
Sustainable Development Goals and Islamic Finance: An Integrated Approach for Islamic Financial Institutions

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Abstract: The challenges posed by environmental degradation and abandoning of social rights to secure business interests have highlighted the importance of focusing on sustainable development within the global financial system, especially among citizens and policymakers. The timely declaration of the Sustainable Development Goals (SDGs) by the United Nations is appropriate in addressing environmental degradation. In fact, the SDGs have become part of the fundamental agenda and essential requirements of every business, including Islamic financial institutions. In particular, the concept of sustainable development is parallel with Islamic teachings, which promote welfare, security, and rights for the sake of the current and future generations. Furthermore, Islamic finance and the SDGs are closely associated, as the former is capable of serving a meaningful function in sustainable development to achieve the goals of implementing fair and equitable tools, promoting resource mobilization, and enabling social benefit tools. Therefore, this study highlights an important case for Islamic financial institutions by expounding on the best indicators for sustainable Islamic finance.

Keywords: Islamic finance, Islamic financial institutions, Sustainable Development Goals (SDGs), sustainable finance.

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INTRODUCTION

The evolution in the development of certain industries has brought prosperity in the form of economic and population growth. However, the neglect of sensitivity towards social and environmental interests has become a challenge to the global economy (Daly & Farley, 2011). Human development and economic growth have caused the emergence of several debates and issues concerning the deterioration of environmental quality (Twerefoua et al., 2017). The imbalance of the planet, which continues to be challenged by human activities, contributes to deterioration and damage, especially in waste generation and uncontrolled use of resources. Uncontrolled production leads to profit accumulation, resulting in ignorance of social interests that culminates in long working hours, underpayment, child labor, and citizens' health. Pollution and depletion of natural



resources have caused enormous stress to the earth system (Schoenmaker, 2019). The earth cannot cope if humans do not stop the activities that can cause pollution.

The SDGs consist of all the components concerning environmental, social, and economic issues, such as sustainable production and consumption, climate change, poverty, marine conservation, food security, gender equality, and economic growth (Agarwal, 2018). The concept of conventional SDGs is closely related to the Islamic model of sustainable development. The Islamic concept teaches every Muslim to establish harmonic and holistic interactions with other individuals and nature based on al-Qur'an and Sunnah, which consist of the aspects of *aqidah*, *shariah*, and *akhlaq* (Setiawati, 2020). *Aqidah* is *tawhid* which is the doctrine of the oneness of Allah within all aspects of a Muslim's life, including one's attitude towards the environment. *Shariah* guides humankind and it consists of the rules and law relating to the environment, among others. Then, *akhlaq* is also known as contemporary ethics whereby humankind ought to be good and virtuous in character, including practicing Islamic environmental ethics. The conventional view and Islam share a similar intention to secure human needs and environmental conservation. The utilization of natural resources is permitted but should not involve unnecessary destruction. According to Marsuki (2009), the utilization of natural resources in producing life's essentials should be protected to ensure their continued sustainability.

The United Nations has insisted that all governments and sectors, from micro-enterprises to multinational companies, should develop strategies for pursuing the SDGs (Jones et al., 2017). The sustainable development challenge is of no exception to any business, including the financial sector. According to Helleiner (2011) and Weber (2014), financial institutions' awareness about sustainability has increased. In fact, financial institutions have embraced the sustainability concept over the last decade, particularly in insurance, investment, and banking industries (Risi, 2020). This awareness has greatly influenced the current economic situation besides contributing to society and sustainable development.

Adoption of the green financial system has become a priority agenda for all financial sectors across the world as regulators and practitioners have started adopting the sustainability concept in the financial system (Zhixia et al., 2018; Park & Kim, 2020). Focusing on the Islamic finance industry is seen as a critical part as this sector's growth is very encouraging, with a total global Assets Under Management (AUM) amounting to US\$1.6 trillion to US\$2.6 trillion by 2020 (Parker, 2016). Forecasts, too, indicate that the growth of Islamic finance in 2022 will reach US\$3.8 trillion (ICD Thomson Reuters, 2017). Given this rapid growth and its well-established presence in the Organization of Economic Cooperation (OIC) region, Islamic finance offers an innovative and effective channel to mobilize capital for the implementation of the SDGs. The social and environmental elements absorbed alongside financial profit would be the best offers in mobilizing resources for development.

The Islamic finance industry in Malaysia is in the phase of development at adopting the Strategy Paper on Value-based Intermediation (VBI) issued by Bank Negara Malaysia (BNM) as a guidance document in the adoption of a value-based system for Islamic financial institutions. The VBI concept is an extension of the value-based banking concept in designing a sustainable financial system, which was triggered by the United Nations Environment Programme (UNEP). The VBI was introduced by the Malaysian government to ensure that the practice of the Islamic financial industry is compatible with the concept of sustainable development. According to Aassouli et al. (2018), the role of Islamic finance in achieving sustainable development is significant as it possesses effective risk management tools, promotes efficient use of resources by using effective instruments, and also acts as a social welfare tool. The VBI acts as a driver for profit and risk, thus has a positive impact on the Islamic finance industry (Ismail et al., 2020). In facilitating the achievement of the SDGs, the VBI is seen as an agent in fulfilling the goals of sustainable development with great impacts on the development of the Islamic finance industry.

The world has embarked on a quest of transition to new and different growth, as well as development towards being more socially and environmentally sustainable. As a result, it has created significant opportunities and challenges to Islamic finance. The current business models and strategies for the sustainability of the Islamic finance industry are indispensable. Islamic finance has its specific elements that are similar to the SDGs concept. These elements include *maqasid al-shariah*, which is protecting the five elements of life and promoting guidelines for happiness in this world and the hereafter.

The development of a new set of Sustainable Development Goals (SDGs) by the UN was preceded by the Millennium Development Goals (MDGs), which was committed to achieving eight measurable goals by the year 2015. Most of the MDG targets were achieved, albeit with some room for improvement that needed a detailed plan. Thus, the SDGs are the needed momentum to fit the MDGs with the new global development of people and technology. Besides, the MDGs were seen to be ineffective for some countries such as Nigeria (Ajiye, 2014) and South Africa (Udjo & Lalthapersad-Pillay, 2015). There is a broad acknowledgement nowadays of the need to overcome environmental challenges that involve carbon emission, land-use change, destabilization of natural resources, and biodiversity loss. There are also signs of people living below minimum social standards due to a lack of health care, poverty, and hunger (Schoenmaker, 2019). The SDGs are regarded as a complete set of 17 goals consisting of an integrated concept with three aspects, namely economic, social, and environmental, that might fulfil all the current needs of sustainable development (Ali et al., 2018).

The SDGs are more complex and have more details compared to the MDGs in terms of the number of goals, indicators, and reporting. Based on Georgeson & Maslin (2019), the efforts to achieve the SDGs would be inadequate if the focus was only on the framework of finance, implementation, and monitoring. Nevertheless, putting the framework into practice can contribute towards achieving the SDGs (Mawdsley et al., 2014). Strategic practice and an excellent framework could help in the implementation of the SDGs. The framework should be implemented by considering all aspects that contribute to sustainable development. The exploratory study by Mburayi & Wall (2018) found that the term sustainability should be embedded in the accounting and finance curriculum. According to Yatim et al. (2017), financial institutions should introduce various effective financial products and services that focus on green industries. How can finance support sustainable development? According to Schoenmaker (2019), finance can provide the resources for investment and lend for sustainable companies and projects. Besides, strategic modalities of financing is a key factor for sustainable development (Radović et al., 2018).

METHODS

The methodology adopted in this study was based on the guidelines highlighted by global organizations such as the UN on the SDGs, guidelines by local governments in promoting sustainable practices in Islamic finance, and literature review to identify the common ground for each component of sustainable Islamic finance and to define the best approach for Islamic financial institutions to enhance their effectiveness in fulfilling the goals of sustainable development. In addition, this study also refers to the Quran and Hadith in order to link *maqasid al-shariah*, Islamic finance and the sustainable development goals to present the pillars and indicators for measurement.

RESULTS AND DISCUSSION

Strategic finance could lead to the success of sustainable development. Otherwise, ineffective planning for sustainable finance could indirectly lead to environmental, social, and economic degradation. The growing concern among practitioners, regulators, and financial stakeholders about sustainability has led to the adoption of concepts, such as the Triple Bottom Line (People-Planet-Prosperity); Environmental, Social, and Governance (ESG) reporting; and Global Reporting Initiatives (GRI) as a trend worldwide (Ng, 2018).

Even though many guidelines and frameworks have been developed to achieve sustainability, the practices of some countries are still found unsatisfactory. In Malaysia, the unsatisfactory result is surprising as banking institutions in Malaysia have been offering green financing or known as Green Technology Financing Scheme (GTFS) since 2010. It is an effort by the Malaysian government to focus on green technology to strengthen and improve utilization and supply. This includes 28 active financial institutions in the GTFS, which offer green financing to eligible projects. Besides, the latest green product offered by Malaysia was green Sukuk in June 2017. Darus et al. (2013) also reported that the environmental disclosure by Islamic financial institutions in Malaysia was still low. It is a critical issue when the financial institutions practicing and offering green products do not adequately disclose their sustainable finance practices in their reporting. As claimed by Şener et al. (2016) the most important stakeholders of the corporate disclosure of sustainability reports are the shareholders and the government due to the use of power and urgency. Thus, the government has a strong role in introducing guidelines and policies on sustainable finance.

Financial institutions need to understand that certain incidents concerning environmental issues are caused by their clients to whom they lend money for project financing. These incidents and issues may have direct impacts on the financial situation of the financial institutions, such as non-performing loans due to the inability of the clients to comply with the financing agreement, increased risk of litigation caused by a lack of appropriate disclosure, and a higher cost of capital due to the low quality of the loan book. To address the issues concerning sustainability, all sectors, agencies, and organizations should be more precise in achieving a high level of research process in order to obtain high-quality disclosure and verification practices (Rosati & Faria, 2019). The SDG agenda can only be achieved if all businesses, societies, philanthropies, and academia participate in partnerships with the national and sub-national levels of governments (Ismail et al., 2018).

The SDGs that have been established to protect human life in all aspects are closely related to the concept of *maqasid al-shariah*. The origin of shariah (Islamic law) comes from the sources of al-Quran and Sunnah, and *maqasid* is the objective of Shariah. Imam Al-Ghazali pronounced that *maqasid al-shariah* is about the necessity of human beings through the preservation of five elements from any harm which are the protection of faith or religion (*din*), life (*nafs*), lineage (*nasl*), intellect (*'aql*), and property (*mal*). It is aligned with the concepts of SDGs which are to preserve lives, descendants, and wealth as well as ensure that the future generation can have a better life and could be sustained longer (Abdullah, 2018).

Human beings are the only creations of God who are appointed as vicegerents in this world as administrators and environmental managers, as stated in the al-Quran verse 2:30. According to Ismail et al. (2018), human beings are entrusted with the responsibility of guardians, trustees, and supervisors concerning the use of resources in a sustainable way and the protection of physical property of their own. As good Muslims, the concept of *aqidah* or *tawhid* should be applied to establish harmonic interactions between people and nature. According to Ismail (2012), the guiding principles of good deeds and a faithful society will provide good examples to other societies and individuals. *Aqidah* covers all aspects of a Muslim's life, including one's

attitude towards the environment. Then, *akhlaq* also plays an important role for Muslims to be good and virtuous in their character, especially in practicing Islamic environmental ethics.

As God's great creations, humans should be the best catalysts for the management system that is aligned with the shariah on this earth as well as provides guidance on rules concerning the environment according to the main sources which are the al-Quran and Sunnah. One of the stories concerning the society and environment is the instructions given by the caliph, Abu Bakar, to his armies which are not to harm woman, children, and infirm; not to destroy crops and cut down trees; and not to harm animals. There are two lessons from the instructions, which are justice and recognizing the value of nature. These practices should not be limited to war only, but are applicable to our daily lives. Abu Bakar was the rightly guided caliph that incorporated instructions from al-Quran and rules from the Prophet's examples. The Prophet is a role model of a Muslim's life. Thus, all his examples are to be emulated, including forming the basis of Islamic law known as shariah.

Shariah becomes sophisticated due to the growth of the Muslim population around the world, which leads to complex requirements from the government (Fatoni et al., 2019). Apart from al-Quran and Sunnah, there are other additional elements to be referred to, which are *Ijma'* (the consensus of scholar jurists) and *Qiyas* (the process of analogical reasoning). The development of Islamic law (*fiqh*) is based on this process with the addition of two other instruments, namely *Ijtihad* (interpretation in context) and *Uruf* (custom and practice). This framework is very important and useful in serving Muslims by expanding the shariah in the formulation and setting of standards of Islamic law, such as environmental law. The law concerning the relationship among all creations and human life has been specified since the time of the Prophet. Al-Quran states this relationship in verse 4:134:

'Whosoever seeks the reward of this world let him know that the reward of this world and (that of) the Hereafter is with Allah. Allah is All-Hearing, All-Seeing'.

Additionally, the Quran tells us to be fair in all aspects of our life, including natural surroundings (15:85): 'We have not created the heavens and the earth and everything in between except for a purpose. And the Hour is certain to come, so forgive graciously'.

This Quranic verse illustrates that all the creations in this world are created for a purpose. The ultimate objective is to be kind to all creations, just in all matters, and enjoin the right and forbid the wrong. According to Alziyadat & Ahmed (2019), the shariah principles, as agreed by jurists, have evolved based on the concept of prioritizing the interest of the community rather than the individuals, relieving hardships rather than promoting benefits, prioritizing bigger benefits and minimizing losses, and avoiding bigger harm.

Based on the Quranic view, everything on earth is for humankind and is a gift for them to manage. Humans should strive to do everything in a good manner to maintain harmony among all the creations in this world. Social and economy are a part of the environment, and these are not separate entities in treating the sustainability concept (Sarkawi et al., 2016). Islam has an integrated approach to lead citizens' lifestyles towards sustainable development, and as a trustee of the earth, man should execute his task socially and economically. The concept of sustainable development should be embedded in rules and institutions as a step for the Muslim community to confront any social and environmental challenges.

Islamic finance came into existence after the establishment of Islamic banking in the 1970s to offer interest-free commercial products. It has developed gradually to meet the needs of the global financial market worldwide in both Muslim and non-Muslim countries (Myers & Hassanzadeh, 2013). The Islamic economic system derives from the shariah principles that require Muslims to undertake economic activities such as investments and entrepreneurial activities that do not contradict with Islamic values. Islamic economy plays a

central and critical role in the global ethical economy. A recent trend in Islamic economy is seeking for ethical products and services that are perfectly aligned with shariah-based principles and ethic-based Islamic finance.

The resilient growth of Islamic finance has led to the need for specific care in the aspects of social justice and environmental balance so that the growth would not harm the earth's system as well as the people inhabiting it. According to Biancone & Radwan (2018), Islamic finance has several potentials in promoting sustainable economic development, such as widening access to microfinance, expanding the reach of takaful, and financing infrastructure projects.

Institutions that solely focus on religious activities play an essential role as socio-economic institutions in achieving the SDGs, for example, zakat and waqf institutions (Franzoni & Allali, 2018). Zakat (a fundamental pillar of Islam) is one of the obligations of Muslims in terms of income distribution that focuses on helping the poor. Muslims are required to distribute their wealth and income to the poor in the form of zakat, and the system was very effective in the early Islamic history as a distributive scheme in taking care of the poor (Ahmed et al., 2015). *Waqf* comprises donations from individuals or organizations for perpetual societal benefits that consist of movable or immovable assets, as well as cash, which can be used for welfare purposes such as education, health, and environmental preservation programmes (Ismail et al., 2018). According to Ismail & Shaikh (2017), project financing, especially for development infrastructure in achieving the SDGs such as SDG 6 (air and sanitation), SDG 7 (sustainable and affordable energy), SDG 9 (building resilient infrastructure), and SDG 11 (protection), can use innovative Islamic financial instruments (such as *sukuk*) to achieve the SDGs targets.

The state of the Islamic Economy Report 2018/19 has outlined eleven priority SDGs goals for Islamic finance, as illustrated in Table 1.

Table 1 SDGs for Islamic finance

Prosperity: Economic Resiliency	SDG 8, SDG 9, SDG 10, SDG 12
People: Social Empowerment	SDG 1, SDG 2, SDG 3, SDG 4, SDG 5, SDG 7
Planet: Environmental Regeneration	SDG 13

The enablers recommended by economic participants for the development of Islamic finance in achieving the SDGs are that consumers should demand for social impacts and ethical financial services, investors should be highly concerned about high impact investments for companies, the industry should expand ethical and social finance products and services, and governments need to facilitate ethical finance standards and regulations besides providing incentives to the industry (Ibrahim & Ebrahim, 2018). Sadiq & Mushtaq (2015) outlined five main aspects of the role of Islamic financial institutions towards sustainable development, which are the financial sector's stability and resilience, inclusive finance, developing infrastructure, resolving social and environmental issues, and reducing vulnerability and mitigating risk. The five major aspects are very important in the implementation of the SDGs in the Islamic finance industry.

The latest guideline and strategy issued by Bank Negara Malaysia (BNM) 2018, known as Value-Based Intermediation (VBI), was purposely designed to strengthen the ecosystem of sustainable finance by expanding the role of Islamic banking institutions (Arshad et al., 2018). VBI is universally applicable across financial sectors, especially the Islamic banking industry. The guideline focuses on practices that generate community, environmental, and social impacts. VBI is quite similar to Value-Based Banking (VBB) that was introduced by the UN in 2015, which focuses on a sustainable economy. However, VBI's focus is on the intended

outcomes of shariah, including the encouragement to generate, accumulate, and distribute wealth in a just manner.

The guidelines provided by the government are mostly based on combining the concepts of the SDGs, Islamic finance, and *maqasid al-shariah*. As shown in Figure 1, *maqasid al-shariah* is seen as focusing on protecting the fundamentals of human beings' necessity and serving as a guide for efficient resource utilization, which is similar to the concept of the SDGs (Abdullah, 2018). Sustainable Islamic finance is about combining the concepts of the SDGs and *maqasid al-shariah* with a better guideline provided by international organizations and local governments. Thus, Islamic financial institutions play an important role by focusing on both religious and socio-economic activities to achieve the SDGs highlighted by the global community (Franzoni & Allali, 2018).

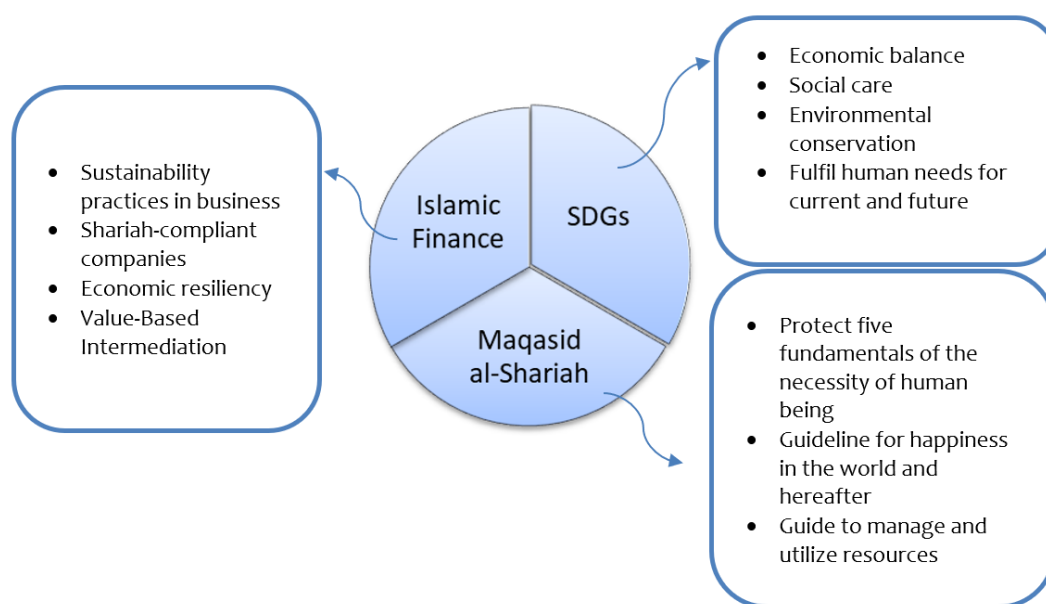


Figure 1 SDGs, Islamic Finance and *Maqasid al-Shariah*

SDGs came into force on 1 January 2016, and approximately 30 indicators within a comprehensive proposal were submitted to the United Nations Statistical Commission as a starting point for its framework. Many organizations and governments reflect the proposal at the national level by working on data analysis and setting indicators for monitoring progress in ensuring that the SDGs are used as practical tools (Zhou & Moinuddin, 2016). The SDGs Index is an indicator for organizations as a guideline towards fulfilling the need for sustainable development in all sectors. The recent global financial crisis has raised debates regarding the sustainability of the financial system. An alternative system should serve people around the world for a long-term period with prosperity and provide added value to the real economy.

The relatively rapid growth of the Islamic finance sector can create an opportunity for the Islamic financial industry globally to bring innovative solutions for the smooth implementation of the SDGs agenda. The Islamic financial system is recognized by researchers as having the potential to mobilize resources, thus making significant contributions to sustainable development (Myers & Hassanzadeh, 2013). Additionally, Nor et al. (2016) found the existence of a positive demand for the social banking model among clients of Islamic banks in Malaysia. Islam has an integrated approach to bring citizens' lifestyles towards sustainable development, especially in serving the needs of the global community, including the middle class and the poor.

A framework should be developed as a guideline for Islamic financial institutions in fulfilling the need for sustainable development in their operation and business practice. The establishment of VBI in facilitating the SDGs is seen as an initial step for Islamic financial institutions in contributing towards achieving sustainable development as well as serving as drivers of profit and risk (Abdullah, 2018). The SDGs index for Islamic finance is slightly different as the specificity of the SDGs indicators for Islamic financial institutions is based on the guidelines by the UN, the government of Malaysia, and from Jan et al. (2018).

Schoenmaker (2019) stated that economic resiliency consists of four SDGs, which are SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation, and Infrastructure), SDG 10 (Reduced Inequality), and SDG 12 (Responsible Consumption and Production). These four indicators are allocated into this category to align Islamic finance and VBI with the SDGs. All the parameters included in this framework are from the United Nations: SDGs Industry matrix for financial services, absorbed with the elements of VBI. The elements added to SDG 8 are organizations should commit to Islamic microfinance (Rashid et al., 2018) and expand savings, credit, and *takaful* for small business owners, which include the adoption of Islamic instruments such as *mudaraba*, *musharaka*, and *murabaha*, among others.

Table 2 SDG Indicators for Islamic Financial Institutions - Prosperity: Economic Resiliency

SDGs	Indicators for the Measurement of Each Item
Prosperity: Economic Resiliency	
SDG 8: Decent Work and Economic Growth	Offer (savings, credit and <i>takaful</i>) for microfinance and small business owners. Leverage new business models and technologies - impact investment, crowdfunding. Reporting on minimum wages paid. Expand finance for young people.
SDG 9: Industry, Innovation and Infrastructure	Investment in low-carbon infrastructure (green infrastructure project).
SDG 10: Reduced inequality	Offer long-term financing for public-private partnerships in infrastructure. Leverage new technologies such as mobile money payment services, big data or cloud computing. Pay staff a living wage.
SDG 12: Responsible Consumption and Production	Statement relevance to sustainability (mission, visions). Established a sustainability department. Subscribing to relevant local or international standards or best practices (ESG, VBI). Partnership with a green organization for sustainable production. Offer green Sukuk for funds, loans and deposits. Donates profits for environmental preservation activities.

Source: United Nations Global Compact (2016); Bank Negara Malaysia (2018)

SDG 9 promotes sustainable industrialization which has an indirect economic impact, and the initiatives considered in this section are related to investments in low-carbon infrastructure. SDG 10 is about reducing inequality and the point highlighted is leveraging on new technology that creates efficient and effective services for a new market that could extend financial inclusion, pay living wages to the staff, and ensure excellent remittance services. SDG 12 concentrates on sustainable patterns of production and consumption, and the best part to absorb the VBI principles of attaining benefit and preventing harm is the green investment. The activities should be free from *israf* (unnecessary spending), *itraf* (self-indulgence), and *tabdhir* (spending on unlawful activities) (Laldin & Furqani, 2013).

The entire Islamic finance landscape is a playground to the SDGs initiatives that promote benefits to mankind. VBI serves as a common vision in the Islamic finance industry and ensures the delivery of applications and services related to the concepts are in line with the shariah principle. The requirements highlighted in VBI were taken from the main part of organizations, which are strategic planning and company's appearance. These indicators are developed to: a) provide effective management and strategic guidance to the organization, and b) clarify the VBI and sustainability practices at the early stages of organization.

In presenting the best practices for responsible consumption, the goals are to reduce energy consumption by employees and suppliers, offer green products such as green sukuk, create partnerships with green organizations, form innovative agreements, donate to environmental activities, and publish an integrated report.

Table 3 SDG Indicators for Islamic Financial Institutions - People: Social Empowerment

SDGs	Indicators for the Measurement of Each Item
People: Social Empowerment	
SDG 1: No Poverty	Offer relevant products (including low/no fee accounts) such as <i>Qard al-Hasan</i> . Offer financial education to the communities especially lower-income communities. Pay Zakat to <i>asnaf</i> . Reported on charity – <i>Sadaqah</i> and <i>Waqf</i> .
SDG 2: Zero Hunger	Collaborate with governments and other institutions for sustainable agriculture financing. Established responsible business policies for human violation and land rights. Established a program to deliver food assistance to the needy.
SDG 3: Good Health and Well-Being	Provide capital for investment in healthcare institutions. Support health promotion activities. Established program with the community, e.g HIV education programs.
SDG 4: Quality Education	Collaborate with development finance institutions and governments for education projects financing. Offer Sukuk for education by providing access for personal savings and education loan. Provide training for small-medium enterprises in accounting, business management and customer services. Provide student internships for low-income students (B40).
SDG 5: Gender Equality	Provide savings, credit and takaful products for women in growing their business. Provide <i>Ar-Rahn</i> to increase lending access for women. Provide women share and roles on company Boards. Provide educational outreach program that targets teenage girls. Provide educational opportunities and talent program supporting women to reach management levels.
SDG 7: Affordable and Clean Energy	Provide financial expertise in energy pricing models for energy efficiency. Provide capital and invest (green Sukuk) in project related to renewable energy. Provide innovative credit for small-medium enterprise to encourage enhancing energy efficiency.

Source: United Nations Global Compact (2016); Bank Negara Malaysia (2018)

Six sustainable development goals were included in the section of people: social empowerment, which are SDG 1, SDG 2, SDG 3, SDG 4, SDG 5, and SDG 7. SDG 1 (No Poverty) and SDG2 (No Hunger) are similar to each other. Both elements of Islamic finance with the SDGs are about ending poverty and hunger, which are an organization should offer products that are free of fee or interest such as *Qard al-Hasan* (Widiyanto et al., 2011); offer direct microcredit, micro saving, micro-takaful, and remittance services across various geographical and

socioeconomic contexts; offer financial education to communities; pay zakat to *asnaf* (Nadzri et al., 2012; Embong et al., 2013); give *sadaqah* and *waqf*; initiate programmes to deliver food assistance to the needy; establish responsible business policies that do not violate human and land rights; and collaborate with governments and farm aggregators to avoid the discrimination of women, disabled people, people of certain races and ethnicities, and smallholder farmers. These initiatives would fulfil the principle of VBI, which is to be fair and transparent to everyone.

SDG 3 was established to benefit people of all ages towards having a healthy life. Leading companies across the world have highlighted certain approaches towards fulfilling this goal. Most of them have suggested providing and raising capital for investment in healthcare institutions, supporting health promotion activities, conducting programmes with communities to promote the importance of maintaining health, and ensuring healthy and safe work environments for employees. SDG 4 stresses the importance of quality education. Collaboration and transferring knowledge to everyone is the priority agenda in order to maximize benefits across the organization and to the people outside the organization. Organizations should collaborate with governments and across the industry to finance educational projects and explore the best practices in enhancing financial literacy. Offering personal savings and loan products to finance the cost of education, providing business management training to small-medium enterprises (SMEs), mentoring the youth, and providing student internships can generate a positive impact in advancing knowledge and financial literacy.

Gender equality has always been a hot issue in all nations. SDG 5 was introduced by the UN to alleviate and eliminate gender inequality in all its forms. The point taken from practitioners around the world is to empower women (Islamic Finance News, 2015). Organizations should offer facilities to women by providing savings, credit, and *takaful* products to increase women's function in all stages of the organization in terms of participation in company boards, as well as enabling women in emerging markets (Kakabadse et al., 2015), provide educational programmes and opportunities to women and teenage girls, and expand lending to women by providing *Ar-Rahn* products (Azman et al., 2015).

SDG 7 presents a goal that focuses on affordable and clean energy. This goal seeks to ensure access to sustainable and modern energy. VBI emphasizes preventing harm, which may affect financing and investment activities. Relying on that principle, organizations should raise capital and invest (green *sukuk*) (Muhammad & Muhammad, 2018) in projects related to renewable energy, apply financial expertise to energy pricing models, and design innovative credit and efficient equipment for SMEs by installing sustainable energy that contributes to lessening the carbon footprint (Fresner et al., 2017).

Table 4 SDG Indicators for Islamic Financial Institutions - Planet: Environmental Regeneration

SDGs	Indicators for the Measurement of Each Item
Planet: Environmental Regeneration	
SDG 13: Climate Action	Invest in climate risk mitigation, climate resilience and climate adaptation (financing). Provide <i>takaful</i> schemes that cover natural catastrophe. Conduct a program to improve community resilience to climate change.

Source: United Nations Global Compact (2016); Bank Negara Malaysia (2018)

The only sustainable development goal that falls into this category is SDG 13. The elements that organizations should employ in their practices are the precautionary steps to lessen the risks of climate change. One of the strategies is to invest and provide a financing plan for climate risk mitigation (Ackerman, 2009),

which includes green sukuk as well as debt and equity instruments. Additionally, organizations should provide takaful schemes that cover natural catastrophes and conduct programmes to improve community resilience towards climate change (Crnčević & Lovren, 2018).

CONCLUSION


The world needs a paradigm shift in the practice of sustainable development for the sake of the welfare of the earth and its inhabitants. From the Islamic perspective, sustainable development emphasizes humankind's responsibility in the utilization, allocation, and preservation of natural resources. Social justice, poverty eradication, and protection of the planet's inhabitants and ecosystems are crucial practices in the ethical Islamic economy. The growth of Islamic finance worldwide has led to the need for specific care in the aspects of social justice and environmental balance so that the growth would not harm the earth system and earth inhabitants. Strategic finance could lead to the success of sustainable development. Thus, Islamic finance is seen to exert a big influence on the fulfilment of the SDGs as its principle is in tune with the SDGs. The services of social impacts and ethical financing have become the primary agenda of each Islamic financial institution. These are meant to provide exclusive offers to consumers by considering all the impacts and risks involved relating to those services to avoid causing detrimental effects on the environment. The Value-Based Intermediation (VBI) designed by Bank Negara Malaysia in 2018 is one of the guidelines to strengthen Islamic banking institutions towards practicing responsible investment and sustainable finance, which can create better and more sustainable economic value in the long run. VBI serves as a guideline to assist in the implementation of the SDGs. The establishment of the guideline has encouraged all practitioners to work towards attaining the SDGs. Thus, this study has highlighted the best indicators that should be featured in sustainable finance that are parallel with Islamic principles.

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