

Sustainable Finance in Islamic Banking: A Systematic Review in the Context of Economic Instability

Sustainable Financial
Management

Anita Kusuma Dewi
Politeknik Negeri Lampung; Bandar Lampung, Indonesia
E-mail: anitakusumadewi@polinela.ac.id

2395

ABSTRACT

Global economic uncertainty in the last ten years due to changes in financial markets, geopolitical conflicts, and the COVID-19 pandemic has tested the resilience of the banking sector, including Islamic banking. This study aims to identify sustainable financial management strategies implemented by Islamic banks using a systematic literature review (SLR) based on the PRISMA approach. A total of 65 relevant scientific articles were analyzed using a thematic approach. The research results revealed three main strategic pillars, namely risk management based on maqashid sharia, ethical and inclusive asset portfolio diversification, and improving financial governance and transparency. Integration of sustainability principles within the sharia framework, including strengthening social fund instruments such as zakat, waqf, and qardhul hasan, as well as value-based digitalization have proven effective in strengthening the resilience and competitiveness of Islamic banks. In addition, adjustments to Environmental, Social, and Governance standards and the establishment of a strategic risk management unit are important elements in maintaining operational continuity amidst global instability. This study contributes theoretical and practical contributions to the development of Islamic finance literature and sustainable development, while also providing policy recommendations to regulators and industry players to realize adaptive and long-term-focused Islamic financial management practices.

Submitted:
MARCH 2025

Accepted:
JUNE 2025

Keywords: Environmental Social Governance, Financial, Global Economic Uncertainty, Maqashid Al-Sharia.

ABSTRAK

Ketidakpastian ekonomi global dalam sepuluh tahun terakhir akibat perubahan pasar keuangan, konflik geopolitik, dan pandemi COVID-19 telah menguji daya tahan sektor perbankan, termasuk perbankan syariah. Studi ini bertujuan untuk mengidentifikasi strategi pengelolaan keuangan berkelanjutan yang diterapkan oleh bank syariah dengan menggunakan tinjauan literatur sistematis (SLR) berdasarkan pendekatan PRISMA. Sejumlah 65 artikel ilmiah yang relevan dianalisis dengan pendekatan tematik. Hasil riset mengungkapkan tiga pilar strategi utama, yakni pengelolaan risiko yang berlandaskan maqashid syariah, diversifikasi portofolio aset yang etis dan inklusif, serta peningkatan tata kelola dan transparansi keuangan. Pengintegrasian prinsip keberlanjutan dalam kerangka syariah—termasuk penguatan instrumen dana sosial seperti zakat, wakaf, dan qardhul hasan, serta digitalisasi yang berlandaskan nilai—telah terbukti efektif dalam memperkuat ketahanan dan daya saing bank syariah. Di samping itu, penyesuaian terhadap standar Environmental, Social, and Governance (ESG) serta pembentukan unit manajemen risiko strategis merupakan elemen penting dalam mempertahankan kelangsungan operasional di tengah ketidakstabilan global. Studi ini menyumbangkan sumbangan teoritis dan praktis untuk pengembangan literatur keuangan syariah serta pembangunan berkelanjutan, sekaligus memberikan rekomendasi kebijakan kepada regulator dan pelaku industri untuk mewujudkan praktik manajemen keuangan syariah yang adaptif dan berfokus pada jangka panjang.

Kata kunci: Tata Kelola Lingkungan Sosial, Keuangan, Ketidakpastian Ekonomi Global, Maqashid Syariah.

JIMKES

Jurnal Ilmiah Manajemen
Kesatuan
Vol. 13 No. 4, 2025
pp. 2395-2404
IBI Kesatuan
ISSN 2337 – 7860
E-ISSN 2721 – 169X
DOI: 10.37641/jimkes.v13i4.3489

INTRODUCTION

In the past two decades, the global banking sector has faced increasingly complex pressures due to increasing economic uncertainty. According to the International Monetary Fund IMF (2023) report, world economic growth declined from an average of 3.8% in the 2000–2019 period to around 3.0% in 2022–2023, triggered by financial market volatility, geopolitical tensions, and the impact of the COVID-19 pandemic. Fluctuations in commodity prices and climate change risks also exacerbate macroeconomic conditions, leading to increased systemic risks for financial institutions, including Islamic banking (World Bank, 2022).

Financial management in Islamic banking is based on sharia principles that avoid usury, maysir, and gharar, and use instruments such as mudharabah, musyarakah, ijarah, and murabahah (Daly & Frikha, 2016; Solehudin et al., 2024). The goal is not only financial gain, but also social sustainability and welfare value. In practice, this management includes asset and liability management, sharia risk, liquidity, and financing structure (Suyanto et al., 2022). Risk management is carried out with contract transparency and the principle of prudence according to AAOIFI and IFSB standards (Sarwar, 2024; Boulila et al., 2024; Ahmed et al., 2024; Riyadi & Ratnasari, 2025).

In the face of global economic volatility, Islamic banks have begun to integrate sustainability principles in their financial management frameworks. This is reflected in the increasing interest in green sukuk, productive waqf-based funding, and financing of socially conscious sectors such as education, health, and renewable energy. In addition, the value-based intermediation (VBI) approach developed by Bank Negara Malaysia has become one of the concrete examples of integration between financial, sharia, and long-term sustainability goals (Kunhibava et al., 2018). This approach emphasizes the importance of a balance between economic value creation and social impact, which is in line with the need to strengthen the resilience of Islamic banks in the face of multidimensional challenges such as climate change, social inequality, and digital disruption (Setyawati et al., 2022; Alsaghir, 2023; Khateeb et al., 2023; Yasmin et al., 2024).

Islamic banking as an alternative to a financial system based on sharia principles presents a model oriented not only on financial benefits but also on social and ethical sustainability. The total assets of the global Islamic finance industry in 2022 are estimated to reach USD 4.5 trillion with an average annual growth rate of 10.5% since 2015 (ICD-Refinitiv, 2023). However, Islamic banking faces substantial challenges in integrating Islamic values with sustainable financial management practices that can anticipate global uncertainty. Empirical studies show that only about 28% of Islamic banks globally have adopted ESG standards and holistic risk management practices (IFSB, 2022).

Several previous literature reviews have indeed highlighted the importance of maqashid sharia, namely the protection of religion, soul, mind, descendants, and property as a normative framework for risk management policies and governance of Islamic banks (Dusuki & Abdullah, 2007). However, the majority of these studies are still conceptual and have not systematically explained how these principles are implemented in modern managerial practices facing global pressures. In addition, most of the literature still focuses on the internal aspects of the organization or sharia compliance, without examining in depth the dynamics of Islamic banks' adaptation to external issues such as ESG, climate change, and digital disruption.

With this background, this study uses a systematic literature review (SLR) approach based on PRISMA to identify, categorize, and analyze sustainable financial management strategies implemented by Islamic banks in facing global economic uncertainty. This study aims to provide empirical and theoretical contributions to the development of adaptive, inclusive, and long-term-oriented Islamic financial practices and policies, as well as to close the literature gap related to the transformation of maqashid sharia principles into a concrete sustainability management framework.

LITERATURE REVIEW

Principles of Financial Management in Sharia Banking

The literature on financial management in Islamic banking shows that the fundamental difference between Islamic and conventional financial systems lies in the structure of the contract and its value focus. According to Khan and Bhatti (2008), the Islamic financial system is founded on sharia principles that reject *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation), and prioritize fairness in contracts between the parties involved. In the implementation of the Islamic financial system, there are instruments such as *murabahah*, *musyarakah*, and *ijarah* which are widely used to ensure fairness and transparency in conducting transactions. This method not only ensures compliance with Islamic law but also facilitates a balanced risk sharing between customers and financial institutions (Dusuki & Abdullah, 2007). Unlike conventional approaches that are often ex-post or based on reactions to risks that have already occurred, Islamic banking places more emphasis on the ex-ante approach, namely identifying and reducing risks from the beginning of the agreement. These characteristics reflect the principles of prudence and responsibility in contracts as important elements of a fair and sustainable financial system. However, several international studies such as those conducted by Ahmed et al. (2024) indicate that in reality, the application of these principles remains highly variable across jurisdictions, depending on regulatory strength, market structure and institutional capacity.

Sustainable Financial Management and ESG in the Context of Sharia

In recent years, there has been increasing attention on the integration of maqashid sharia principles with the Environmental, Social, and Governance (ESG) framework. Research conducted by Aliyu et al. (2017) shows that Islamic principles are aligned with ESG objectives as both emphasize social justice, environmental sustainability, and ethical governance. However, critically, Kamla and Rammal (2013) observed that although Islamic banks promote ethical principles, sustainability reporting and active stakeholder engagement are still lacking, especially when compared to conventional banks in developed countries. In response to this gap, Bank Negara Malaysia's Value-Based Intermediation (VBI) initiative (2017) has emerged as a strategic approach that emphasizes a paradigm shift from purely formal compliance to shariah-based social impact. VBI encourages the integration of maqashid principles with banks' business plans. This approach is beginning to be adopted globally in models such as Islamic Social Finance, but further research is needed to assess its effectiveness compared to conventional banks' implementation of ESG in a sustainable capitalist system. In addition, the analysis of sharia and conventional frameworks related to sustainability shows that the Islamic approach has normative strength based on values, but still requires support from a more globally uniform operational framework and reporting standards, such as those formulated by the IFRS Sustainability Standards or GRI which have already been accepted by conventional banks.

Sharia Banks' Resilience in the Face of Global Economic Uncertainty

Recent literature highlights the importance of adaptive strategies in enhancing the resilience of Islamic banks to global economic uncertainty. Becket al. (2013) in their comparative study found that Islamic banks tended to be more stable than conventional banks during the 2008 global financial crisis, due to the prohibition of usury practices and the attachment to real assets that reduced excessive speculation. However, this level of resilience is relative and highly dependent on the effectiveness of risk management and the ability to diversify portfolios. Zulkhibri and Manap (2019) underlined that Islamic banks in developing countries still face significant external risk challenges, such as exchange rate fluctuations, liquidity crises, and low operational efficiency. Therefore, this literature review emphasizes the need to strengthen the internal governance capacity of Islamic banks, innovate social financial products such as green sukuk and waqf-based

financing, and develop a cross-border policy framework that can support the systemic resilience of the Islamic banking industry. These initiatives are considered important to increase the competitiveness of Islamic banks at the global level, especially in the face of uncertain economic pressures. By integrating value-based strategies and social financial innovation, Islamic banks can play a greater role in promoting sustainable economic stability and strengthening public trust in the Islamic financial system.

RESEARCH METHOD

This study uses a Systematic Literature Review (SLR) approach based on the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework to identify and analyze sustainable financial management strategies implemented by Islamic banks in responding to global economic uncertainty (Van Dinter et al., 2021). The selection of this method aims to ensure transparency, replicability, and validity of the results through a systematic and well-documented literature selection process (Moher et al., 2009; Flake, 2022; Fan et al., 2022).

The literature used was obtained from four leading international scientific databases, namely Scopus, Web of Science, JSTOR, and Google Scholar, using a combination of keywords such as “Islamic banking,” “sustainable financial management,” “ESG in Islamic finance,” “*maqashid sharia* risk management,” and “economic uncertainty.” Inclusion criteria included peer-reviewed articles in English or Indonesian, published between 2013 and 2023, and primarily focused on financial management strategies in the context of Islamic banking and the application of ESG or *maqashid sharia* sustainability principles. Conversely, articles that did not specifically discuss Islamic banking, were conceptual in nature without empirical evidence, or were only available in abstract form, were eliminated through exclusion criteria.

The article selection process followed four main stages in the PRISMA flow, namely identification, screening, due diligence, and inclusion. In the identification stage, 238 relevant articles were found. After screening to remove duplication and inconsistencies based on title and abstract, 135 articles remained. Furthermore, 70 articles were analyzed in full (full-text review), and 5 of them were eliminated because they did not meet the methodological eligibility criteria, resulting in 65 articles that were analyzed in depth. This process can be visualized in the form of a PRISMA flow diagram showing the transition from initial search to final selection.

Data analysis was conducted using the thematic analysis method using NVivo software to identify, group, and map key themes. The thematic coding process was carried out operationally in five stages, namely: (1) familiarization with the content of the article, (2) initial coding of important information units, (3) grouping codes into themes such as *maqashid*-based risk management, ethical asset diversification, financial governance and transparency, and ESG integration in the context of *sharia*, (4) review and validation of themes to ensure internal consistency, and (5) final definition and documentation of themes systematically. To maintain the validity and reliability of the results, data triangulation was carried out by comparing literature findings with industry reports and policy documents from related institutions such as the Islamic Financial Services Board (IFSB), ICD-Refinitiv, and Bank Negara Malaysia. In addition, the literature selection and theme coding process was closely monitored through audit trail documentation and cross-validation between researchers (peer-checking), to ensure the accuracy and repeatability of the process in this study.

RESULTS

Based on the results of the Systematic Literature Review (SLR) following the PRISMA framework, 65 articles were obtained from 238 initial articles that met the inclusion criteria and have been analyzed thematically. The visualization of the article selection flow can be seen in the PRISMA Flow Diagram above, which illustrates the process of identification, screening, eligibility assessment, to final inclusion in a transparent manner.

This diagram helps readers understand how data is curated to ensure the validity and focus of the study on sustainable financial management strategies in Islamic banks.

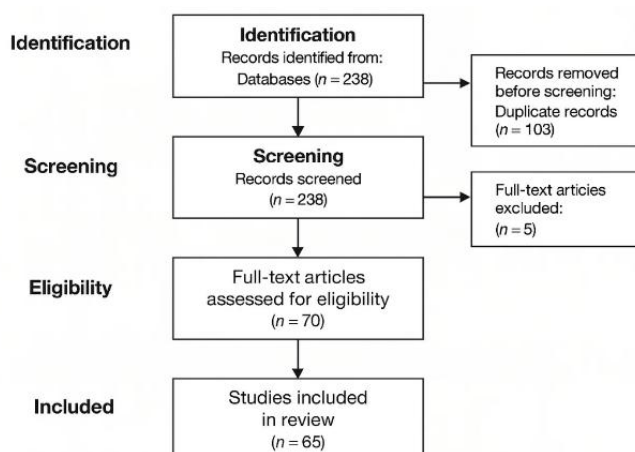


Figure 1. PRISMA Flow Diagram

Based on the results of Figure 1 a comprehensive and in-depth systematic literature review, it can be concluded that there are three main pillars of sustainable financial management strategies that are consistently adopted by Islamic banks in the face of increasingly complex global economic uncertainty. The first pillar is risk management based on the principles of sharia maqashid. This principle emphasizes not only the mitigation of conventional financial risks, but also the integration of sharia values oriented towards the protection of the five main objectives of sharia (*Hifz Al-Din*, *Hifz Al-Nafs*, *Hifz Al-'Aql*, *Hifz Al-Nasl*, and *Hifz Al-Mal*). Recent literature confirms that the implementation of sharia maqashid in the risk management framework is able to increase the robustness of Islamic banks against external shocks, especially in the context of global market volatility, economic recession, and sharia compliance risks (Omri, 2022; Hoque & Liu, 2023). For example, the strengthening of the Sharia Supervisory Board (*Dewan Pengawas Syariah/DPS*), which has a strategic role in compliance supervision, as well as the use of digital technology for real-time monitoring of sharia contracts and risks, has been proven to reduce the potential for non-conformity and increase stakeholder trust (Paramarta & Meiranto, 2022).

Surah Al-Ma'idah: 32 highlights the protection of life and soul as part of maqashid shariah, underscoring the importance of risk management that safeguards wealth and societal interests. The second pillar, ethical and inclusive asset diversification, helps Islamic banks balance risk and return amid macroeconomic uncertainty. Studies show that banks investing in sustainable sectors like renewable energy, green infrastructure, education, and healthcare are more resilient than those relying solely on margin-based instruments (Basar & Nur, 2023; ICD-Refinitiv, 2023). Innovations such as green sukuk and productive waqf enhance financial inclusion and promote a socially and environmentally focused financial ecosystem, with global green sukuk emissions reaching around USD 12 billion in 2022 a 30% increase from the prior year, largely driven by Southeast Asia and the Middle East (ICD-Refinitiv, 2023).

The third pillar is strengthening governance and transparency based on sharia principles of accountability. Effective governance, including strategic risk management and ESG-based sustainability reporting, boosts Islamic banks' reputation and competitiveness (Kamla & Rammal, 2013; Aliyu et al., 2017). For example, Bank Negara Malaysia's Value-Based Intermediation (VBI) improved asset quality and reduced Non-Performing Financing (NPF) by 15% over five years (Bank Negara Malaysia, 2017). Digitized reporting and big data analytics further enhance risk management and stakeholder transparency (Basar & Sapuan, 2023). Together, these three pillars form an interconnected, adaptive sustainable financial management ecosystem that integrates

maqashid sharia values with socially and environmentally oriented diversification and transparent governance, fostering resilience and supporting global sustainable development.

First, Sharia Based Risk Management. Risk management in Islamic banks is more comprehensive than in conventional banking, integrating sharia maqashid principles that protect five key objectives: religion, soul, intellect, heredity, and property (Qadri & Bhatti, 2020). This approach addresses not only financial risks but also social compliance risks to maintain stakeholder trust. Islamic banks strengthen this by empowering the Sharia Supervisory Board (DPS) to oversee all products and transactions, playing a strategic role in preventing sharia non-compliance (Amalia, 2017; Yunita et al., 2024). Additionally, digital technologies like blockchain and AI enable real-time monitoring, reducing compliance risks by up to 30% and accelerating audits (Christ et al., 2019). Social financial instruments such as zakat, waqf, and qardhul hasan funds serve as liquidity cushions and risk mitigators, strengthening capital and providing stable funding resistant to market volatility. Banks actively managing these social funds exhibit 20% higher liquidity stability (Kamla & Rammal, 2013).

The following is a graph of the growth trend of green sukuk and productive waqf from 2018 to 2023 in USD billions. This chart illustrates a significant increase especially in the issuance of green sukuk, reflecting the increasing interest and adoption of sustainable financial instruments in the Islamic banking sector. The growth of productive waqf also showed a steady increase, reflecting the increasingly important role in financial inclusion and social financing. Risk management oriented to sharia maqashid not only provides financial protection but also maintains the integrity of sharia and social values that are the foundation of the sustainability and credibility of Islamic banks in the midst of increasing global economic uncertainty.

Second, diversify ethical and inclusive asset portfolios. Ethical and inclusive portfolio diversification is a crucial strategy for Islamic banks amid global economic uncertainty, shifting investments from conventional margin-based instruments to real asset sectors with social and environmental value, such as renewable energy, education, health, and MSMEs, supporting sustainable growth and social equity (Mohamad et al., 2020). Green sukuk, which finance environmentally friendly projects, have grown rapidly, reaching USD 12 billion in 2022 with projections of USD 20 billion by 2025, reflecting the integration of ESG values in Southeast Asia and the Middle East (ICD-Refinitiv, 2023). Productive waqf-based products also enhance financial inclusion and provide stable funding, growing by 18% annually in Indonesia and Malaysia (ICD-Refinitiv, 2023). ESG adoption varies by region, being more advanced in Southeast Asia and the Middle East, while facing challenges in Africa and South Asia due to institutional and regulatory constraints, highlighting the need for localized strategies and support (Oloruntobi et al., 2025). This diversification aligns with sharia maqashid and the global Sustainable Development Goals, demonstrating Islamic finance's commitment to inclusive and sustainable development.

Strengthening financial governance and transparency, the literature confirms that strong governance and transparency are crucial foundations for the sustainability and credibility of Islamic banks in an increasingly competitive global market. Effective governance in the context of Islamic banking not only adopts conventional good governance principles such as accountability and responsibility but must also be rooted in sharia values that emphasize fairness, trust, and honesty. The implementation of governance in accordance with sharia principles can increase stakeholder trust, reduce reputational risks, and strengthen the position of institutions in the eyes of regulators and investors (Hamida et al., 2024).

In practice, a number of Islamic banks have integrated sustainability reporting based on Environmental, Social, and Governance (ESG) standards as a means of transparency and accountability that are increasingly important in the global financial market. The adoption of ESG reporting not only supports regulatory compliance but also increases the

confidence of institutional investors and capital markets, which increasingly demands banks' commitment to sustainable development (Aliyu et al., 2017).

As a concrete illustration, Bank Muamalat Indonesia as one of the pioneers of Islamic banking in Indonesia has comprehensively integrated ESG principles in its sustainability reporting. In its Sustainability Report 2022 (Yunita et al., 2024), the bank reported a number of strategic initiatives that reflect strengthening governance and transparency based on sharia values.

Islamic banks are increasingly integrating ESG (Environmental, Social, and Governance) principles into their operational and strategic frameworks. Environmentally, this includes implementing energy efficiency initiatives and sustainable waste management practices across branch offices, along with prioritizing financing for renewable energy and green infrastructure projects. On the social front, banks are advancing financial inclusion through microfinancing programs based on productive waqf and qardhul hasan, while also investing in human resource development that emphasizes sharia competence and ethical values. In terms of governance, these institutions adopt transparent structures supported by an independent Sharia Board of Commissioners and Supervisory Board, produce sustainability reports aligned with Global Reporting Initiative (GRI) standards, and establish strategic risk management units that monitor financial risks and ensure real-time compliance with sharia and regulatory requirements.

Bank Muamalat's ESG reporting has increased stakeholder trust and received recognition, such as the "Sustainable Finance Award" award from the Indonesian Financial Services Authority in 2022. This success confirms that strengthening governance and transparency based on sharia values not only improves the bank's reputation and credibility but is also an important factor in maintaining operational sustainability and competitiveness in the midst of global economic dynamics (Hamida et al., 2024).

State all relevant findings including those that contradict the hypothesis you proposed. Present your findings briefly but each provides sufficient detail to justify the tone conclusions. This allows the reader to understand precisely what you are doing in analyzing the data and why.

DISCUSSION

Based on the growth trend graph of green sukuk and productive waqf from 2018 to 2023 (in billion USD), there is a significant spike in green sukuk issuance, reflecting the increasing interest and adoption of sustainable financial instruments in the Islamic banking sector. The steady increase in productive waqf also reflects its important role in financial inclusion and social financing. These two instruments demonstrate how maqashid sharia-based risk management not only provides financial protection but also maintains the integrity of sharia and social values which are the foundation of the sustainability and credibility of Islamic banks in the face of global economic uncertainty. ESG-based portfolio diversification shows differences in implementation between regions. In Southeast Asia and the Middle East, the adoption of ESG in Islamic bank portfolio management is increasingly mature, supported by a proactive regulatory framework and developing capital market infrastructure. In contrast, in Africa and South Asia, ESG adoption still faces institutional barriers, low market awareness, and regulatory challenges (Oloruntobi et al., 2025). This indicates that although sharia principles are universal, sustainable diversification strategies still require contextual adaptation influenced by government policy support, technological readiness, and institutional capacity. This finding strengthens the argument of Sujava et al. (2025) that the successful implementation of sharia principles in the context of modern finance requires synergy between normative values, institutional structures, and local market dynamics.

Theoretically, ethical and inclusive asset diversification in Islamic banks reflects the convergence between modern portfolio theory (Fauzi, 2024) and Islamic ethical principles. Rather than optimizing profits alone, Islamic banks place a balance between

risk, return, and social impact as core values. This is in line with *maqashid al-shariah*, which aims to realize *maslahat* (general welfare) and prevent *mafsadah* (damage). Thus, instruments such as green sukuk and productive waqf are not only financing instruments but are concrete representations of the Islamic Social Finance framework that combines spiritual, social, and economic values (Fauzi, 2021).

Furthermore, the three strategic pillars identified in this study, namely maqashid-based risk management, ethical portfolio diversification, and strengthening value-based governance, broaden the understanding of how Islamic Financial Institutions (IFIs) can carry out financial management that is not only sharia-compliant but also sharia-impactful. This is an important paradigm shift from mere normative compliance to a transformational contribution to sustainable development. This approach expands the literature that previously focused on product-level compliance to a holistic, maqashid-oriented systemic approach (Kamla & Rammal, 2013). However, the implementation of sustainable finance strategies in Islamic banking still faces a number of structural challenges, including limited human resources who understand maqashid in depth, the absence of cross-country regulatory harmonization, and digital technology constraints in developing countries. Even so, much recent literature highlights those digital technologies such as big data analytics, artificial intelligence, and blockchain have the potential to be solutions that support real-time compliance and strengthen risk management (Arsyad et al., 2025; Hassan et al., 2023). The adoption of this technology, when associated with the principle of *maslahah mursalah* in *usul fiqh*, can be seen as a form of innovation that is permitted to maintain public interest in the context of modern finance. Overall, the results of this study fill the gap in the literature regarding the practical relationship between maqashid al-shariah, financial management strategies, and sustainability. These findings enrich the theoretical and practical understanding that the Islamic financial system can be a strategic alternative that is adaptive, ethical, and sustainable, while contributing to the global agenda of SDGs and the establishment of a more just and stable financial system.

CONCLUSION

This study identifies three key pillars of sustainable financial management strategies implemented by Islamic banks in response to global economic uncertainty: sharia maqashid-based risk management, ethical and inclusive asset portfolio diversification, and the strengthening of financial governance and transparency. Through a systematic literature review using the PRISMA approach, it is evident that integrating sustainability principles within the sharia framework particularly through optimizing social fund instruments such as zakat, waqf, and qardhul hasan, as well as digitizing value-based financial operations significantly enhances the resilience and competitiveness of Islamic banks. Furthermore, alignment with Environmental, Social, and Governance (ESG) standards and the formation of strategic risk management units have been proven crucial in maintaining institutional continuity amid global volatility.

Theoretical implications of this research contribute to the Islamic finance and sustainability literature by enriching the discourse on how maqashid al-sharia can be harmonized with global sustainable finance standards, thus providing a more holistic theoretical foundation for Islamic banking resilience. Practically, the findings offer guidance for regulators, policymakers, and practitioners to design adaptive frameworks and policies that enhance Islamic financial institutions' sustainability and risk mitigation capabilities. This includes encouraging the development of inclusive products, strengthening digital infrastructure, and enforcing transparent governance aligned with both sharia and ESG principles.

For future research, empirical validation is recommended to test the effectiveness of the proposed pillars across diverse Islamic banking jurisdictions. Additionally, further exploration into the integration of green sukuk, fintech-based social finance, and sharia-compliant ESG rating systems could deepen our understanding of how innovation intersects with Islamic financial sustainability in practice.

Acknowledgement

The authors would like to thank the academics, reviewers, and contributors whose work has formed the basis of this research. Insights from the academic literature and discussions on Islamic finance, sustainability, and economic resilience were essential to this systematic review. Appreciation is also extended to the academic and professional communities who enriched the analytical perspective through discourses on Shariah-based financial strategies and ESG adaptation. This article was made possible by the availability of open databases and international index platforms that support transparency and dissemination of knowledge.

REFERENCES

- [1] Aliyu, S., Hassan, M. K., Mohd Yusof, R., & Naiimi, N. (2017). Islamic banking sustainability: A review of literature and directions for future research. *Emerging Markets Finance and Trade*, 53(2), 440–470.
- [2] Ahmed, U., Maruf, A., Alam, S., & Azizah, L. (2024). The role of islamic finance in sustainable and green transition. *Suhuf*, 36(2), 141-151.
- [3] Alsaghir, M. (2023). Digital risks and islamic fintech: a road map to social justice and financial inclusion. *Journal of Islamic Accounting and Business Research*, 2(3), 131-142.
- [4] Amalia, E. (2017). The shariah governance framework for strengthening zakat management in Indonesia: a critical review of zakat regulations. *1st International Conference of Law and Justice-Good Governance and Human Rights in Muslim Countries: Experiences and Challenges (ICLJ 2017)*, 133–138.
- [5] Arsyad, I., Kharisma, D. B., & Wiwoho, J. (2025). Artificial intelligence and Islamic finance industry: problems and oversight. *International Journal of Law and Management*.
- [6] Bank Muamalat. (2022). Sustainability Report. Retrieved from Bank Muamalat. Received January 13, 2025 from <https://www.bankmuamalat.co.id/index.php/en/investor-relations/sustainability-report>
- [7] Bank Negara Malaysia (2017). Value based intermediation framework. Received January 13, 2025 from <https://www.bnm.gov.my>
- [8] Basar, D. N., & Nur, I. (2023). The principle of reciprocal justice in murabahah financing at sharia rural financing banks. *International Journal of Law and Politics Studies*, 5(3), 163–182.
- [9] Basar, M. N. F., & Sapuan, N. M. (2023). The cognitive determinants of financial planning for retirement. *Global Business & Management Research*, 2(3), 15-27.
- [10] Beck, T., Demirgüç-Kunt, A., & Merrouche, O. (2013). Islamic vs. conventional banking: Business model, efficiency and stability. *Journal of Banking & Finance*, 37(2), 433–447.
- [11] Boullila, H., Metadger, W., Elsayed, I., & Benbekhti, S. E. (2024). The digital butterfly effect: unleashing the Islamic Banking industry in a post-pandemic era. *European Journal of Islamic Finance*, 11(2), 36-54.
- [12] Christ, M. H., Eulerich, M., & Wood, D. A. (2019). Internal auditors' response to disruptive innovation. *Internal Audit Foundation*, 2(3), 1–65.
- [13] Daly, S., & Frikha, M. (2016). Islamic finance: Basic principles and contributions in financing economic. *Journal of the Knowledge Economy*, 7, 496–512.
- [14] Dusuki, A. W., & Abdullah, N. I. (2007). Maqasid al-Shariah, masalah, and corporate social responsibility. *American Journal of Islamic Social Sciences*, 24(1), 25-37.
- [15] Fan, D., Breslin, D., Callahan, J. L., & Iszatt-White, M. (2022). Advancing literature review methodology through rigour, generativity, scope and transparency. *International Journal of Management Reviews*, 24(2), 171-180.
- [16] Fauzi, A. (2021). Sukuk negara dalam perspektif akuntansi syariah (Analisis komparatif indonesia dan malaysia).
- [17] Fauzi, A. (2024). Pengaruh literasi keuangan syariah, religiusitas, ran persepsi layanan terhadap keputusan investasi pada produk keuangan syariah (Doctoral dissertation, Universitas Islam Indonesia).
- [18] Flake, J. K., Davidson, I. J., Wong, O., & Pek, J. (2022). Construct validity and the validity of replication studies: A systematic review. *American Psychologist*, 77(4), 576.
- [19] Hamida, A., Mursyid, M., Erwin, E., Maharani, I., Ramadhani, A., & Sulkifra, S. (2024). The mediating role of reputation on trust, governance and sharia bank performance. *Al-Amwal: Jurnal Ekonomi Dan Perbankan Syari'ah*, 16(2), 141–159.
- [20] Hassan, M., Aziz, L. A.-R., & Andriansyah, Y. (2023). The role artificial intelligence in modern banking: an exploration of AI-driven approaches for enhanced fraud prevention, risk management, and regulatory compliance. *Reviews of Contemporary Business Analytics*, 6(1), 110–132.

- [21] Hoque, H., & Liu, H. (2023). Impact of bank regulation on risk of Islamic and conventional banks. *International Journal of Finance & Economics*, 28(1), 1025–1062.
- [22] ICD-Refinitiv. (2023). Islamic finance development report 2023. Received January 25, 2025 from https://solutions.lseg.com/IslamicFinance_ICD_LSEG
- [23] IFSB, I. F. S. B. (2022). Islamic financial services industry stability report 2022. Received January 13, 2025 from <https://www.ifsb.org/publication-document/islamic-financial-services-industry-stability-report-2022/>
- [24] IMF, I. M. F. (IMF). (2023). World Economic Outlook: *Navigating Global Shocks*. Received January 10, 2025 from <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>
- [25] Kamla, R., & G. Rammal, H. (2013). Social reporting by Islamic banks: does social justice matter? *Accounting, Auditing & Accountability Journal*, 26(6), 911–945.
- [26] Khateeb, S. H., Ali, S. N., & Jumat, Z. H. (2023). Islamic finance, FinTech and the road to sustainability: reframing the approach in the Post-Pandemic era an introduction. In *Islamic Finance, FinTech, and the Road to Sustainability: Reframing the Approach in the Post-Pandemic Era* (pp. 1-11). Cham: Springer International Publishing.
- [27] Kunhibava, S., Ling, S. T. Y., & Ruslan, M. K. (2018). Sustainable financing and enhancing the role of Islamic Banks in Malaysia. *Arab Law Quarterly*, 32(2), 129–157.
- [28] Oloruntobi, O., Gohari, A., Mokhtar, S., Mokhtar, K., & Ruslan, S. M. M. (2025). Comparative analysis of long-term returns, financial considerations, and measurement challenges in future ESG investing. *Journal of Asset Management*, 12(2), 1-27.
- [29] Mohamad, N. M., Masron, T. A., Wijayanti, R., & Jamil, M. M. (2020). Islamic banking and income inequality: The role of corporate social responsibility. *Jurnal Ekonomi Malaysia*, 54(2), 77–90.
- [30] Moher, D., Liberati, A., Tetzlaff, J., & Altman, D. G. (2009). Preferred reporting items for systematic reviews and meta-analyses: the PRISMA statement. *Bmj*, 339-350.
- [31] Omri, M. B. (2022). Understanding the relationship between liquidity and banking financial stability in Islamic and conventional banks. *Journal of Business and Economic Options*, 5(1), 39–47.
- [32] Paramarta, T. P., & Meiranto, W. (2022). Pengaruh risiko dalam praktik penerapan manajemen risiko pada perbankan syariah berdasarkan prinsip islamic financial services board (ifsb) studi kasus pada salah satu bank syariah peraih global islamic finance award 2021 di indonesia. *Diponegoro Journal of Accounting*, 11(1).
- [33] Qadri, H. M.-D., & Bhatti, M. I. (2020). The growth of Islamic finance and banking. Routledge, New York.
- [34] Yunita, T., Utomo, P., & Sundjaja, A. M. (2024). Islamic banking in the age of technology: a five-year review of trends and technologies. *Global Business & Finance Review*, 29(8), 75-86.
- [35] Riyadi, A., & Ratnasari, V. (2025). Risk assessment and mitigation in workplace safety at energy distribution company PT XYZ. *Jurnal Ilmiah Manajemen Kesatuan*, 13(1), 209-220.
- [36] Sarwar, M. (2024). Financial risk management: it's implications and compliance with shari'ah standards. *Al-Marjān*, 2(3), 1–17.
- [37] Setyawati, I., Karyatun, S., Awaludin, D. T., & Wiweka, K. (2022). Stability and resilience of Islamic banking system: A closer look at the macroeconomic effects. *Calitatea*, 23(187), 295–304.
- [38] Solehudin, E., Huda, M., Ahyani, H., Ahmad, M. Y., Abd Khafidz, H., Rahman, E. T., & Hidayat, M. S. (2024). Transformation of shariah economic justice: ethical and utility perspectives in the framework of maqashid shariah. *Al-Risalah: Forum Kajian Hukum Dan Sosial Kemasyarakatan*, 24(1), 101–115.
- [39] Sujava, Y. A. E., Padua, J., Teturan, A. Y. E., & Nurjalal, N. (2025). Implementasi pengembangan kebijakan koperasi di kabupaten merauke pada dinas koperasi, usaha mikro, kecil, menengah, perindustrian dan perdagangan provinsi papua selatan. *Jurnal Tana Mana*, 6(1), 312-320.
- [40] Suyanto, S., Lestari, N. P., Yulianti, E. B., Yusroni, N., & Chadhiq, U. (2022). Understanding of islamic banking financial management in the context of global economic competition. *Linguistics and Culture Review*, 1–13.
- [41] Van Dinter, R., Tekinerdogan, B., & Catal, C. (2021). Automation of systematic literature reviews: A systematic literature review. *Information and Software Technology*, 136, 106589.
- [42] World Bank. (2022). Global Economic Prospects. Received Received January 13, 2025 from <https://www.worldbank.org/en/publication/global-economic-prospects>
- [43] Yasmeen, K., Yasmin, K., & Al Abri, S. (2024). Islamic framework for sustainable development: Islamic framework for sustainable development. *International Journal of Islamic Finance and Sustainable Development*, 16(4), 136-160.
- [44] Zulkhibri, M., & Manap, T. A. A. (2019). *Islamic finance, risk-sharing and macroeconomic stability*. Berlin: Springer.