

DESIGNING MAQASHID INDEX MEASUREMENT MODELS INTEGRATED WITH ESG IN ISLAMIC FINANCIAL INSTITUTIONS

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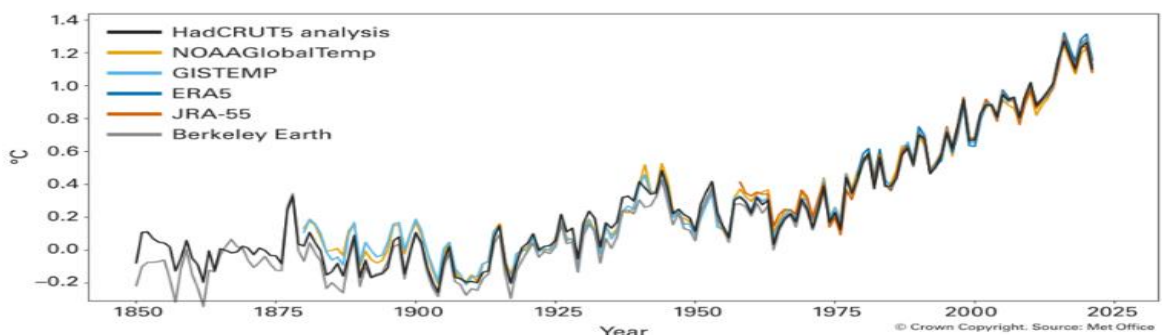
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ABSTRACT

This study aims to evaluate the performance of Islamic Financial Institutions (IFIs) through the integration of Maqashid Sharia principles and Environmental, Social, and Governance (ESG) criteria. The method used is Analytic Network Process (ANP), which allows the identification of priority aspects in performance measurement in a holistic manner. The results show that the aspect of hifdzu ad-diin (protection of religion) is the highest priority in the maqashid objectives cluster. Meanwhile, in the ESG main criteria cluster, environmental aspects occupy the most dominant position. At the sub-criteria level, natural resource conservation (E), stakeholder awareness (S), and environmentally friendly policies (G) receive the highest weight. This study makes a new contribution by building an Islamic values-based performance measurement model integrated with ESG, which is relevant for realizing sustainable finance practices. This integration strengthens the evaluation approach to institutional sustainability, not only from an economic perspective, but also from social, ethical and environmental aspects.

INTRODUCTION

Climate change and environmental degradation have become major challenges for the modern world, affecting not only ecological aspects but also global social and economic aspects. (Henderson et al., 2017; Popovski, 2024; UN, 2024). World Meteorological Organization (2024) the number of temperatures reached in 2023 is the highest level in history, the global temperature is on the rise, and the global ecological system continues to decline in number (Bradud et al., 2022; Dietz et al., 2020; Richard, 2009). Under the current situation, the trends in the financial sector are constantly developing and developing strategies (Bennett & Iqbal, 2013; Qoyum et al., 2022).



Source: Met Office

Figure 1. Earth's Temperature Rise

Because of this, the Environmental, Social, and Governance (ESG) principles have been evaluated to create a sustainable framework for corporate financial institutions, and to support the global economy (Gillan et al., 2021; Huang et al., 2022). Li et al., (2021) ESG transparent alignment environmental impact, social responsibility standard, transcendental traditional earning ability index. Prominent institutions such as Bloomberg, MSCI, and Thomson Reuters have adopted ESG evaluation system, guiding investor and stakeholder decision process (Hayat & Kabir Hassan, 2017).

In the Islamic worldview, the concept of Maqashid Sharia has been the foundation for establishing policies since the long term, and the comprehensive financial domain (Darmawan & Fasa, 2020; Qoyum, 2018). Maqashid Sharia protects the five basic aspects of human life: religion (*hifdzu ad-diin*), life (*hifdzu an-nafs*), intellect (*hifdzu al-'aql*), lineage (*hifdzu an-nasl*), and wealth (*hifdzu al-maal*) (Rizaldy & Ahmed, 2019; Tara et al., 2015; Tarmuji et al., 2016). These five dimensions align significantly with the sustainability values embedded in ESG, highlighting a shared ethical foundation between Islamic and global sustainability standards (Paltrinieri et al., 2020; Sullivan & Mackenzie, 2020).

However, at present, the performance review of IFIs has traditional financial indicators, such as on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). The incompetence of indicators reflects the spirit of the country's financial system, and the degree of ethics and society. Mahyudin & Rosman (2022) and Mohammed & Razak (2008) emphasized that the lack of financial indicators equals the

genuine success of the legal system. Prior research, comprehensive Bennett & Iqbal (2013); Julia & Kassim and Qoyum et al. (2022), research, exploration of ESG principles, collection of information. However, even with little effort, it is possible to create a systematized and quantifiable model that is consistent with the individual framework. One research blank to supplement this research exam.

In this case, the purpose of this research is to explain the principles and ESG standards of Maqashid Sharia, and to establish a single performance model for financial institutions. The model uses analysis network process (ANP) method, and the transmission structure is compared with the previous test to determine the priority factors. This comprehensive model, which provides a comprehensive review of the world's basics, and the performance of the mechanism that demands the continued development of the world's global economy.

LITERATURE REVIEW

Islamic Financial Institutions (IFIs) Performance Theory

Mechanism performance is normally understood, the target is effective, and the actual degree of effectiveness is actual (Okumuş, 2024). In the context of the Islamic Financial Institution (IFI), the significance of performance compared to traditional financial institutions (Hakam Naja et al., 2023). This is because IFI's driving force is very small, but there is a lot of money to be made, and there is a strong sense of responsibility in society, and the responsibility is to take advantage of social responsibility (Mahyudin & Rosman, 2022). In this case, IFI's performance efficiency reflects the ideal situation under the two main aspects: financial performance and legality of Islamic law (Ahsan & Qureshi, 2022). Until now, IFI has used performance indicators and traditional financial indicators, such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), and Capital Adequacy Ratio (CAR). However, the financial health status of the review organization is very important, but the current mission of the country's financial institutions is not sufficient. Scholars such as Mohammed & Razak (2008) and Mahyudin & Rosman (2022) emphasize the slight locality, transcend claims, and have the ability to achieve merit and measure the standard of effectiveness. The concept of "Great Protection" (Maqashid Sharia) was first proposed by Imam Al-Ghazali and developed by scholars such as Al-Shatibi. Five goals include: namely the protection of religion (*hifdzu ad-diin*), soul (*hifdzu an-nafs*), intellect (*hifdzu al-'aql*), offspring (*hifdzu an-nasl*), and property (*hifdzu al-maal*) (Abdullah et al., 2024; Taufik et al., 2023). Under the background of the degree of production, even the smallest goals can be resolved, the direction of the process is not high, the guidance work process is not high efficiency, and there is social justice and mental responsibility (Abdullah et al., 2024).

Because of this, the researcher has submitted the basics for the basic view frame. A careful model is the Maqashid-based Performance Evaluation (MPE) proposed by Mohammed & Razak (2008) and Tarique et al. (2021), which translates

the objectives of Maqashid Sharia into the model is based on Maqashid's legal goals, quantitative indicators, examples of which are education, social justice, and wealth protection contributions. The framework recognition, international financial institutions' success or failure resolution, financial circulation, refund resolution, and the provision of social mental and effective abilities. At the same time, the global official environment, Environmental, Social, and Governance (ESG) framework, financial industry, daily income relationship (Paltrinieri et al., 2020; Rizaldy & Ahmed, 2019). ESG management, environmental management, and responsible company management (Kuzmina et al., 2023; Matikainen, 2023). Close agreement with the goals of Maqashid Sharia. For example, support for environmental protection is *hifdzu an-nafs* and *hifdzu al-maal*, and the support for environmental protection is *hifdzu ad-diin*, reflecting the values of trust and integrity (Mohd Zain et al., 2024).

Maqashid Sharia and ESG Integration in Previous Study

In recent years, more and more people have come to the international financial center's "Maqashid", the principles of the Islamic law, and the Environmental, Social, and Governance (ESG) framework interconnection. Mutual complementarity for both parties, due to their mutual understanding, collective core values, immediate justice, social responsibility and long-term sustainability (Baratta et al., 2023; Trautman & Newman, 2021). Maqashid provides a special Islamic spiritual and ethical basis, and provides ESG rules, which are applicable to the global commercial and investment fields (Ahmad et al., 2021).

In the past, multiple research studies have been conducted on different methods and concepts. One significant contribution to bridging Islamic finance values and global sustainability principles is the study by Paltrinieri et al. (2020), explore the relationship between the Islamic Finance Development Indicator (IFDI) and ESG scores across countries. While Maqasid Shariah is not explicitly referenced, the study reflects its values, especially in social and governance dimensions. IFDI's components like zakat, qard hasan, and CSR demonstrate how Islamic finance supports ESG-aligned ethical practices. Further advancing this discourse by Okumuş (2024) explicitly integrates Maqasid Shariah into a performance assessment model the Maqasid Shariah Performance Index (MSPI) for participation banks in Türkiye. The research return, the construction of ESG connections, the recommendation of green finance, the support of small and medium-sized enterprises and the development of rural areas, etc., the definition of MSPI, which is the same as the Italian teaching law and the current permanent tool of practicality.

Similarly, Qoyum et al. (2022) analyzed the ESG performance of Shariah-compliant companies in Indonesia and Malaysia. Although the study did not directly refer to *Maqasid Shariah*, it argued that Islamic values themselves support ESG goals and that the Shariah-compliant label can be an indicator of enhanced sustainable practices, especially at the environmental and social levels. This finding echoes previous research by Sairally (2015) who emphasized the need to substantially

integrate *Maqasid Shariah* values into Islamic finance, rather than just strictly adhering to *fiqh*. Sairally advocated an ethical and holistic approach aligned with ESG principles such as environmental protection, social equity, and transparent governance. nce. Building on this, Agustin et al. (2023) conducted a systematic literature review to explore the integration of ESG principles and *Maqasid Shariah* in Islamic finance, focusing specifically on Islamic banking. The study affirms the strong alignment between the two frameworks and highlights their mutual emphasis on environmental stewardship, social justice, and sound governance. However, it also identifies key challenges, notably the lack of awareness and the absence of standardized implementation frameworks.

While the studies have made meaningful contributions in constructing a conceptual foundation, the majority are still confined to qualitative, narrative, and descriptive methodologies. There remains a notable paucity of research that employs rigorous, structured scientific methods such as Analytic Network Process (ANP), Fuzzy Analytical Hierarchy Process (Fuzzy AHP), or Structural Equation Modeling (SEM) to quantitatively integrate ESG dimensions with *Maqasid Shariah* in the context of institutional performance measurement. This methodological limitation underscores a significant gap in the literature. Existing performance assessments of Islamic financial institutions tend to emphasize financial ratios and formalistic Shariah compliance, with insufficient incorporation of the broader social, ethical, and environmental dimensions embodied in the ESG framework. These aspects, which resonate deeply with the spirit of *Maqasid Shariah*, have yet to be fully operationalized within evaluative models.

Accordingly, there is an urgent need to develop a comprehensive evaluation framework that systematically and empirically integrates *Maqasid Shariah* principles with ESG indicators. Such a model would offer a credible, practical, and contextually appropriate performance measurement tool tailored to the unique characteristics of Islamic financial institutions. The present study seeks to address this gap by proposing an integrative approach grounded in expert validation and supported by robust methodological design.

Table 1.
Comparative Summary of Islamic Financial Performance Measurement Models Based on Maqashid Sharia and ESG Integration

Comparison Aspect	Mohammed & Razak (2008) - Maqashid Performance Evaluation (MPE)	Okumuş (2024) - Maqasid Shariah Performance Index (MSPI)	Paltrinieri et al. (2020) - IFDI-ESG Cross-Country Analysis	This Study - Integrated Maqashid-ESG Model (ANP-Based)
Theoretical Basis	Classical Maqashid Sharia framework	Maqashid Sharia + banking performance	Islamic Finance Development Index (IFDI) + ESG dimensions	Maqashid Sharia integrated with ESG

Methodology	Descriptive, indicator-based	Index scoring from participatory banks	Quantitative, panel data analysis (cross-country)	Analytic Network Process (ANP) + Delphi expert validation
ESG Integration	Absent	Partially addressed through policy recommendations	Implicit ESG links (e.g., zakat, CSR as proxies)	Explicit and full ESG incorporation in model structure
Focus of Evaluation	Educational, ethical, and social contributions	Shariah compliance and sustainable banking initiatives	Cross-country ESG impact of Islamic financial development	Institutional performance: spiritual, environmental, social
Geographical Context	General Islamic banking context	Türkiye (participation banks)	Global (multinational sample)	Indonesia (Islamic Financial Institutions)
Output Format	Indicator model	Composite Shariah-based index	Empirical relationship between IFDI and ESG	Prioritized weights (maqashid + ESG) via supermatrix
Main Contribution	Introduced measurable Maqashid-based performance indicators	Linked Shariah objectives with sustainability goals	Demonstrated alignment of Islamic finance with ESG practices	Offers integrative, quantifiable model grounded in Shariah
Limitations	Lacks environmental or governance dimensions	Methodologically limited (no ANP, fuzzy AHP, SEM)	Does not explicitly use Maqashid framework	Limited application scope (focused on IFIs only)

Source: author

As shown in the comparison *table. 1*, this study introduces a more integrative and empirically grounded performance model. While previous models focused primarily on Maqashid Sharia or partially incorporated ESG principles, this research bridges both frameworks through a structured ANP methodology, providing measurable and context-specific insights for evaluating Islamic financial institutions.

RESEARCH METHODS

Method

This study adopts a qualitative descriptive approach by employing the Analytic Network Process (ANP) method in combination with the Delphi technique. ANP was chosen due to its capability to address complex decision-making problems involving interdependent relationships among criteria, which cannot be effectively handled by the traditional *Analytic Hierarchy Process* (AHP) (Ascarya et al., 2023). Unlike AHP, ANP allows for feedback and interconnections among clusters and elements, making it suitable for developing a performance measurement model that integrates Maqashid Sharia principles with Environmental, Social, and Governance (ESG) criteria (Ascarya,

2005; Darmawan, 2018; Saaty, 2004). The Delphi method was used to iteratively refine and validate the model through structured communication with an expert panel, an approach that is particularly useful for consensus building when dealing with subjective judgments and complex evaluation frameworks (Lisitone & Turoff, 2011).

Data and Sampling

Data collection was mainly divided into two stages. First, in-depth interviews were conducted with seven selected experts using purposive sampling method. These experts included academics with extensive knowledge of Islamic finance, and representatives from regulatory bodies, all of whom possess extensive knowledge of Maqashid Sharia, ESG principles, and decision-making methodologies. Purposive sampling ensured that the qualifications of participants were aligned with the research objectives and relevant (Dilshad & Latif, 2013). Second, based on the interview results, a paired comparison questionnaire was developed following the ANP format. This questionnaire used Saaty's 1-9 scale (Saaty, 2004) to assess the relative importance of factors within each cluster. The data collected from the questionnaire was processed using Super Decisions 3.20 software to calculate the priority weights and create a supermatrix (Saaty & Vargas, 2006).

Table 2.
Lists Expert and Practitioner Respondent

No	Type of respondents	Delphi-ANP	Description
1	Expert	3	*UIN Sunan Kalijaga Yogyakarta, *Universitas Islam Tribakti Lirboyo Krdiri, *IAIN Kediri
2	Practitioner	3	*Bank BSI KCP Hayam Wuruk Kediri, *Consultant, *BMT Rahmat Syariah Semen Kediri
3	Regulator	1	*OJK
All		7	

Source: Author

Research Procedure

The development of the performance evaluation model is divided into three main stages:

1. Model Construction

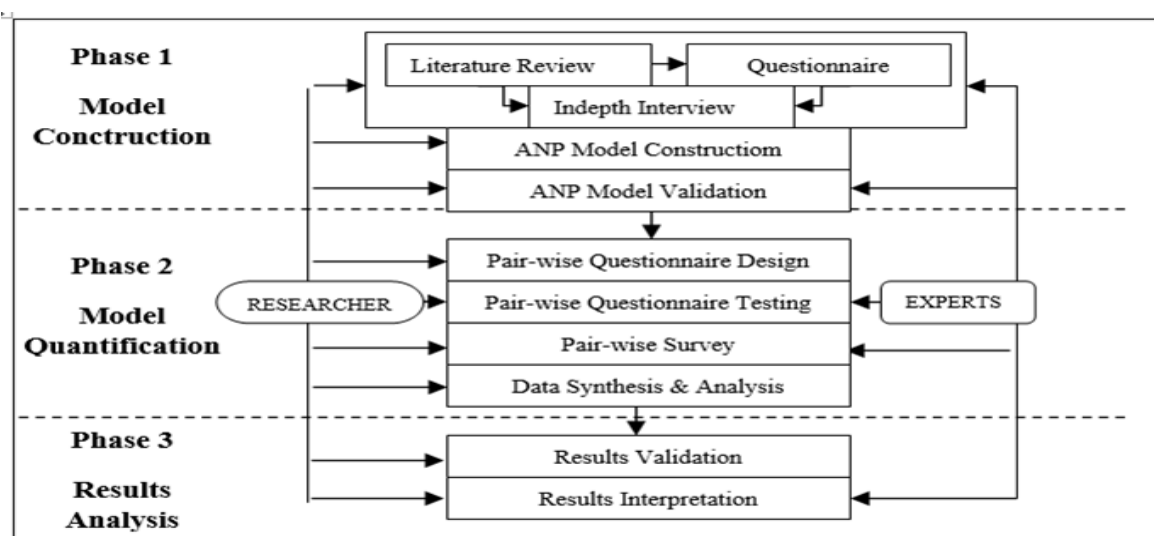
The ANP framework is built on theoretical literature and empirical findings obtained through interviews with experts. The model consists of the main objective (Shariah), main criteria (ESG aspects), and sub-criteria (specific ESG factors).

2. Model Quantification

A structured paired comparison questionnaire was distributed to the expert panel. The collected questionnaires were analyzed using Super Decisions 3.20 software to calculate the weights of each criterion and sub-criterion in the network

3. Synthesis and Analysis

The results of the supermatrix were further analyzed by calculating the geometric mean (GM), which summarizes the judgments of all experts. Additionally, Kendall's



Source: Author based on Ascarya (2005)

Figure 2. ANP research model stages

The combination of the Delphi method and the ANP provides a comprehensive and robust approach suitable for both conceptual modeling and empirical validation. This approach ensures that the proposed performance evaluation model for Islamic financial institutions is aligned with both sustainable values and the objectives of Shari'ah law (Asfarina et al., 2019).

RESULT AND DISCUSSION

In this study, the analytical network process (ANP) was used to construct a Maqashid Sharia-based performance evaluation model that integrates environmental, social and governance (ESG) aspects. Results were collected from seven experts using paired comparison method and processed using Super Decisions 3.20 software. The priority weights generated by this process reflect the relative importance of each Shariah objective, ESG aspect and their supporting factors.

Tabel 3
ANP Result

No.	Cluster Goal (Maqashid Sharia)	Responden						
		R1	R2	R3	R4	R5	R6	R7
1.	Hifdzu An-Nafs	0.22	0.23	0.22	0.22	0.22	0.23	0.22
2.	Hifdzu Al-Aql	0.15	0.14	0.13	0.15	0.15	0.14	0.13
3.	Hifdzu Ad-Din	0.41	0.47	0.49	0.41	0.41	0.47	0.49
4.	Hifdzu An-Nasl	0.11	0.08	0.08	0.11	0.11	0.08	0.08
5.	Hifdzu Al-Maal	0.08	0.06	0.05	0.08	0.08	0.06	0.05

No.	Cluster Criteria (ESG Dimensions)	Responden						
		R1	R2	R3	R4	R5	R6	R7
1.	Environmental	0.51	0.52	0.52	0.51	0.51	0.52	0.52
2.	Social	0.27	0.27	0.27	0.27	0.27	0.26	0.26
3.	Governance	0.21	0.20	0.20	0.21	0.21	0.20	0.20

No.	Cluster Sub-Criteria ESG (Environmental)	Responden						
		R1	R2	R3	R4	R5	R6	R7
1.	Natural Resources Conservation	0.39	0.44	0.45	0.53	0.39	0.44	0.45
2.	Energy Consumption	0.16	0.14	0.13	0.14	0.16	0.14	0.13
3.	Green Building	0.29	0.29	0.29	0.11	0.29	0.29	0.29
4.	Green Product & Service	0.15	0.11	0.11	0.20	0.15	0.11	0.11

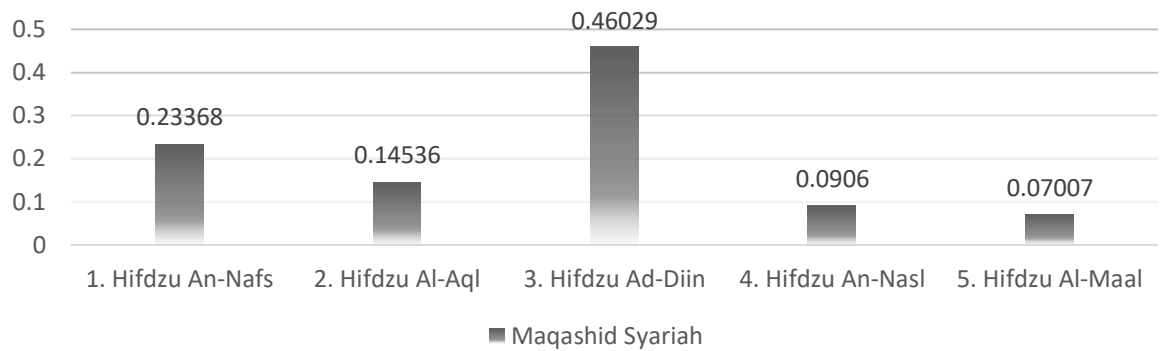
No.	Cluster Sub-Criteria ESG (Social)	Responden						
		R1	R2	R3	R4	R5	R6	R7
1.	Employee Right	0.14	0.11	0.11	0.20	0.14	0.11	0.11
2.	Stakeholder Awareness	0.34	0.39	0.40	0.30	0.34	0.39	0.41
3.	Green Events	0.22	0.21	0.20	0.27	0.22	0.21	0.20
4.	Workplace Safety	0.28	0.27	0.27	0.21	0.28	0.27	0.26

No.	Cluster Sub-Criteria ESG (Governance)	Responden						
		R1	R2	R3	R4	R5	R6	R7
1.	Natural Resource	0.18	0.17	0.16	0.18	0.18	0.17	0.16
2.	Green Policy Formulation	0.29	0.31	0.34	0.28	0.29	0.31	0.34
3.	Green audit	0.16	0.16	0.15	0.16	0.16	0.16	0.15
4.	Green Reporting	0.14	0.13	0.12	0.13	0.14	0.13	0.12
5.	Environmental & Risk Management	0.21	0.20	0.20	0.23	0.21	0.20	0.20

Source: Processing Data Super Decision 3.20

Goal Cluster – Maqashid Sharia Objectives

The five maqasid objectives were ranked to determine their relative importance in measuring performance. The results showed that religious protection (Hifz ad-Din) had the highest priority (0.46), followed by Hifdzu An-Nafs (life) at 0.23, Hifdzu Al-Aql (intellect) at 0.14, Hifdzu An-Nasl (lineage) at 0.09, and Hifdzu Al-Maal (wealth) at 0.07.



Source: Processing Data Microsoft Excel

Figure 4. Quantification of Goal Cluster (Maqashid Sharia)

As shown in Figure 4, in the *maqasid Shari'ah* cluster, religious protection was the highest priority objective, receiving the highest weighting among all expert responses. This suggests that religious protection is given more importance than other objectives, such as protection of life (*Hifz an-Nafs*) and protection of wealth (*Hifz al-Maal*), in measuring organizational performance from a Shari'ah perspective. The figure provides a visual summary of these priorities, supporting the model's position on the importance of spiritual integrity in sustainable financial operations. Kendall's consistency coefficient (W) was 1.0, indicating perfect agreement between the experts (Yosritzal et al., 2019), reflecting the central role of religious observance and spiritual integrity in the operation of Islamic finance.

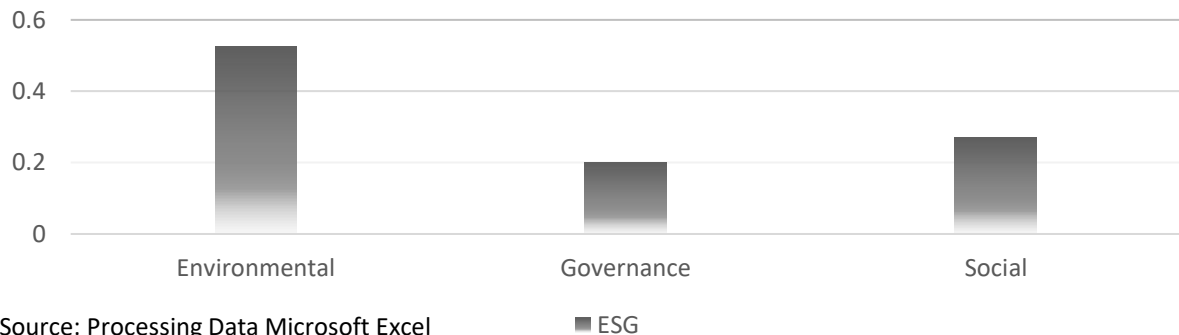
Table 4
Rater Agreement of Cluster Goal (Maqashid Sharia)

Hifdzu An-Nafs	Hifdzu Al-Aql	Hifdzu ad-diin	Hifdzu An-Nasl	Hifdzu Al-Maal
2	3	1	4	5
2	3	1	4	5
2	3	1	4	5
2	3	1	4	5
2	3	1	4	5
2	3	1	4	5
2	3	1	4	5
14	21	7	28	35
U	21	S	490	
Max S	490	W	1	

Source: Processing Data Microsoft Excel

Criteria Cluster – ESG Dimensions

ESG aspects were rated based on their contribution to achieving Maqasid goals. Environmental aspects were the most important, with a priority of 0.52, followed by social aspects (0.27) and governance aspects (0.21).



Source: Processing Data Microsoft Excel

Figure 5. Quantification of Main Criteria Cluster (ESG)

Figure 5 shows the experts' overall rating of the main ESG aspects. The environmental dimension received the highest weight, highlighting the growing recognition of ecological responsibility within the performance framework of Islamic Financial Institutions. This supports the view that environmental protection aligns closely with Maqashid objectives such as *hifdzu an-nafs* and *hifdzu al-maal*, and should thus be considered a core aspect of Shariah-compliant sustainability practices.

Table 5
Rater Agreement Main Criteria Cluster (ESG)

	Environmental	Social	Governance
R1	1	3	2
R2	1	3	2
R3	1	3	2
R4	1	3	2
R5	1	3	2
R6	1	3	2
R7	1	3	2
	7	21	14

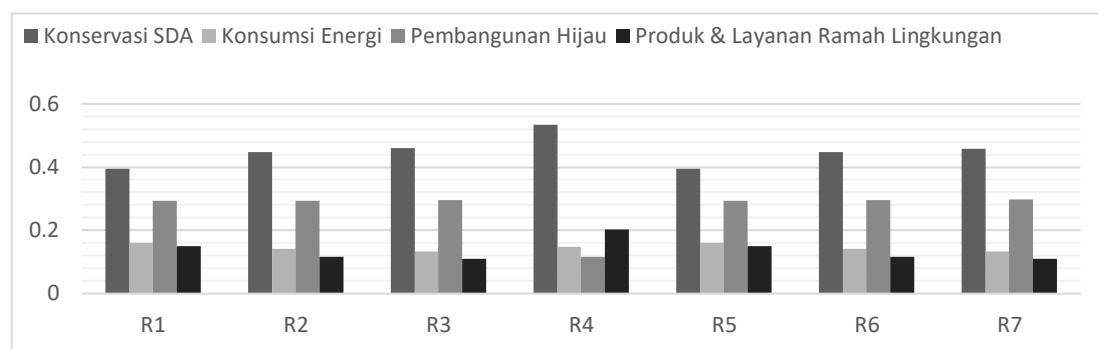
Source: Processing Data Microsoft Excel

This result underscores the Islamic view that protecting the environment is a critical component of safeguarding life and wealth, as stated in the Qur'an (e.g., Al-Baqarah: 60, Al-Qashash: 77).

Criteria Sub-Cluster – ESG

Each ESG dimension has indicator elements that are measured and analyzed. Here are the complete results based on the highest weight in each category:

a. Environmental Indicator

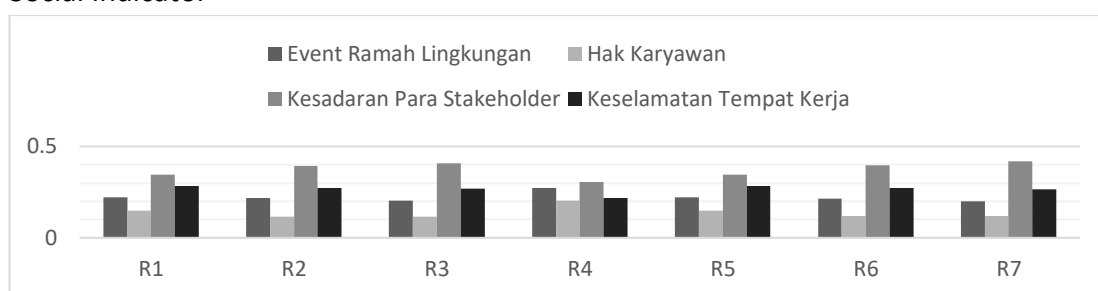


Source: Processing Data Microsoft Excel

Figure 6: Syntesis Priority Environmental Indicator

Interpretation: Conservation of natural resources is an important aspect of maqashid as it protects the lives, wealth, and future of future generations. This is in line with Islamic banks' practice of encouraging financing of sustainable projects.

b. Social Indicator



Source: Processing Data Microsoft Excel

Figure 7: Syntesis Priority Social Indicator

Interpretation: Stakeholder awareness is key for IFIs in building active community and customer participation in sustainability issues. This is also related to the efforts of IFIs in forming spiritual awareness in the financial sector.

c. Governance Indicator

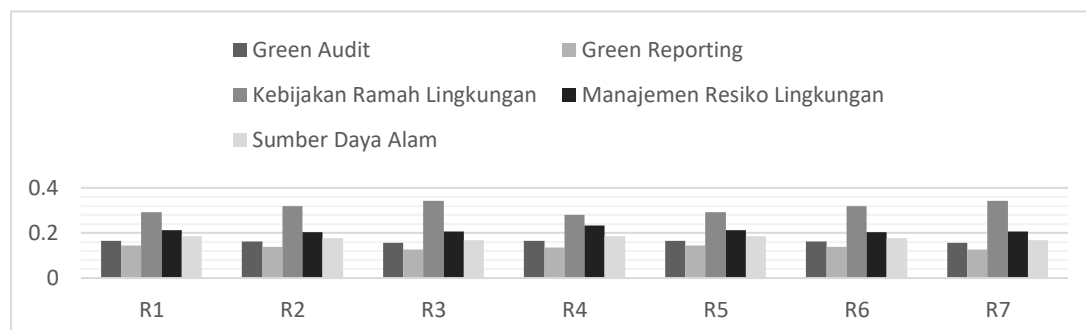


Figure 8: Syntesis Priority Governance Indicator

Source: Processing Data Microsoft Excel

Interpretation: The importance of green policies suggests that pro-environmental internal policies are an important indicator in demonstrating Shariah and ESG integrity.

This element is also a cornerstone in the ongoing audit and reporting process. The prioritization of specific ESG sub-criteria is depicted in Figures 6 to 8, covering each dimension respectively. For the environmental indicators (Figure 5), natural resource conservation was identified as the most significant element, reflecting a strong alignment with the principles of stewardship (*khalifah*) in Islam. Similarly, Figure 7 shows that stakeholder awareness dominates the social dimension, emphasizing the importance of participatory ethics and community engagement. In the governance cluster (Figure 7), the formulation of green policies is considered the most impactful factor, suggesting that institutional commitments to sustainability must be formalized through internal policy instruments to ensure accountability and long-term effectiveness.

DISCUSSION

Why is *Hifdzu ad-diin* the Top Priority?

The finding that *hifdzu ad-diin* (preservation of religion) holds the highest priority in the integrative performance model has strong practical implications for Islamic Financial Institutions (IFIs). In practice, the religious commitment of IFIs is not merely normative; it plays a critical role in enhancing public trust and customer loyalty (Chapra, 2008; Kunhibava et al., 2018). Empirical studies have shown that Shariah compliance is positively associated with customer retention, as Shariah-conscious customers assess institutional performance not solely by financial returns but by the integrity, ethical alignment, and spiritual foundation of the institution's operations (As-Salafiyah et al., 2022; Auda, 2007). Therefore, prioritizing *hifdzu ad-diin* is not simply an idealistic stance; it represents a strategic component of IFI branding and long-term sustainability in an increasingly competitive financial market (Qoyum, 2018).

From a theoretical standpoint, this study addresses a notable gap in previous literature, which often emphasizes the social and economic aspects of Maqashid Sharia and ESG. Prior models have frequently highlighted dimensions such as *hifdzu al-maal* (protection of wealth) or *hifdzu an-nafs* (protection of life) due to their relevance to welfare and social equity. However, these approaches tend to underrepresent the centrality of religious values as the core foundation of Islamic finance. By placing *hifdzu ad-diin* at the center of the evaluation model, this research reaffirms that every element of sustainability in Islamic finance—whether economic, social, or environmental—must be rooted in divine ethical principles (Bukhari et al., 2020). In essence, the proposed model reframes Maqashid Sharia not merely as a complementary ethical lens to ESG, but as a foundational epistemology that informs and guides the entire sustainability framework within Islamic financial practices.

The Dominance of Environmental Aspects in ESG

The highest weight in the ESG dimension is found in the environmental aspect, indicating that awareness of environmental impacts is increasingly becoming a major concern in the sustainability strategy of IFIs. This result is consistent with the findings of studies by (Okumuş, 2024; Paltrinieri et al., 2020; Qoyum et al., 2022), which show that financial companies that adopt ESG policies, especially in terms of the environment, enjoy long-term resilience and better reputations from ethical investors. In the Maqasid Shari'ah framework, environmental protection is linked to *hifdzu an-nafs* (protection of the soul) and *hifdzu al-maal* (protection of wealth) (Huang et al., 2022). Environmental protection directly contributes to human survival and economic sustainability. Therefore, indicators such as the protection of natural resources, the use of renewable energy, waste management, and green investment policies (green finance) are important sub-criteria that occupy a key position in performance evaluation. This also reflects the alignment of Maqasid Shari'ah with global ESG goals to promote economic growth without compromising environmental and social sustainability.

Relevance to the Performance of IFIs

The findings of this study suggest that evaluating the performance of Islamic financial institutions (IFIs) solely based on financial indicators such as profitability and financial ratios is no longer sufficient to reflect their overall impact. Today, it is imperative that strategies to measure the long-term success of Islamic financial institutions adopt a more comprehensive and holistic approach that encompasses both Maqasid Shariah and Environmental, Social, and Governance (ESG) aspects. This finding is consistent with the views of Mohammed & Razak (2008) and Tarique et al. (2021), who consider social responsibility, ethical behavior, and spiritual values to be the defining characteristics that distinguish IFIs from conventional financial institutions. Islamic financial institutions should be evaluated not only on their economic returns, but also on their contribution to social justice, sustainable development, and the trust and well-being of the Ummah (Sairally, 2015).

By integrating Maqasid Shariah and ESG into a unified evaluation model, this study proposes a framework that provides:

- a. A Shariah-relevant performance measurement tool based on the five fundamental objectives of Islamic law (Maqasid Shariah).
- b. A model that can address global challenges such as climate change, social inclusion and transparent governance in a context-specific manner.
- c. A comprehensive set of indicators that can be used to report performance to key stakeholders (including shareholders, regulators, and the broader community).

The model provides a new reference point for non-financial reporting in Islamic finance and supports the development of standardized sustainability assessments that are based on Islamic ethical values and aligned with global finance practices.

CONCLUSION

This study argues that performance assessment of Islamic financial institutions (IFIs) should be holistic and not be based solely on financial indicators, but should also incorporate Shari'ah core values and environmental, social, and governance (ESG) principles. This approach is consistent with Shari'ah's vision of promoting social welfare, environmental sustainability, and ethical governance, rather than just focusing on material benefits. By integrating these two frameworks, this study successfully builds a performance assessment model that is: (1) normatively relevant as it is based on the five core objectives of Maqashid Sharia core values (hifdzu ad-diin, an-nafs, al- 'aql, an-nasl, and al-maal). (2) has a global context, using ESG principles that are widely used in international sustainability reporting standards, and (3) methodologically robust, using the Analytical Network Method (ANP) to integrate relevant indicators.

The findings of this study present several important implications. For Academics, this research provides a new theoretical foundation for evaluating the performance of Islamic Financial Institutions (IFIs) in a more comprehensive manner. By integrating economic, spiritual, and social dimensions derived from the Maqasid Shariah framework, this model moves beyond conventional financial metrics. For Practitioners and Islamic Financial Institutions, the model can serve as a performance evaluation tool that aligns more closely with the institution's Shariah vision and sustainability principles. Despite its contributions, this study is subject to certain limitations in scope, as it focuses exclusively on the Islamic financial sector. Future research is therefore recommended to: (1) Apply the proposed model to other sectors, such as the halal industry, Shariah-compliant public companies, or Islamic philanthropic institutions (e.g., zakat, waqf, and Islamic cooperatives); (2) Enhance the quantitative approach by incorporating methods such as Fuzzy ANP or combining the model with panel data analysis, to account for uncertainty and dynamic trends; (3) Conduct empirical validation of the model using secondary data on institutional or corporate performance, in order to strengthen the model's reliability and generalizability. Such future research directions are expected to expand the model's applicability across the broader Islamic economic sector while enhancing its practical relevance in addressing global challenges.

AUTHOR CONTRIBUTIONS

Ahmad Fathul Ma'arif: The author conceptualized the research idea, designed the research framework, conducted a literature review, conducted data collection and analysis and drafted manuscript. The author was responsible for integrating the maqashid sharia framework with ESG criteria using Analytic Network Process (ANP) methodology.

Darmawan: Supported the literature review by contributing to the identification of relevant theories and framework related to ESG and Maqashid Sharia. Provide insights on the practical implications of the study and helped refine the research conclusions.

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