



EDITORIAL FOREWORD

ISLAMIC FINANCE AND THE SUSTAINABLE DEVELOPMENT GOALS: ALIGNING PRINCIPLES FOR GLOBAL EQUITY AND SUSTAINABILITY

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The goals of Islamic finance are in line with the fundamental objectives of the Sustainable Development Goals because they emphasize global values and goals for equitable and sustainable development. Islamic finance offers a unique and comprehensive framework to address global challenges based on key principles such as social justice, ethical investment, and risk sharing. This can be seen through Islamic financial commitments such as zakat, waqf, and sadaqah which directly support SDG 1, i.e. no poverty. Furthermore, the prohibition of exploitative practices such as *riba* (usury) ensures fairness in financial transactions, contributing to SDG 10 (Reducing Inequality) by promoting economic inclusion and reducing the wealth distribution gap.

In addition, the emphasis on ethical and socially responsible investment in Islamic finance is in line with SDG 8 (Decent Work and Economic Growth), by emphasizing the promotion of sustainable economic activities and innovation. Bans on financing industries that damage society or the environment, such as gambling or weapons production, ensure that investments have a positive impact on social and environmental well-being. In a world that is rapidly advancing with technological advancements and widening socio-economic gaps, the principles of Islamic finance are now becoming more relevant. By combining innovative financial technologies and practices, Islamic finance has great potential to reduce the gap in financial inclusivity, increase transparency, and empower communities around the world, making it an important tool in achieving the SDGs.

For example, the use of financial technology (fintech) in the management of zakat and waqf can increase efficiency and transparency in the Islamic financial system. This has been proven when the distribution of zakat in Selangor can be implemented optimally with the use of financial technology that facilitates the collection, distribution, and tracking of zakat funds (Yahaya & Ahmad, 2019). In addition, bibliometric analysis of the use of fintech in Islamic social finance highlights the integration of technologies such as artificial intelligence, digital platforms, and blockchain that ensure assets meet current needs without neglecting Shariah principles (Akhter et al., 2023). This technology not only strengthens Islamic financial practices but also enables institutions to carry out social responsibility inclusively and more effectively.

Sustainable Development Goal (SDG) 9 emphasizes the importance of innovation and technological progress to build a sustainable industry, so the use of financial technology (fintech) in Islamic finance is appropriate. The zakat management system uses technology such as blockchain to monitor donors' contributions until the funds are given to the rightful *asnaf* (Omar & Khairi, 2021). This increases accountability and reduces the possibility of fraud





(Mohd Nor et al., 2021). In addition, individuals can fulfil their zakat obligations remotely through mobile applications and digital wallets, which increases the donor base and increases charitable funds. Fintech also helps reduce the financial gap, allowing people to participate in Islamic financial practices as donors or beneficiaries (Alshater et al., 2022).

Stakeholders in Islamic finance have more faith in fintech. When donors have a clear view of how their funds are being used, they are more likely to contribute. Greater confidence is gained from transactions that can be traced and cannot be changed through blockchain technology (Nazeri et al., 2023). Digital asset management tools help monitor the performance of endowment properties in waqfs, ensuring sustainable returns for charity. Fintech is able to contribute to the development of a more sustainable society by combining innovation and Islamic financial principles to solve long-standing issues such as inefficiency, transparency, and limited access to finance. In an effort to promote an economic system that is ethical and responsible for the environment, it is important that the principles of Islamic finance are adapted to the principles of sustainable finance. Islamic finance, which is based on Shariah, is often related to well-being through socially responsible investments and avoiding businesses that harm society such as gambling, alcohol, and fossil fuels (Dirie et al., 2024). Ethics, justice, and care for the environment are prioritized in this approach, which builds the foundation for sustainable financial practices. This commonality of values builds a global structure that can support the well-being of the environment and society in the long term.

SDG 12—Responsible Consumption and Production—is directly supported by Islamic finance by encouraging investment in businesses that adhere to ethical standards, improve resource efficiency, and reduce waste. The use of green sukuk, a Shariah-compliant investment instrument, supports renewable energy projects, efficient energy infrastructure, and sustainable agriculture. At the same time, Islamic finance supports SDG 13, or Climate Action, by mobilizing capital for projects that are resilient to climate change. In countries such as Malaysia and Indonesia, green sukuk initiatives have helped finance conservation and renewable energy projects. This shows that green sukuk can be a Shariah-compliant tool to address climate change issues (Liu & Lai, 2021).

To achieve long-term sustainability goals, Shariah-compliant financial practices promote value creation. Islamic finance prioritizes investing in productive assets that benefit society and the environment. This is different from conventional financial systems that often prioritize short-term profits (Choudhury et al., 2019). In this way, natural resources are saved for future generations while the economy contributes to community development. Finally, through the application of the principles of ethical investment, social justice, and environmental care, which are in line with SDG 12 and 13, Islamic finance provides a solid framework for advancing sustainability.

In non-profit organizations, including zakat and waqf institutions, a good governance framework is essential to ensure transparency and accountability. Strong governance ensures that funds are channelled to the rightful recipients and reduces the possibility of fraud (Ortega-Rodríguez et al., 2020). Studies on welfare governance show that the formation of a consistent regulatory framework is essential to improve operational efficiency and accountability. The framework promotes sustainable social welfare initiatives and increases stakeholder trust.





In line with SDG 1 (No Poverty) and SDG 10 (Reduction of Inequality), zakat is a powerful tool to eradicate poverty as an important institution in Islamic finance. Systematically, zakat can meet the basic needs of the less fortunate and provide them with resources to improve their living standards and achieve economic independence (Khamis et al., 2024). Zakat directly addresses income inequality and supports inclusive growth by redistributing wealth from the rich to the poor. Studies show that effective zakat management, supported by a transparent governance system, is more effective in reducing poverty and socioeconomic disparities.

However, many zakat institutions and non-profit organizations face problems in achieving effective governance and regulatory compliance. The inefficiency and mistrust of stakeholders are often caused by the lack of a consistent regulatory framework. Techniques such as blockchain can increase the transparency and effectiveness of zakat distribution by ensuring that each donation reaches the rightful people (Nazeri et al., 2023). Regulatory improvements and technological advances are needed to strengthen these efforts, ensure that resources are distributed fairly and have a greater social impact.

The compilation of articles in this journal edition discusses how the transformation of Islamic finance and governance can address important socio-economic issues. Islamic finance provides a strong framework for addressing pressing global issues such as poverty eradication, income inequality, and environmental degradation by emphasizing ethical investment, social justice, and sustainability. There is a link between Islamic finance and the Sustainable Development Goals (SDGs), especially SDG 1 (No Poverty), SDG 10 (Reducing Inequality), and SDG 13 (Climate Action), in articles that discuss zakat distribution, waqf management, and sustainable finance. This synergy shows how important Islamic finance is to address various development obstacles.

Islamic finance, which is rooted in Shariah law, prioritizes risk exchange, prevents harm, and improves community well-being. It is possible to achieve fair and inclusive development through the application of these principles. This principle can significantly increase the transparency, efficiency, and accessibility of the financial system when combined with modern innovations such as financial technology (fintech) and blockchain (Nazeri et al., 2023). For example, the use of technology in the distribution of zakat shows how digital tools can optimize the distribution of resources and ensure that underserved populations are given fair coverage. Islamic finance becomes an important tool for sustainable and inclusive economic growth as a result of this unity of tradition and progress.

The role of Islamic finance in the global development agenda is enhanced with an emphasis on sustainability. Shariah-compliant investments naturally avoid the gambling industry or those that damage the environment. This alignment with SDG 12 (Responsible Consumption and Production) and SDG 13 shows that the Islamic financial system can invest in environmentally friendly and green projects. Islamic finance supports economic growth that balances profitability and sustainability by promoting ethical financial practices (Laldin & Djafri, 2021).

However, to achieve this goal, multiple stakeholders and interdisciplinary approaches need to work together. To fully utilize the potential of Islamic finance, studies must combine the fields of finance, technology, governance, and environmental science. To produce innovative and effective solutions, policymakers, financial institutions, academic institutions and technology





developers need to work together. The sector will work together to strengthen the Islamic financial system and provide a pathway to address complex global issues.

Last but not least, if Islamic governance and finance are built on ethics, innovation, and sustainability, it can help the global development agenda. Islamic finance may be able to solve today's challenges by combining technological advancement, environmental preservation, and socio-economic justice. To unlock these opportunities and ensure that these principles are properly applied in practice, interdisciplinary research and collaboration will be essential components.

Given the differences that exist between Islamic finance and the Sustainable Development Goals (SDGs), there is an enormous opportunity to improve social justice and sustainability. By incorporating the principles of Shariah-compliant finance into a global strategy for equitable development, policymakers, academics, and practitioners are called upon to further examine this relationship. Stakeholders can address important issues such as poverty alleviation, income inequality, and environmental sustainability by leveraging Islamic finance's focus on risk sharing, ethical investment, and social welfare. To achieve the SDGs, strengthening collaboration between sectors and disciplines will be essential to maximize the impact of Islamic finance. For example, technological solutions such as fintech and blockchain can increase transparency and efficiency in the distribution of zakat and other welfare programs, ensuring that resources are given to the people most in need (Nazeri et al., 2023).

To increase trust and accountability in the Islamic financial system, priority should be given to a strong governance framework. Financial institutions can use this framework to align their practices with global development priorities, such as encouraging green investment and helping disadvantaged communities. Practitioners can transform academic perspectives into practical strategies. Academics also play an important role in developing research that links Islamic finance with modern development challenges. Islamic finance can be a model for incorporating ethical considerations into mainstream financial practices by implementing innovative solutions and strengthening governance structures. It can also inspire transformative change in both countries and around the world.

It is with great enthusiasm that we present the latest issue of the International Journal of Islamic Economics and Finance Research. This edition showcases an array of scholarly contributions that underscore the dynamism and evolving nature of Islamic economics and finance, particularly in addressing contemporary challenges through innovative solutions. The articles featured in this issue reflect the journal's commitment to advancing knowledge, fostering intellectual discourse, and bridging the gap between traditional Islamic principles and modern economic practices.

Together, the published articles contribute to the growing body of knowledge at the intersection of Islamic economics, finance, and technology. They underscore the discipline's potential to address contemporary challenges through ethically grounded, innovative, and inclusive approaches.

We extend our heartfelt gratitude to the authors for their insightful contributions, the reviewers for their meticulous evaluations, and our readers for their continued support and engagement. As the field of Islamic economics and finance continues to evolve, we hope this issue serves as a catalyst for further research, dialogue, and innovation.





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