia Desfrida¹, Amrin², Obydur Rahman³

^{1,2}Department of Accounting, Politeknik Negeri Medan, Indonesia

³Faculty of Arabic Language, Islamic University of Madina, Saudi Arabia

mardeliadesfrida@polmed.ac.id, amrin@polmed.ac.id, alwayah94@gmail.com

Abstract

Objective: This study aims to analyse the alignment of Islamic banking service innovations with the Sustainable Development Goals (SDGs) through a maqāṣid al-sharī‘ah-based values approach, positioning Islamic finance as a strategic actor in sustainable development. **Theoretical framework:** Integrates maqāṣid al-sharī‘ah principles, particularly justice (‘adl), public benefit (maṣlahah), and balance (tawāzun), with the multidimensional SDG paradigm encompassing economic growth, social equity, and environmental sustainability. **Literature review:** Conceptualisation of service innovation in Islamic banking, the relationship between Sharia values and the Sustainable Development Goals, and integration of innovation and sustainability in Islamic banking practices. **Method:** Employing a qualitative research design based on library research, data were analysed through stages of presentation, conceptual development, and conclusion drawing, using a hermeneutic approach to interpret the substantive relationships between maqāṣid principles and SDG targets. **Results:** the findings reveal a strong conceptual convergence between Islamic ethical values and key SDG dimensions, particularly poverty alleviation, social equality, and environmental protection, leading to the formulation of the Shariah Sustainable Service Framework (SSSF), which comprises three interconnected pillars: spirituality as a moral foundation, social justice as the orientation of benefit distribution, and economic efficiency as an instrument of productive sustainability. **Implications:** This framework provides normative and strategic guidance for Islamic financial institutions in designing ethically grounded and sustainability-oriented service innovations, while offering regulators and policymakers a reference for strengthening sharia-based governance aligned with global development agendas. **Novelty:** This study lies in the development of an original integrative framework that systematically bridges maqāṣid al-sharī‘ah values with SDG indicators, advancing Islamic banking from a compliance-driven model toward a value-based paradigm of sustainable development.

Keywords: islamic banking, service innovation, maqāṣid al-syarī‘ah, sdgs, sustainable finance.

INTRODUCTION

Sustainable development has become a crucial global agenda since the United Nations adopted the Sustainable Development Goals (SDGs) in 2015, which emphasise inclusive economic growth, environmental preservation, and social equality [1], [2]. In this context, the financial sector plays a strategic role in directing funds and investment toward ethical, fair, and sustainability-oriented economic activities. One financial instrument with

significant potential to support these goals is Islamic banking, which is based on the principles of *maqasid al-shariah*, such as justice (*adl*), benefit (*maslahah*), and balance (*tawazun*). Unlike conventional banking systems, which are oriented toward maximising profits, Islamic banking places moral and spiritual values at the foundation of service innovation, ensuring that economic activities generate not only financial profits but also social and environmental benefits [3], [4].

The rapid development of Islamic banking globally, including in Indonesia, one of the countries with the largest Muslim populations in the world, demonstrates the increasing relevance of a Sharia-based financial system in addressing sustainability challenges. Advances in digital technology and growing public awareness of ethical and environmentally friendly finance are driving Islamic banks to continuously innovate in their services, including through the development of digital Islamic banking, green financing, and sustainability-based social products. However, critical questions remain about the extent to which these innovations truly reflect sustainability principles rooted in Sharia values and contribute significantly to achieving the SDGs. In other words, the conceptual and practical relationship between Sharia ethics and global sustainability indicators has not been comprehensively mapped in contemporary Islamic banking literature or practice.

Although Islamic banking has shown significant growth and adopted various service innovations, integrating Islamic values with the Sustainable Development Goals (SDGs) remains challenging on both conceptual and practical grounds [5]. Conceptually, there is no comprehensive, systematic framework for operationalising basic sharia principles such as justice (*adl*), benefit (*maslahah*), balance (*tawazun*), and social responsibility (*ukhuwwah insaniyyah*) in SDG indicators and practices within the banking sector. Consequently, many innovations undertaken by Sharia financial institutions emphasise efficiency and service digitisation, but do not fully reflect the ethical and spiritual dimensions of sustainability as emphasised in the *maqasid al-shariah* [6].

From a practical perspective, various Islamic banking innovation programs, such as green banking, microfinance, and digitalisation, often focus on economic and technological aspects without clarifying their contribution to the social and environmental dimensions of the SDGs. This creates a gap between the ideal values of Islamic law and the operational implementation of policy. For example, although sustainability principles have become a common narrative in Islamic banking sustainability reports, the metrics or indicators of success remain dominated by financial parameters rather than the balance between economic profit and social welfare [7], [8]. This situation demonstrates that Islamic banking still requires a more integrative conceptual approach to empirically and philosophically link Islamic values with the sustainable development framework. Therefore, it is crucial to review how Islamic banking service innovation can be directed not only toward increasing competitiveness and efficiency, but also toward strengthening its authentic contribution to achieving the SDGs, in accordance with the ethical essence and principles of Islamic banking.

Previous studies indicate that the relationship between Islamic finance and sustainable development has received increasing attention over the last decade. Irum Saba asserts that the Islamic financial system has significant potential to support the Sustainable Development Goals (SDGs) through the principles of justice, equitable distribution, and the prohibition of usury and excessive speculation [9]. Other studies, such as those by Hamib Ahmad and Mahmoud, highlight that the values of *maqasid al-shariah* can serve as a moral framework for sustainable development, as both emphasise the balance among economic, social, and environmental dimensions [10]. Meanwhile, a study by Mehmet shows that the Islamic financial system ideally functions not only to pursue economic profit but also to realise social justice and collective well-being [11]. In the Malaysian context, Mahyudin et. al. demonstrated that *maqāsid*-based Islamic banking has strong potential to promote financial inclusion and social development [12]. Meanwhile, research by Elsafty and Tahon

in Turkey emphasised the need for a transformation of Islamic banking toward a value-oriented banking model to align with the global sustainability agenda [13].

In the context of Islamic banking practices, several studies have examined the integration of sustainability principles into product and service innovation. For example, a study by Ahmad Yani et al shows that Islamic banks can play a significant role in financing green projects, poverty alleviation, and economic empowerment through a value-based intermediation financing model [14]. However, most of these studies still focus on macroeconomic aspects and sustainable financing, without specifically highlighting the service innovation dimension as a strategic instrument in strengthening Islamic banking's contribution to the SDGs.

Previous studies on Islamic banking and sustainable development have shown that the concept of sustainability from an Islamic perspective remains fragmented and has not been integrated into the banking service innovation framework. Most research focuses on sustainable financial instruments such as green sukuk, Islamic social finance, and productive waqf, while the role of Islamic banking service innovation in supporting the SDGs has not been thoroughly explored. Furthermore, studies linking Islamic values to the SDGs are generally normative and conceptual in nature, lacking an integrative model based on *maqāṣid al-sharī'ah* (obligatory objectives). The dominance of quantitative approaches also limits the exploration of the ethical and spiritual dimensions of sustainability in Islamic banking.

Based on existing conceptual and methodological gaps, this study presents a new perspective by integrating normative sharia studies and sustainable development literature into a single, coherent analytical framework. This approach aims to clarify the inherent relationship between innovation in Islamic banking services, the values of *maqāṣid al-sharī'ah*, and the achievement of the SDGs. This research not only fills this gap in the literature but also offers an epistemological basis for developing a Sharia-based sustainability paradigm that integrates economic efficiency, social justice, and ecological balance. Through an integrative literature synthesis, this study expands the academic discourse on the role of Islamic banking as an agent of transformation towards an ethical, inclusive, and sustainable global financial system.

This study offers conceptual novelty through the integration of Islamic banking service innovation and the Sustainable Development Goals based on the values of *maqāṣid al-sharī'ah*. Service innovation is positioned not merely as a business strategy, but as a manifestation of Islamic sustainability oriented towards human welfare and environmental balance. This approach builds a paradigm of Islamic Sustainable Banking Innovation that simultaneously supports economic growth, social justice, and environmental preservation. Theoretically, this study enriches the Islamic economics literature with a cross-disciplinary sustainability perspective, while practically providing references for Islamic financial institutions and regulators in designing ethical, competitive, and sustainable service innovations.

LITERATURE REVIEW

Conceptualisation of Service Innovation in Islamic Banking

Green Sukuk is essentially a derivative instrument of sukuk, which has long been recognised in the Islamic financial system as a sharia-compliant security based on real assets. The fundamental difference between Green Sukuk and conventional sukuk lies in the allocation of funds specifically for environmentally friendly projects such as renewable energy, sustainable transportation, waste management, and nature conservation. This aligns with Faizi's opinion, which asserts that the validity of sukuk is largely determined by the existence of the underlying real assets and the clarity of the contract used [15]. In the context

of Green Sukuk, this aspect is further strengthened by establishing project criteria that have a positive impact on the environment while reflecting the values of welfare in Sharia.

The rapid development of the Islamic financial industry in the past two decades has positioned service innovation as a strategic factor in maintaining competitiveness and expanding global financial inclusion. Innovation in Islamic banking is not only understood as technological transformation or product diversification, but also as a value-creation process rooted in the principles of Islamic ethics and justice. In the view of Abbas Arfan et al., Islamic banking innovation should represent the implementation of *maqāṣid al-syarī'ahh* in modern business practices, namely efforts to realise benefits (*maslahah*) and prevent harm (*mafsadah*) in every financial activity [16]. This approach distinguishes sharia-compliant innovation from conventional innovation, which is often solely profit-oriented, by placing social responsibility and spiritual balance at the core of the innovation itself. In this context, service innovation becomes a crucial instrument for linking economic efficiency with sustainable Islamic moral values.

Advances currently influence the dynamics of innovation in Islamic banking, including financial technology (fintech), the digitalisation of payment systems, and changes in consumer behaviour that demand easy access and faster transaction speeds. This situation has encouraged Islamic financial institutions to adapt through product innovations such as Islamic mobile banking, Islamic crowdfunding, and digital zakat platforms, thereby expanding the reach of financial services without abandoning Islamic principles. However, these innovations have not fully addressed the challenge of integrating economic growth and socio-environmental sustainability as mandated by the Sustainable Development Goals (SDGs). Most innovations still focus on technical efficiency and have not yet internalised the values of *maqāṣid al-syarī'ahh* as the ethical framework for sustainable development [17].

The Relationship between Sharia Values and the Sustainable Development Goals

Sharia values in Islam are inherently linked to the principles of sustainable development as espoused by the Sustainable Development Goals (SDGs). The concept of *maqāṣid al-sharī'ah*, developed by al-Ghazali and expanded by al-Syatibi, emphasises the protection of the five main goals of human life: religion (*dīn*), life (*nafs*), reason (*'aql*), posterity (*nasl*), and property (*māl*), all of which are oriented toward universal welfare (*al-falāh*). These values align closely with the main pillars of the SDGs, such as poverty alleviation, improved welfare, and environmental preservation. As Ahmad Kholil emphasises, *maqāṣid al-sharī'ah* can be seen as the ethical and spiritual foundation for the SDGs, as both emphasise a balance among economic progress, social justice, and ecological integrity [18]. Thus, the sharia approach to development is not merely about achieving material targets, but rather about a holistic paradigm that places humanitarian values and moral responsibility at the core of development itself.

Despite the philosophical alignment between the *maqāṣid al-syarī'ahh* and the SDGs, their practical implementation in the Islamic financial system still faces several challenges. Most Islamic financial institutions still focus on formal compliance with Islamic principles (sharia compliance), but have not fully internalised the substantive objectives of *maqāṣid* in their business strategies and product innovations. Research by Auda (2008) and Chapra (2000) suggests that *maqāṣid al-syarī'ahh* should serve as a dynamic instrument that guides Islamic financial institutions to pursue not only profits but also ensure distributive justice, social inclusion, and environmental sustainability [19], [20]. However, an operational framework linking sharia values to SDG indicators remains underdeveloped, particularly in measuring social impact and long-term economic sustainability.

Integration of Innovation and Sustainability in Islamic Banking Practices

The integration of innovation and sustainability into Islamic banking practices has become an increasingly relevant strategic issue as the global economy transitions toward an ethical, environmentally friendly financial system. Within the framework of sustainable development, innovation is not only technological transformation but also a normative strategy to ensure that financial products and services contribute to social welfare and environmental protection. Islamic banking, with its strong ethical foundation and moral values, has unique potential to become a sustainable financial model that differs from the conventional paradigm. M. Zuardi et al. assert that innovation that aligns with the *maqāṣid al-syarī'ahh* can provide added value not only for shareholders, but also for the wider community and future generations [21]. Therefore, integrating innovation and sustainability into Islamic banking practices is a strategic step to ensure that the sector not only complies with Islamic principles legally but also consistently fulfils its social and ecological responsibilities.

Innovative practices in Islamic banking have shown significant progress in supporting the sustainable development agenda. Products such as green sukuk, Islamic microfinance, social impact investment, and digital waqf and zakat-based instruments are concrete examples of efforts to integrate sustainable values into the Islamic financial ecosystem. Research conducted by Edib Smolo shows that these instruments have a positive impact on achieving several SDGs indicators, particularly those related to poverty alleviation, community economic empowerment, and climate change mitigation. However, several challenges remain, including a limited scale of implementation, low levels of sustainable financial literacy among customers, and the lack of integrated measurement standards to assess the social and environmental impacts of Islamic financial products. This indicates that while innovation has shifted toward sustainability, its practice remains fragmented and requires a more systemic approach to ensure sustainability becomes part of a holistic, long-term corporate strategy.

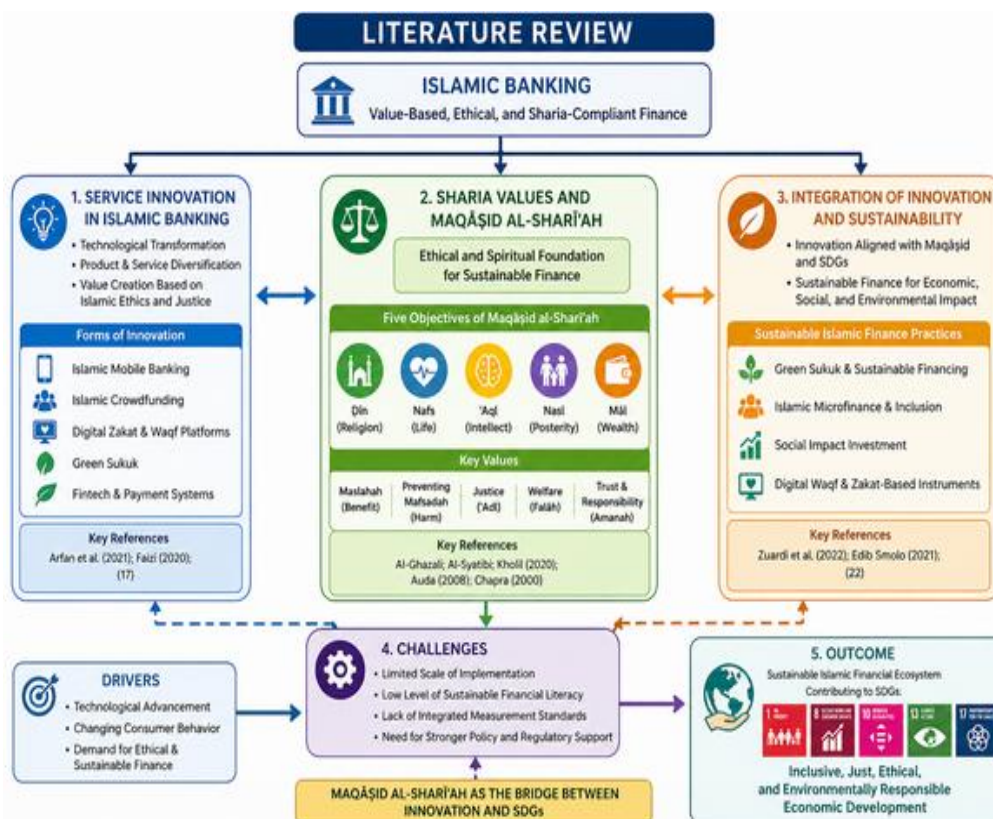


Figure 1. Literature Review: Integrated Innovation and Sustainability Framework in Islamic Banking Practices and SDGs Alignment

In this context, it is necessary to strengthen the conceptual and policy framework to integrate service innovation with sustainability goals through the *maqāṣid al-syarī'ahh* approach. This approach not only demands adherence to Sharia legal principles but also emphasises the ethical orientation and social objectives of each innovation developed [22]. In line with Chapra's view, the Islamic financial system must combine economic efficiency with social justice as complementary dimensions. By adopting the *maqāṣid al-syarī'ahh* framework, Islamic banking can make innovation a means to achieve a balance between growth and sustainability, between technological progress and human values.

METHODOLOGY

This research uses a qualitative approach, with a library research method oriented towards conceptual and normative analysis [23]. This approach was chosen because the primary objective of the study was not to test empirical hypotheses but rather to develop a deep theoretical understanding of the relationship between Islamic banking service innovation, the values of *maqāṣid al-syarī'ahh*, and the Sustainable Development Goals (SDGs). The qualitative approach allows researchers to explore various theoretical perspectives and conceptual frameworks developed in the academic literature, thereby enabling a comprehensive and contextual analysis of the dynamics of contemporary Islamic banking. The primary data sources in this study are secondary data obtained from various scientific publications and relevant academic documents, such as reputable international journal articles (Scopus-indexed), academic books, reports from international financial institutions such as the Islamic Development Bank (IsDB) and the United Nations Development Programme (UNDP), as well as national regulations and policies related to Islamic banking and sustainable development [24]. Literature selection is done purposively based on relevance, source credibility, and its contribution to understanding the research topic.

Data analysis is carried out through three main stages reduction, data presentation, and conclusions, as stated by Miles, Huberman, and Saldaña [25]. In the data condensation stage, all collected literature was critically analysed to identify key concepts, including sharia service innovation, *maqāṣid al-syarī'ahh*, and the dimensions of the SDGs. The data presentation stage involved grouping findings by themes and relationships among conceptual variables, while the conclusion-drawing stage involved interpreting the results of the literature synthesis in an integrative manner to produce a new analytical framework. This study also applied a qualitative hermeneutic approach to understand academic and regulatory texts in depth. The hermeneutic approach was used to interpret the meaning behind the concepts of *maqāṣid al-syarī'ahh* and global sustainability values, and to bridge the two in the context of Islamic banking innovation. Through this approach, the study seeks to generate new understandings of how Islamic values can serve as an ethical paradigm to shape the direction of banking policy and service innovation that align with the SDGs. Thus, this research method is not only descriptive-analytical but also constructive, as it seeks to develop an integrative conceptual model between Sharia and global sustainability.

Table 1. Research Method Used in This Study

Aspect	Description
Type of Research	Qualitative research
Approach	Library research with a conceptual and normative orientation
Research Objective	To develop a deep theoretical understanding of the relationship between Islamic banking service innovation, the values of <i>maqāṣid al-syarī'ahh</i> , and the Sustainable Development Goals (SDGs)
Rationale for Approach	The study does not aim to test empirical hypotheses, but to explore, interpret, and integrate theoretical perspectives and conceptual

	frameworks related to Islamic banking, Sharia objectives, and global sustainability.
Key Figures Analysed	Classical and contemporary scholars on <i>maqāṣid al-syarī'ah</i> (e.g., Al-Ghazali, Al-Shatibi, Ibn Ashur), scholars of Islamic economics and banking, and global sustainability frameworks (SDGs by the United Nations)
Main Data Sources	Secondary data derived from reputable international journal articles (Scopus-indexed), academic books, reports from international institutions such as the Islamic Development Bank (IsDB) and the United Nations Development Programme (UNDP), as well as national regulations and policies related to Islamic banking and sustainable development
Method of Analysis	Qualitative data analysis following Miles, Huberman, and Saldaña: data condensation, data display, and conclusion drawing/verification
Theoretical Framework	<i>Maqāṣid al-syarī'ah</i> theory, Islamic banking service innovation theory, and the Sustainable Development Goals (SDGs) framework
Focus of Analysis	The conceptual alignment and integration between Islamic banking service innovation, Sharia objectives (<i>maqāṣid al-syarī'ah</i>), and global sustainability values embodied in the SDGs
Expected Outcome	The development of an integrative conceptual model positioning <i>maqāṣid al-syarī'ah</i> as an ethical and normative foundation for Islamic banking service innovation aligned with the SDGs

RESULTS AND DISCUSSION

Philosophical and Normative Framework of Islamic Banking towards Sustainable Development

Islamic banking is not only seen as an alternative to conventional banking but also as a representation of the Islamic economic paradigm rooted in the values of justice, balance, and welfare. According to Chapra, the Islamic economic system aims to achieve *falāh* (happiness in this world and the hereafter) through the equitable distribution of wealth, the fulfilment of basic needs, and the elimination of exploitation [26]. In the context of sustainable development, this principle aligns with the concept of sustainability, which emphasises balance between economic, social, and environmental aspects. Thus, the philosophical foundation of Islamic banking embodies the essence of sustainable development long before the United Nations introduced the Sustainable Development Goals (SDGs) in 2015.

From a normative perspective, sharia banking is based on *maqāṣid al-syarī'ahh*, which aims to safeguard religion (*ḥifẓ al-dīn*), soul (*ḥifẓ al-nafs*), mind (*ḥifẓ al-'aql*), lineage (*ḥifẓ al-nasl*), and property (*ḥifẓ al-māl*). Al-Ghazali emphasised that *maqāṣid* is a means of achieving benefit (*maslahah*) and preventing damage (*mafsadah*). Contextualised within sustainable development, *maqāṣid* serve as an ethical framework for Islamic financial institutions to ensure that economic activities are not only materially profitable but also socially and ecologically beneficial. This indicates that *maqāṣid* has a transformative dimension that can link spirituality with socio-economic sustainability. As Nurul Hikmah emphasises, *maqāṣid al-sharī'ah* can serve as an ethical compass for the Islamic financial industry to address global challenges such as poverty, inequality, and environmental damage [27]. This concept repositions Islamic banking from a mere profit-oriented institution to an agent of sustainable development. Through the *maqāṣid* (objectives of Islamic banking), Islamic financial activities are directed towards achieving inclusive growth, strengthening social justice, and creating equitable prosperity. Therefore, *maqāṣid*

is not only a normative framework but also a policy paradigm that affirms a moral orientation in modern economic practices.

In the realm of Islamic economic ethics, the principles of justice (*'adl*), balance (*tawāzun*), and social responsibility (*mas'ūliyyah ijtimā'iyyah*) are the main pillars of Islamic financial management. According to Khan, the Islamic financial system connects economic resources with societal needs through mechanisms that avoid *riba*, *gharar*, and *maisir* [28]. Thus, economic justice is not merely an end in itself, but rather a prerequisite for sustainable development that does not cause environmental damage and social inequality. This ethic is the main difference between Islamic economic logic and capitalism, which is oriented towards profit maximisation. *Maqāṣid al-Sharī'ah* can be directly linked to the three main pillars of the SDGs: economic, social, and environmental. For example, *ḥifẓ al-māl* relates to efforts to create an inclusive and stable financial system (SDG 8: Decent Work and Economic Growth), and *ḥifẓ al-naḥs* relates to poverty reduction and increased well-being (SDGs 1 and 3). At the same time, *ḥifẓ al-bī'ah* (environmental preservation) is a modern derivative of *maqāṣid* that adapts to the contemporary ecological context (SDG 13: Climate Action). Asyraf Wajdi Dusuki (2008) emphasised that *maqāṣid* is dynamic and can be adapted in the context of global sustainability without losing the normative spirit of Islam [29]. Furthermore, Asutay's perspective introduces the concept of Islamic Moral Economy (IME), which seeks to bridge the gap between sharia values and modern economic practices. IME emphasises that sustainability in Islam is not only economic, but also spiritual and moral. Within this framework, Islamic banking is positioned as a value-based intermediary institution that not only distributes funds but also transmits value. Through this moral orientation, Islamic banks can play a strategic role in promoting sustainable development grounded in ethical values derived from revelation.

The concept of *istikhlāf* affirms that humans are stewards of God's trust, entrusted with maintaining the balance of nature and social welfare. In the context of Islamic banking, this principle implies that financial activities should be directed towards social impact investment rather than solely towards commercial profit. Therefore, Islamic banking policies and product innovations need to be evaluated based on their contribution to the simultaneous achievement of *maqāṣid* and the SDGs. From an operational perspective, integrating *maqāṣid* values into Islamic banking practices can be achieved through instruments such as green sukuk, zakat- and waqf-based microfinance, and investments in environmentally friendly sectors. A report by the Islamic Development Bank (IsDB, 2021) indicates that Islamic financial instruments have significant potential to support the financing of SDG projects in developing countries [30]. This model demonstrates that the *maqāṣid* and sustainability orientations are not merely idealistic concepts, but can be concretely implemented within the framework of public policy and financial innovation. However, the relationship between *maqāṣid al-syarī'ah* and sustainable development is not automatic. Challenges arise when the commercial orientation of Islamic banks is more dominant than their ethical values. As Housby (2013) points out, there is a tendency for Shariah-compliant but not Shariah-based financial products to adhere solely to formal rules, failing to reflect the moral vision of Islam [31]. This situation risks weakening Islamic banking's contribution to the SDGs agenda. Therefore, a normative-structural approach is needed to ensure alignment between the Sharia vision and modern business practices.

Table 2. Conceptual Causal Chain Linking Maqāṣid al-Sharī'ah and SDGs

Causal Chain	Explanation
Ontology → Norms	Tawhid and <i>istikhlāf</i> define the ethical purpose of economic activity.
Norms → Institutional Design	Maqāṣid shapes governance standards and financial architecture.

Institutional Design → Financial Instruments	Ethical paradigm determines the type of products offered (e.g., green sukuk, profit-sharing).
Financial Instruments → Socio-Environmental Outcomes	Sustainable products generate measurable economic and ecological impact.
Outcomes → SDGs	Measurable impact aligns Islamic banking with global sustainability targets.

Various empirical evidence shows that the implementation of the values of *maqāṣid al-syarī'ah* in Islamic banking practices still faces a gap between normative ideals and operational reality. Several empirical studies in Muslim-majority countries, such as Malaysia and Indonesia, show that Islamic banking performance is still dominated by profitability and regulatory compliance indicators, while social and environmental impacts have not yet become primary metrics in business decision-making. These findings reinforce the urgency of developing an integrative model based on *maqāṣid* and the SDGs so that Islamic banking can transform from merely Sharia-compliant institutions to Sharia-based and truly sustainability-oriented institutions.

Dimensions of Service Innovation in Islamic Banking

Innovation in Islamic banking is essential to addressing the challenges of the times, particularly amidst technological disruption, changing consumer behaviour, and the demands of sustainable development. In the context of Islamic economics, innovation not only means creating something new technically but also involves renewing values, goals, and moral orientations in financial practices. Schumpeter defined innovation as the process of creative destruction, a process of renewal that transforms old systems into more efficient and productive ones [32]. However, in sharia economics, innovation must incorporate ethical and *maqāṣid al-syarī'ahh* dimensions to ensure reforms do not cause social and environmental damage. In other words, innovation in Sharia banking must be a means of achieving benefits, not just an economic instrument.

In Asyraf Wajdi Dusuki's view, Islamic financial innovation must be value-based rather than merely form-based. This means that every product and service developed must have a tangible social and environmental impact, in accordance with the principles of *maqāṣid al-syarī'ahh*. This approach requires Islamic financial institutions to shift from a commercial to a sustainable paradigm. Thus, innovation in Islamic banking is part of the effort to achieve the SDGs, particularly in poverty alleviation (SDG 1), economic justice (SDG 8), and the *building* of institutions with integrity (SDG 16).

One of the most significant dimensions of innovation is the digitalisation of Islamic financial services. Digital transformation enables operational efficiency, increased accessibility, and expanded service reach to communities underserved by formal financial institutions. Tlemsani and Cherni emphasised that digitalisation enhances transparency and accountability in Islamic banks through technology-based audit systems [33]. Meanwhile, Alshater stated that Islamic fintech has great potential to strengthen financial inclusion while maintaining the principles of justice, transparency, and the prohibition of usury [34]. Thus, digital innovation is an integral part of Islamic finance's sustainability strategy. However, digitalisation without an ethical foundation can lead to dehumanisation and new inequalities. Akhmad Affandi warned that digital disruption could distance the financial system from humanitarian values if not guided by sharia principles [35]. Therefore, Islamic banks need to adopt the concept of ethical digitalisation, namely innovation based on Islamic moral values such as justice (*'adl*), balance (*tawāzun*), and social responsibility (*mas'ūliyyah ijtimā'iyah*). This approach ensures that digital technology is not only a tool for economic efficiency but also a vehicle for social transformation in accordance with the *maqāṣid* (the goals of the Islamic economy).

Another equally important dimension is the development of green financial products, such as green sukuk, renewable energy financing, and environmentally-based investments. These products bridge the gap between Sharia values and the global SDGs agenda. The World Bank (2020) noted that Indonesia's issuance of green sukuk marked a significant milestone in Sharia-based sustainable financing globally, *funding* projects in clean energy, water management, and environmentally friendly transportation [36]. Within the framework of *maqāṣid*, this type of product embodies the principle of *ḥifẓ al-bī'ah* (environmental protection), which has now become a new dimension of modern *maqāṣid*. In addition to the ecological dimension, innovation in sharia services is also oriented towards social empowerment through the integration of *zakat*, *infaq*, *sedekah*, and *waqf* (ZISWAF) with microfinance. Delle Foglie (2008) introduced the concept of Islamic social finance integration, namely a synergy model between shariah financial institutions and Islamic social institutions to strengthen the microeconomy and alleviate poverty [37]. Through this approach, Islamic banks serve not only as profit-making institutions but also as social change institutions that directly contribute to community welfare. This model aligns with the *maqāṣid al-syarī'ahh* (the primary purposes of Islamic banking) and supports achieving SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities).

Innovation also includes improvements in Sharia governance (Sharia Governance Innovation). According to Faizi and Taufik Syamlan, the effectiveness of Islamic financial institutions depends heavily on the clarity and transparency of the sharia supervisory system. Innovation in governance can be achieved through a real-time auditing system that enables continuous monitoring of Sharia compliance [38], [39]. This not only increases public trust but also strengthens the role of the Sharia Supervisory Board (SSB) as the guardian of the institution's morality. With transparent and accountable governance, Islamic banks can support SDG 16 on strong and equitable institutions.

From the perspective of conventional economic theory, Stiglitz (2019) emphasises that sustainable development requires an inclusive, ethical, and equitable financial system [40]. This view aligns with Sharia principles, which reject speculative practices (*gharar*), usury, and exploitation. Therefore, Islamic banking innovation can be viewed as a systematic effort to internalise the principle of social justice within a modern financial framework. By expanding access, strengthening distributive justice, and minimising social risks, Islamic service innovation serves as a corrective mechanism for global economic inequality. Sharia innovation requires an epistemological approach grounded in the *maqāṣid* (objectives of the law), as Kamali (2014) calls it, *maqāṣid*-driven innovation [41]. This approach guides innovation to remain aligned with the objectives of Sharia, namely the protection of property (*ḥifẓ al-māl*), life (*ḥifẓ al-nafs*), and the environment (*ḥifẓ al-bī'ah*). For example, innovation in financing organic agriculture not only increases economic productivity but also maintains environmental sustainability. This approach ensures that innovation does not lose its ethical spirit and becomes a tangible instrument in realising the Islamic sustainability paradigm. Thus, service innovation in Islamic banking must be understood as a multidimensional process that combines technology, ethics, social, and spirituality. Innovation is no longer merely a means to achieve business efficiency, but rather a strategic instrument for simultaneously achieving *maqāṣid al-syarī'ahh* and the SDGs. Through a value-based innovation approach, Islamic banking can combine economic rationality with an Islamic moral vision that emphasises justice, welfare, and balance.

Table 3. Operational Indicators

Stage	Measurable Indicator
Input	Percentage of IT investment relative to total operational costs
Process	Number of Sharia-compliant digital services available
Output	Number of new accounts opened from 3T regions (underdeveloped, frontier, and outermost areas)

Outcome	Percentage of MSMEs receiving digital financing
Impact	Reduction in local poverty rate (%); increase in MSME income (%)

Operationally, innovation in Islamic banking based on the *maqāṣid* (Islamic principles) and the SDGs (Sustainable Development Goals) demands transformation of product design, business models, and performance indicators. Ideally, innovation is realised through strengthening profit-sharing-based financing, linking with the sustainable real sector, and using performance measures that include social and environmental impacts. However, empirically, Islamic banks are still dominated by debt-based contracts such as *murābaḥah* and *ijārah*, which reflect conventional logic rather than profit-sharing principles. This situation demonstrates the gap between procedural innovation and the substance of *maqāṣid*. Thus, Islamic banking risks remaining Sharia-compliant without being fully Sharia-based, and its contribution to the *maqāṣid al-shari'ah* and the SDGs remains suboptimal.

Analysis of the Compatibility of Sharia Values with the SDGs

The concept of sustainable development within the Sustainable Development Goals (SDGs) emphasises a balance among economic growth, social justice, and environmental sustainability. From an Islamic perspective, this balance has strong epistemological roots in the principles of *tawazun* (balance) and *mizan* (justice). The Qur'an affirms, "And Allah raised the heavens and established the balance (*mizan*) so that you may not upset it" (QS. Ar-Rahman: 7–8) [42]. This principle is the basis of Islamic development ethics, which rejects excessive exploitation of natural resources and demands equitable distribution of development outcomes. Thus, the SDGs conceptually overlap significantly with the core values of Sharia. In an economic context, Sharia views economic activity not merely as an effort to gain profit, but also as an act of worship that demands justice, transparency, and social responsibility. Chapra (2016) emphasises that Islamic economics aims to achieve *falah* (well-being in this world and the hereafter) through the equitable distribution of wealth and the elimination of structural inequalities [43]. This aligns with SDG 1 (No Poverty) and SDG 10 (Reduced Inequality). The Islamic financial system, particularly Islamic banking, with its profit-and-loss-sharing principle, provides a fair and inclusive alternative for achieving economic equality.

One of the key characteristics of Islamic banking is the prohibition of *riba* (usury), *gharar*, and *maisir* (gambling), which fundamentally prevents economic activity from high-risk, unproductive, and speculative practices. In the context of the SDGs, this principle contributes to sustainable financial stability (SDG 8: Decent Work and Economic Growth). According to Kate Padgett, eliminating *Riba* is not only ethical but also has implications for a more stable economic system by reducing the potential for financial bubbles [44]. Therefore, innovative Islamic banking services that uphold these principles will strengthen the national economy's resilience to crises. Beyond the economic dimension, the alignment of Islamic values is also evident in the social aspects of sustainable development. Islam emphasises the importance of social justice through the mechanisms of *zakat*, *infaq*, and *waqf*, which serve as instruments of wealth redistribution. This system is not merely philanthropy, but rather part of the Islamic economic structure that ensures the circulation of wealth so that it does not remain confined to the wealthy (Quran, Al-Hashr: 7). According to Dusuki and Abdullah, the principles of social justice in Islamic economics are a concrete manifestation of *maqasid al-syariah*, which aim to protect property, the soul, the mind, lineage, and religion.

Within the framework of SDG 4 (Quality Education) and SDG 5 (Gender Equality), the Islamic economic system also embodies the spirit of inclusive development. The principles of *adl* (justice) and *ihsan* (goodness) demand that all parties have equal opportunities to develop, including women and vulnerable groups. Asutay emphasised that Islamic

economics must be oriented towards human well-being, transcending mere economic dimensions. Thus, the development of inclusive Islamic banking products and services can become a social driver for reducing inequality and strengthening community competitiveness. Environmental aspects are also a crucial part of the alignment between Islamic values and the SDGs. Islam positions humans as caliphs (stewards) on earth, with the responsibility to maintain the sustainability of ecosystems. The concept of trust in the Qur'an (QS. Al-Ahzab: 72) illustrates the moral obligation to preserve the environment as part of worship [45]. In the context of Islamic banking, this can be realised through green financing and the issuance of green sukuk, which support environmentally friendly projects such as renewable energy and waste management.

The practice of green sukuk has become a concrete example of the implementation of sharia values in support of SDG 7 (Affordable and Clean Energy) and SDG 13 (Addressing Climate Change). Indonesia is a pioneer in issuing sovereign green sukuk, which finance renewable energy and energy efficiency projects. According to the IIFM (2022) report, the application of sharia principles in this instrument ensures that investments are not only legally permissible but also morally and ecologically sustainable [46]. Thus, Islamic banking contributes directly to the global sustainability agenda. The *maqasid* al-sharia approach can serve as a conceptual framework for analysing the compatibility between Sharia and the SDGs. Al-Ghazali explained that *maqasid* encompasses five main aspects: safeguarding religion (*din*), life (*nafs*), intellect (*'aql*), progeny (*nasl*), and wealth (*mal*) [47]. Each sustainable development goal can be linked to this *maqasid*, for example, SDG 3 (Good Health and Well-Being) relates to safeguarding life, and SDG 8 to safeguarding property. Thus, SDGs can be seen as a contemporary manifestation of *maqasid* Sharia in the global realm.

Despite the philosophical alignment between Sharia and the SDGs, implementation on the ground continues to face challenges. Silva's study shows that some Islamic financial institutions have not fully integrated sustainability goals into their business strategies. Service innovations are often still oriented towards short-term profitability without considering comprehensive socio-environmental impacts [48]. This demonstrates the need for a more progressive Sharia policy and governance framework. To address this, an integrative approach between the Sharia Governance Framework and Sustainability Reporting could be a solution. According to Rahman and Ahmad (2020), Sharia financial institutions should adopt sustainability indicators aligned with the *maqasid* (objectives of Sharia), such as social welfare and environmental sustainability indices [49]. This integration not only strengthens institutional accountability but also increases public trust in the Islamic financial system as part of the global green economy ecosystem. Furthermore, national and international regulatory support plays a key role in aligning Islamic values with the SDGs. The Indonesian Financial Services Authority (OJK), for example, has developed a Sustainable Islamic Finance Roadmap that encourages Islamic banks to implement ESG (Environmental, Social, and Governance) principles in their operations. This approach strengthens Indonesia's position as a global laboratory of Islamic economics oriented towards sustainable development.

From a practical perspective, service innovations such as Islamic green financing, micro-waqf banks, and digital zakat platforms demonstrate the significant potential for synergy between technology, Sharia, and the SDGs. These innovations expand financial access, promote socio-economic literacy, and optimise the use of Islamic social funds for sustainable projects. According to Dirie and Maamor, strengthening the Islamic social economy ecosystem is a strategic step in supporting the SDGs agenda without compromising sharia principles [50]. Community involvement is also key to the success of this synergy. In the Islamic paradigm, society is not merely an object of development, but an active subject that plays a role in realising social justice. According to Sari and Asutay, the concept of *ummah*-based development underscores the importance of community participation in determining a development path that aligns with Islamic moral values.

Therefore, inclusivity in the Islamic financial system must be accompanied by values-based financial education and literacy [51].

Table 4. Compatibility of Sharia Values with the SDGs

Conceptual Dimension	Core Sharia Values / Concepts	Corresponding SDGs	Key Islamic Economic Instruments / Practices	Expected Sustainability Outcomes
Economic Sustainability	<i>Tawazun</i> (balance), <i>Mizan</i> (justice), <i>Falah</i> (holistic well-being), Prohibition of <i>Riba</i> , <i>Gharar</i> , and <i>Maisir</i>	SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequality)	Profit-and-loss sharing contracts (Mudarabah, Musharakah), Islamic microfinance, ethical banking models	Equitable wealth distribution, financial inclusion, stable and resilient economic systems
Social Sustainability	<i>Adl</i> (justice), <i>Ihsan</i> (benevolence), <i>Maqasid al-Shariah</i> (protection of religion, life, intellect, progeny, and wealth)	SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 10 (Reduced Inequality)	Zakat, Infaq, Waqf, Islamic social finance institutions, and inclusive Islamic banking products	Social equity, empowerment of vulnerable groups, human development and social cohesion
Environmental Sustainability	<i>Khilafah</i> (stewardship), <i>Amanah</i> (trust), Environmental ethics in Islam	SDG 7 (Affordable and Clean Energy), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action)	Green sukuk, green financing, sustainable investment screening	Environmental protection, renewable energy development, and climate resilience
Governance and Ethical Framework	Sharia Governance, Ethical accountability, Transparency (<i>amanah</i>)	SDG 16 (Peace, Justice and Strong Institutions), SDG 17 (Partnerships for the Goals)	Sharia governance frameworks, sustainability reporting aligned with maqasid indicators	Institutional trust, ethical governance, alignment with global ESG standards
Technological and Financial Innovation	<i>Maslahah</i> (public interest), <i>Ijtihad</i> (adaptive reasoning)	SDG 9 (Industry, Innovation and Infrastructure), SDG 4 (Quality Education)	Digital zakat platforms, fintech Islamic banking, micro-waqf banks	Digital financial inclusion, innovation-driven sustainable development
Community Participation and Inclusivity	<i>Ummah</i> -based development, participatory justice	SDG 10 (Reduced Inequality), SDG 11 (Sustainable Communities)	Community-based waqf, cooperative Islamic finance, participatory financial education	Inclusive development, strengthened social capital and community resilience

Integration Model: A Conceptual Framework for SDGs-Based Sharia Service Innovation

Integrating the *maqāṣid al-syarī'ahh* (Islamic principles) and the Sustainable Development Goals (SDGs) is an urgent need for a new direction in Islamic economic development. To date, much discourse on Islamic finance has focused on legal compliance without expanding its scope to encompass social and ecological sustainability. However, the *maqāṣid al-syarī'ahh* is holistic and inherently aligned with the 17 SDGs. Both are oriented toward human well-being, social justice, and environmental protection. This integration not only enriches the literature on Islamic economics but also opens up a dialogue between religious paradigms and modern development science. The synthesis of *maqāṣid* and SDGs can begin by mapping the equivalence between the five essentials in *maqāṣid*, namely, *ḥifẓ al-dīn* (protection of religion), *ḥifẓ al-nafs* (soul), *ḥifẓ al-'aql* (intellect), *ḥifẓ al-nasl* (offspring), and *ḥifẓ al-māl* (property) and SDG indicators. For example, *ḥifẓ al-nafs* aligns with SDG 3 on health and well-being; *ḥifẓ al-nasl* aligns with SDG 5 on gender equality and SDG 16 on social peace; while *ḥifẓ al-māl* aligns with SDG 8 on decent work and economic growth. This approach shows that *maqāṣid* can serve as an ethical and epistemological foundation for achieving the SDGs spiritually and comprehensively.

Al-Ghazali in *al-Mustasfa min 'Ilm al-Usul* emphasised that *maqāṣid* is not only the goal of law, but also a reflection of the vision of Islamic humanity, which aims to create a good life, namely a good life. In a contemporary context, *hayah ṭayyibah* can be translated as "sustainable living" that balances material and moral needs. Thus, *maqāṣid* can serve as a theoretical framework for internalising sustainability values in Islamic banking service innovation. From a Western perspective, this integrative approach can be compared to stakeholder theory, which emphasises that organisations must consider the interests of all parties affected by their activities [52]. However, *maqāṣid* goes further by adding a spiritual dimension to the relationship between humans and God as the fourth element of balanced development (spiritual, social, environmental, and economic balance) [53], [54]. Therefore, *maqāṣid* is not merely business ethics, but a paradigm of faith-based sustainability.

To operationalise this integration, this study proposes a conceptual model called the Shariah Sustainable Service Framework (SSSF). This model is designed as an innovative framework for Islamic banking to design, manage, and evaluate services aligned with the *maqāṣid* (objectives of God) and the SDGs (Sustainable Development Goals). The SSSF positions *maqāṣid* as the normative foundation, the SDGs as the global policy direction, and service innovation as the implementative means that connects the two. Within the SSSF framework, every service innovation must meet three main principles: spirituality, social justice, and economic efficiency. The principle of spirituality ensures that all innovations are rooted in the values of *tawhid* (monotheism) and *amanah* (trust); social justice demands inclusiveness and equitable distribution of benefits; and economic efficiency ensures the sustainability of institutional operations without compromising ethics. These three principles form the axis of balance that makes Islamic services relevant, competitive, and sustainable.

The principle of spirituality is not interpreted ritualistically, but rather as a moral orientation and transcendental awareness in all economic activities. In the Islamic perspective, every economic activity is a social act of worship if carried out with sincere and just intentions. In line with Seyyed Hossein Nasr's view, Islamic spirituality guides humans to become caliphs who maintain harmony between the material and spiritual worlds [55]. In the context of Islamic banking, this means that technological and product innovation must not ignore the ethical dimension and social responsibility. Social justice is the spirit of the *maqāṣid* (objectives) and at the core of the SDGs. Service innovations such as profit-sharing microfinance, green financing, and social *waqf* are concrete manifestations of distributive justice. Islamic banks have a moral responsibility to ensure that access to financial services is non-discriminatory and able to alleviate poverty. By prioritising the

principles of *ta'āwun* (cooperation) and *'adālah* (justice), Islamic banking can be a catalyst for inclusive development at the community level.

Economic efficiency, in the context of SSSF, does not simply mean pursuing profit, but rather creating sustainable value. Efficiency is measured by a bank's ability to maximise the social benefits of each fund it manages. This concept intersects with the theory of shared value developed by Porter and Kramer, which emphasises creating economic value while also generating social value [56]. Thus, efficiency becomes a moral instrument rather than just an indicator of productivity. Within the implementation framework, the SSSF demands a repositioning of Islamic financial institutions from "service providers" to "agents of social transformation." Islamic banking not only manages funds but also mediates social change through innovations that support the SDGs. For example, financing renewable energy projects, sustainable agribusiness, and social enterprises are concrete manifestations of *maqāṣid* in the contemporary context. The SSSF model also emphasises the importance of *maqāṣid*-based impact measurement. Every bank product and service must be evaluated not only in terms of profitability but also in terms of its contribution to social welfare and environmental protection. In this regard, *maqāṣid* indicators such as improving financial literacy, advancing women's economic empowerment, and reducing social inequality can serve as sustainability metrics.

To strengthen its academic and practical legitimacy, SSSF adopts a multidisciplinary approach. It combines Islamic economic theory, business ethics, innovation management, and development policy. This approach reflects Fazlur Rahman's view that Islam must be understood dynamically, taking into account the social context and challenges of the times [57], [58]. Therefore, innovation in Islamic banking must be adaptable without losing sight of the fundamental principles of Sharia. From a policy perspective, this model recommends that Islamic financial regulators develop innovation guidelines grounded in the *maqāṣid* and the SDGs. The Central Bank and the Financial Services Authority can introduce a sharia sustainability index as an instrument for evaluating the sustainability performance of financial institutions. Furthermore, fiscal policies that support green and inclusive financing can accelerate the transformation towards a sustainable Islamic economy.

Implementing the SSSF also requires the active involvement of the Sharia Supervisory Board (SSB) and the internal sustainability committee. The SSB must expand its role from mere compliance monitoring to value-based guidance. This approach reinforces what Isa Yilmaz (2024) calls the "Islamic moral economy," where the *maqāṣid* orientation underpins all economic decisions [59]. In addition to policy and governance, digital technology plays a crucial role in supporting the SSSF. Sharia fintech can expand service reach, increase efficiency, and strengthen transparency in social impact reporting. However, digital innovation must be accompanied by data ethics and privacy protection. From an Islamic perspective, information is a trust; therefore, its use must uphold individual dignity and the public good.

The SSSF model is not only a normative concept but also a strategic framework that Islamic financial institutions in various countries can adopt. The flexibility of this model allows for adaptation to local contexts without compromising the universal principles of *maqāṣid* and the SDGs [60]. With this approach, Islamic finance can act as a bridge between a values-based economy and sustainable global development. In the long term, the SSSF can strengthen the moral legitimacy and economic competitiveness of Islamic banking in the global market. By demonstrating that Islamic principles can contribute to the global agenda, Islamic banking is no longer viewed as an exclusive system but as part of a global solution to the economic, social, and environmental crises.

Islamic banking in Indonesia has developed within a unique regulatory framework and economic system, supported by a Muslim majority and the government's commitment to strengthening an Islamic-based economy. Since the founding of Bank Muamalat Indonesia in 1992 as a pioneer, this sector has demonstrated significant growth across assets, market

share, and product diversification. Regulations issued by Bank Indonesia and the Financial Services Authority (OJK), such as the 2020–2025 Islamic Banking Development Roadmap, emphasise a transformation toward an inclusive and sustainable financial system [61]. In the context of sustainable development, Islamic banking in Indonesia is expected not only to be an alternative to the conventional financial system but also a driving force for a green and social economy. The implementation of the Shariah Sustainable Service Framework (SSSF) is relevant because it can serve as a guideline for realising financial services that fulfil the *maqāṣid al-syarī'ahh* values while supporting the achievement of SDGs indicators, particularly in the aspects of poverty alleviation (SDG 1), financial inclusion (SDG 8), and sustainable consumption (SDG 12).



Figure 2. Sustainable service framework

Islamic banking practices in Indonesia have expanded their concept from a commercial orientation to social and environmental impact finance. This phenomenon can be seen in the rise of instruments such as green sukuk, zakat- and waqf-based microfinance, and *murābahah* and *mushārahah* financing models geared toward sustainable productive sectors. For example, the issuance of Green Sovereign Sukuk by the Indonesian government in 2018 represents a strategic step that demonstrates the synergy among fiscal policy, Sharia, and environmental sustainability. Within the framework of the *maqāṣid al-syarī'ahh* (Islamic principles), this initiative reflects efforts to safeguard welfare (*ḥifẓ al-maṣlahah*) and prevent harm (*dar'u al-mafṣadah*) through financing clean energy projects, promoting resource efficiency, and developing environmentally friendly infrastructure. In the view of academics such as Habib Ahmed and Chapra, the integration of spiritual values and economic sustainability is the actualisation of *maqāṣid al-syarī'ahh* in a contemporary context that addresses the challenges posed by globalising capitalism. However, Islamic banking in Indonesia still faces several challenges in fully adopting sustainability principles. These challenges include limited Islamic financial literacy among the public, the dominance of *murābahah*-based financing, which tends to be oriented towards short-term profits, and the lack of integration between Islamic financial institutions and the sustainability-oriented real sector.

Furthermore, suboptimal social and environmental impact reporting (ESG reporting) makes it difficult to comprehensively measure sustainability performance. In this context, implementing the Shariah Sustainable Service Framework (SSSF) can serve as an evaluative tool that helps Islamic banks balance the spiritual, social, and economic dimensions in measurable ways. This concept emphasises that efficiency and social justice must go hand in hand with environmental responsibility and corporate spirituality, rather than existing as separate entities.

In terms of regulation and governance, Indonesia has a significant opportunity to become a pioneer in implementing a sustainable Islamic banking model in the ASEAN region. The National Committee for Islamic Economics and Finance (KNEKS) plays a key role in synergising cross-sectoral policies between finance, education, and the halal industry to ensure that national economic development is consistent with the principles of *maqāṣid al-*

syarī'ahh and the SDGs [62]. Strengthening incentive-based policy instruments and compliance mechanisms, such as official recognition of Islamic green financing in sustainability reports or providing incentives for institutions implementing social finance integration, can drive systemic transformation. Thus, the SSSF model is not only theoretically but also operationally relevant for developing equitable, long-term public policies.

The future success of Islamic banking in Indonesia in implementing sustainability principles depends heavily on the synergy between regulations, digital innovation, and the ethical awareness of all stakeholders. For example, the digitalisation of services through Islamic fintech opens up broader financial inclusion opportunities for marginalised communities without neglecting the principles of distributive justice and social responsibility. The integration of technology, the *maqāṣid al-syarī'ahh* (objectives of Islamic law), and SDGs indicators within a single service system represents a new paradigm that can position Indonesia as a global laboratory for sustainable Islamic financial practices. If this vision is realised, Indonesian Islamic banking will not only become a symbol of economic religiosity but also a strategic instrument in realising a more ethical, equitable, and environmentally friendly global economic civilization [62].

Analysis

This study presents a comprehensive and integrative analysis of the relationship between Islamic banking service innovation and sustainable development through the lens of *maqāṣid al-sharī'ah*. The core strength of this research lies in its ability to bridge a persistent gap between normative Islamic ethical principles and contemporary global sustainability frameworks, particularly the Sustainable Development Goals (SDGs). By positioning Islamic banking not merely as a compliance-based financial system but as a value-driven institution, the study successfully redefines its strategic role in fostering inclusive and sustainable development.

One of the most significant analytical contributions is the identification of a conceptual convergence between *maqāṣid al-sharī'ah* and the SDGs. Both frameworks share foundational principles such as justice, balance, and human welfare. However, the study goes beyond simple alignment by proposing an operational framework—the Shariah Sustainable Service Framework (SSSF)—which translates abstract ethical values into actionable service innovation strategies. This demonstrates a shift from theoretical compatibility toward practical applicability, which is often lacking in previous studies on Islamic finance. Furthermore, the analysis highlights a critical issue within current Islamic banking practices: the dominance of formal compliance over substantive ethical implementation. While Islamic banks have adopted various innovations such as digital banking, green financing, and microfinance, these initiatives often remain focused on efficiency and profitability rather than fully embodying *maqāṣid*-oriented sustainability. This finding is particularly important, as it underscores the need for a paradigm shift from “Sharia-compliant” to “Sharia-based” banking, where ethical objectives become the primary driver of innovation.

The study also provides a nuanced understanding of innovation as a multidimensional construct. Innovation in Islamic banking is not limited to technological advancement but includes ethical, social, and environmental dimensions. This holistic view aligns well with the SDGs, which require integrated solutions rather than sectoral approaches. By incorporating elements such as spiritual orientation, social justice, and economic efficiency, the SSSF model offers a balanced framework that addresses both institutional sustainability and societal well-being. Another key analytical insight is the emphasis on governance and measurement. The research identifies the lack of standardized indicators for assessing the social and environmental impact of Islamic banking innovations as a major limitation. The proposed framework addresses this gap by suggesting *maqāṣid*-based performance metrics, which can enhance accountability and transparency while strengthening public trust.

However, the study's reliance on qualitative and conceptual methods also presents limitations. Without empirical validation, the applicability of the SSSF model remains theoretical. Despite this, the research provides a strong epistemological foundation for future empirical studies and policy development. In conclusion, this analysis demonstrates that Islamic banking has significant untapped potential to contribute to global sustainability. By integrating *maqāṣid al-sharī'ah* with SDG-oriented innovation, Islamic finance can evolve into a transformative force that balances economic growth with ethical responsibility and environmental stewardship.

CONCLUSION

This research finds that Islamic banking service innovation, when grounded in *maqāṣid al-syarī'ah* values, has a stronger and more strategic impact on sustainable development than previously assumed. The integration of spirituality, social justice, and economic efficiency through the Shariah Sustainable Service Framework (SSSF) demonstrates that Islamic banking can function not only as a sharia-compliant financial intermediary but also as a sustainability-driven moral agent. These findings challenge the conventional assumption that sustainability in Islamic banking is limited to compliance-based instruments, revealing instead the transformative potential of service innovation aligned with the SDGs. This study strengthens and extends prior research on Islamic finance and sustainability by offering a new integrative conceptual model, the Shariah Sustainable Service Framework (SSSF), that systematically links *maqāṣid al-syarī'ah* principles with SDG objectives. By shifting the analytical focus from financial instruments to service innovation, this research challenges the dominance of profit-oriented and compliance-driven paradigms in Islamic banking studies. The introduction of SSSF enriches the scientific discourse by providing a normative–strategic framework that bridges ethical theory, sustainable development, and operational practice within Islamic finance. This study is limited by its qualitative and conceptual nature, relying primarily on literature analysis without extensive empirical validation. The focus on selected cases and the Indonesian Islamic banking context restricts the generalizability of the findings. Additionally, variations related to institutional size, data availability, and stakeholder characteristics such as gender and age were not explicitly examined. Future research is therefore recommended to employ larger samples, mixed-method approaches, and cross-country empirical studies to validate and refine the proposed framework for broader applicability.

Acknowledgments

The authors would like to express sincere gratitude to all parties involved in this research, especially Politeknik Negeri Medan, Indonesia and the Islamic University of Madina, Saudi Arabia. Their institutional support and academic environment significantly contributed to the completion of this study. It is hoped that this article will provide meaningful benefits for the advancement of scientific knowledge and sustainable development at the global level for future research and academic collaboration.

Author Contribution

The authors contributed equally to the development of this paper, encompassing conceptualization, data analysis, writing, and revision. Each author played specific roles, including principal investigator, supporting researcher, funding provider, translator, and final editor. Collaboration among the team ensured the academic quality and integrity of the study. All authors have read and approved the final version of the manuscript before submission for publication and take full responsibility for its content and conclusions.

Conflicts of Interest

Conflict of Interest The authors declare that this study was conducted in the absence of any commercial or financial relationships that could be construed as potential conflicts of interest. The research was carried out independently and objectively, ensuring that all findings and interpretations are free from bias or external influence. This transparency strengthens the credibility and reliability of the study outcomes for academic integrity and ethical research standards in global scholarship.

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