

FROM PRINCIPLES TO PRACTICE: INTEGRATING ESG PRINCIPLES THROUGH A MAQASID SYARIAH LENS

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Abstract: *This study examines the integration of Environmental, Social, and Governance (ESG) principles with Maqasid Syariah to cultivate sustainable and ethical corporate operations. This study utilises an interpretive research technique and Grounded Theory Methodology to investigate the coexistence and mutual reinforcement of different frameworks in promoting social and economic prosperity. The research is based on qualitative data obtained from 15 comprehensive interviews with mosque committee members and personnel of zakat organisations, concentrating on their ethical responsibilities in financial management and community assistance. The results indicate that the integration of ESG principles with Maqasid Syariah provides a strong framework for attaining social justice, environmental stewardship, and ethical governance. The study emphasises the significance of financial management systems that are transparent, responsible, and consistent with the overarching goals of Maqasid, especially in serving zakat recipients. The incorporation of these concepts into the financial practices of zakat institutions and mosques (acting as agents) has had a beneficial impact on the community's financial management, thereby reinforcing the financial stability of households. This study highlights the potential of integrating Islamic ethical concepts with contemporary sustainability frameworks to improve social contributions and economic resilience. By implementing integrated approaches, corporations and religious institutions can significantly contribute to financial stability and social welfare. The report enhances the dialogue on Islamic finance and sustainability, providing significant insights for policymakers, business executives, and religious institutions in their pursuit of a more equitable and sustainable future.*

Keywords: *Environment, Social and Governance (ESG), Sustainable Ethics, Financial Stability, Mosques, zakat Recipients*

Introduction

The ESG concerns in zakat organisations' operations foster the emergence of a novel paradigm in Islamic economics. This should effectively answer the intricate requirements of the global economy in their pursuit of a harmonious existence. Furthermore, the incorporation of ESG and Sharia Law viewpoints in the operations of firms in non-Muslim nations must be approached with caution. This ensures that the company's operations adhere to Maqasid Syariah principles, hence enhancing the company's commitment to effective risk management (Ahmad et al., 2021; Rahman et al., 2017; Sidek, 2021). Companies frequently adopt frameworks that primarily address the Governance aspect of the ESG framework, which originates from Corporate Social Responsibility (CSR). In numerous nations, the company's operations are conducted solely for specific business purposes, resulting in the exploitation of natural and social resources. Companies adhering to Maqasid Syariah can enhance their strategies by establishing equilibrium between their objectives and the intrinsic values of Syariah Law, as derived from the deliberations of al-Qur'an, Sunnah, Ijmak, and Qiyas.

The Maqasid Syariah Framework is mainly based on the insights of Imam al-Ghazali (Al-Ghazali, 2014a, 2014b, 2018) that this fundamental framework is integrated inside the ESG principles based on Islamic basic knowledge. ESG is acknowledged as a comprehensive investment technique that evaluates companies based on environmental and social criteria. Some regard the principle of sustainability as a criterion assessed and sought by the company's management. Investment principles related to ESG issues are essential to the framework of responsible investing (Al-Homaidi et al., 2020; Sreepriya et al., 2023; Sulong & Mohd Noor, 2018). This corresponds with the fundamental syariah principle embedded in the divine scripture, which underpins Islamic legislation. zakat, the third pillar of Islam, is considered an essential mechanism for promoting equitable distribution, improving social welfare, and embodying justice, equality, and responsibility towards humanity and environmental conservation.

Background and Rationale

Incorporating an ESG framework is essential for company incorporation, as it necessitates social responsiveness. Nevertheless, the evaluation of these ESG fundamentals varies across continents. Investors in Europe have implemented the principles of environmental, social, and governance (ESG). In contrast, the Middle Eastern Shariah moral principles and United States events necessitate compliance to fortify stakeholders' assurance of halal. Nevertheless, it is impossible to incorporate these standards into the entities and states of the globe. The Corporate Socially Concerned Context must be considered when evaluating stakeholder demands. The *Maqasid Syariah* is a method for facilitating the success of ESG.

The principles of sustainable development are crucial for aligning business practices with earth restoration and poverty eradication. This necessitates a profound discussion that transcends simplistic terminology, such as 'corporate social responsibility.' It is imperative to redirect focus towards specific aspects of business development while incorporating a broader stakeholder perspective from the outset (Al-Homaidi et al., 2020; Sreepriya et al., 2023; Sulong & Mohd Noor, 2018).

In Islamic business models, the primary purpose is not for profit-maximisation but is for benefit of the social welfare. Alternatively, a transformative economic model, characterised by intentional enterprises and capital markets, seeks to optimise engagement and satisfaction, enhance quality of life, foster enduring stakeholder partnerships, and address social issues sustainably. Nevertheless, a transformative economic idea tends to prioritise profit or

prosperity, often at the expense of environmental considerations. Consequently, it is imperative to examine CSR through the ESG conceptual framework and integrate it with Islamic economic principles among Islamic businesses, which encompass a complex and distinctive market landscape.

The Significance of Integrating Maqasid Syariah in ESG

In the contemporary corporate environment, ESG problems have emerged as critical components of sustainable and ethical business operations. Nevertheless, the integration of ESG principles within the framework of Maqasid Syariah, the fundamental objectives of Islamic law, remains inadequately explored and implemented. This gap poses significant challenges and neglects opportunities for organisations aiming to align their activities with modern ecological standards and Islamic ethical principles. Maqasid Syariah emphasises the protection of faith, life, intellect, lineage, and wealth, aiming to promote overall human welfare and reduce harm. The importance of integrating ESG principles in today's global corporate landscape is crucial. ESG frameworks provide a comprehensive approach to sustainability, ensuring that zakat institutions operate in an environmentally sustainable, socially just, and ethically governed manner. Analysed within the context of Maqasid Syariah – the fundamental objectives of Islamic law – there is a notable alignment that can enhance the ethical foundations of business practices. This essay examines the alignment of major ESG components with Maqasid Syariah, emphasising the importance of environmental stewardship, social justice, and effective governance (Ahmad et al., 2021; Rahman et al., 2017; Sidek, 2021).

The study aims to understand the guidelines related to Maqasid Syariah-based ESG disclosures for zakat institutions; create a conceptual framework for zakat institutions to report non-financial performance in alignment with ESG and Maqasid Syariah standards; and identify the essential components of the specific norms of Maqasid Syariah requirements to establish a framework for ESG reporting in zakat institutions.

Literature Review

Conceptual Frameworks in ESG

Environmental, Social, and Governance (ESG) principles have become an essential global framework for assessing corporate performance, extending beyond financial results to encompass the wider implications of business operations. ESG emphasises sustainability by assessing a company's environmental impact, stakeholder relations, and internal governance structures (Al-Homaidi et al., 2020; Sreepriya et al., 2023; Sulong & Mohd Noor, 2018). These principles seek to promote accountable corporate conduct, guaranteeing that corporations enhance the enduring welfare of society and the environment. Maqasid Shariah, the paramount aims of Islamic law, establish a profound ethical framework rooted on justice, equity, and welfare, directing individuals and institutions to pursue the common good. The integration of ESG concepts with Maqasid Shariah is a unique methodology for advancing ethical and sustainable business operations that embody contemporary corporate obligations and Islamic values.

The Environmental, Social, and Governance (ESG) framework is a holistic methodology that encompasses three fundamental dimensions of corporate sustainability (Al-Homaidi et al., 2020; Sreepriya et al., 2023; Sulong & Mohd Noor, 2018). The environmental dimension focusses on a company's impact on the natural environment. It includes measures to reduce carbon emissions, enhance natural resource management, minimise waste, and proactively

tackle climate change challenges. The aim is to ensure that businesses do not harm the environment and promote a sustainable future. The social dimension includes a company's interactions with its employees, customers, communities, and other stakeholders. Human rights, labour conditions, diversity, and community involvement are critical concerns. Companies are expected to provide a positive social impact by fostering equal treatment, inclusivity, and ethical collaborations throughout their operations. Finally, governance refers to the internal policies and structures that determine the management and direction of an organisation. This includes transparency in decision-making, responsibility at all levels, adherence to ethical norms, and ensuring that senior leadership acts in the best interests of both shareholders and stakeholders.

Maqasid Syariah

Despite the extensive research on Maqasid Syariah and its philosophical underpinnings, limited investigation has been undertaken regarding the correlation between Maqasid Syariah and ESG issues (Rahman et al., 2017; Sidek, 2021; Zakaria, 2014). The prior study delineates a conceptual framework for formulating ESG principles grounded in Maqasid Syariah. It is essential to identify appropriate sets of ESG variables that correspond with Maqasid Syariah. Zakat institutions are essential in advancing Maqasid Syariah by augmenting social value in alignment with its ideals. This indicates that numerous derived laws are influenced by fundamental legal and ethical objectives, emphasising both the prescriptions of Shariah and the rationale for its regulations. Each legal rule primarily aims to address urgent needs for action, attention, encouragement, avoidance, and other essential factors. Its resolution by the paramount deity. The prioritisation of material resource management, participant integrity, and the protection and preservation of life is essential in numerous situations.

Maqasid Syariah, while not explicitly acknowledged in the sources of Syariah (Quran and Sunnah), is essential for clarifying the express aims of numerous Syariah requirements that underpin various judicial verdicts. This provides a strong tool to assist the problematic judge in achieving the goals set by the law, emphasising the law's aim while recognising the limits of permissible personal interpretation or discretion (Rahman et al., 2017; Sidek, 2021; Zakaria, 2014). Maqasid Syariah denotes the purposes of the essential legal frameworks of Islam, particularly the preservation of the moral boundaries set by the Creator. It functions as a principal objective, fulfilling the divine intentions of established mandates and prohibitions, rather than acting as an ancillary component of these commandments. These objectives offer comprehensive elucidations of the design, significance, intent, and pertinence of particular laws, thereby enabling the prioritisation of diverse regulations and fostering the anticipated uniformity of Islamic legal systems.

The five principal intentions have been recognised for a prolonged period and hold substantial importance in the examination of Islamic law. The principal objectives clearly involve impacting legal decision-making, grounded in the philosophy and practice of Islamic law and fiqh. The hierarchy constitutes the primary aim of religion, existence, intellect, progeny, and interpersonal connections. The essential objectives, including humanity (servants), assets (intelligent objects), dignity, intelligence (limitations), and inheritance, provide a vital domain for comprehending the issues and subjects of Islamic jurisprudence.

The primary aims will be executed under the overarching framework of Maqasid Syariah, including two dimensions: the first pertains to the notion of the larger good, while the second addresses the attainment of material wellbeing. Maqasid Syariah serves as a benchmark for the

genuine goal of humanity and the rationale behind the establishment of Sharia Law by the Creator. The objectives of Sharia's establishment are to offer clear and practical solutions for all aspects of life, both secular and spiritual.

Furthermore, the notion of Maqasid Syariah is seen as the "essence of religion," emphasising the fundamental aspects of human existence on Earth, particularly the needs of individuals, especially Muslims. Maqasid Syariah serves as a fundamental premise and framework for scholars or fuqaha to formulate Islamic law, ensuring the attainment of its desired objectives. The scholars have established a hierarchy among the five key tenets, from which the primary principle or intent will be developed based on these objectives.

This suggests that many derivative laws are shaped by overarching legal and ethical goals, focussing not only on Shariah requirements but also on the underlying justifications for these regulations. Each judicial ruling primarily seeks to meet pressing needs for action, attention, encouragement, avoidance, and other critical elements. The resolution by the supreme deity. The priority of material resource management, participant integrity, and the safeguarding of life is crucial under many circumstances.

Although Maqasid Syariah is not officially recognised in the sources of Syariah (Quran and Sunnah), it elucidates and clarifies the specific objectives of many Syariah mandates that form the foundation of several judicial rulings (Rahman et al., 2017; Sidek, 2021; Zakaria, 2014). This offers a robust instrument to aid the contentious judge in fulfilling the aims established by the law, while underscoring the law's intent and maintaining awareness of the boundaries within which personal interpretation or discretion is permitted. Maqasid Syariah pertains to the aims of Islamic law, encompassing the fundamental legal frameworks of Islam, or the preservation of the ethical boundaries given by the Creator. It primarily serves as a fundamental objective, fulfilling the divine goals of established commands and prohibitions, rather than functioning as an ancillary component of these directives. In practice, these objectives offer significant elucidations regarding the design, value, purpose, and relevance of certain laws, therefore aiding in the prioritisation of diverse regulations and fostering the anticipated coherence of Islamic legal systems.

Maqasid Syariah and its Five Principles

Maqasid Shariah, or the higher objectives of Islamic law, embodies a comprehensive framework that seeks to promote human welfare by safeguarding five essential elements of life. These objectives aim to preserve the well-being of individuals and societies by providing ethical guidelines that ensure justice, equity, and the flourishing of humanity. Maqasid Shariah focuses on maintaining a balanced, harmonious existence through the protection and enhancement of fundamental aspects of human life (Rahman et al., 2017; Sidek, 2021; Zakaria, 2014).

The first of these objectives is the Protection of Religion (Hifz al-Deen), which emphasizes the importance of safeguarding individuals' right to religious practice and ensuring adherence to the ethical principles set forth by Islam. This objective ensures that religion is preserved not only as a personal belief system but also as a guiding framework for moral and ethical conduct. It underscores the importance of maintaining religious freedom and nurturing an environment where Islamic values can thrive, influencing both personal and collective behaviour.

The second objective is the Protection of Life (Hifz al-Nafs), which prioritizes the safeguarding of human life. Islam places immense value on the preservation of life, emphasizing the need to

protect individuals from harm, ensure health and safety, and promote overall well-being. This principle is fundamental to many aspects of Islamic governance and societal structure, as it mandates that policies and practices must protect life and contribute to the flourishing of all individuals in society.

The Protection of Intellect (Hifz al-'Aql) is the third principal purpose, emphasising the promotion of intellectual development and the safeguarding of individuals' mental health. Islam advocates for the acquisition of knowledge and intellectual advancement, perceiving education as a means to individual and communal advancement. This purpose guarantees individuals the liberty and chance to pursue intellectual activities while safeguarding them from detrimental influences that may compromise their mental health or ability to think rationally.

The fourth purpose, the Protection of Lineage (Hifz al-Nasl), underscores the significance of familial frameworks and social unity. Islamic doctrines emphasise the need of safeguarding human dignity, nurturing familial bonds, and promoting societal cohesion. This mission aims to safeguard familial integrity and promote the perpetuation of healthy, stable social situations characterised by respect and support for individuals. It underscores the significance of ethical conduct in issues pertaining to marriage, familial dynamics, and interpersonal interactions. The fifth, the Protection of Wealth (Hifz al-Mal) pertains to the ethical administration and safeguarding of property and assets. Islam promotes fair economic transactions and endorses financial methods that serve societal welfare while eschewing exploitation and injustice. This purpose necessitates prudent wealth management, guaranteeing that wealth is generated and allocated responsibly, while safeguarding individuals' financial stability within a framework of justice and equity.

In conclusion, Maqasid Shariah offers a comprehensive framework for enhancing human welfare by safeguarding the fundamental aspects of existence. Islamic law provides a foundation for justice, equity, and the welfare of individuals and society through five objectives: the protection of religion, life, intellect, lineage, and wealth. These objectives establish the basis for ethical conduct in personal and societal situations, directing individuals and organisations towards a more equitable and harmonious living.

Zakat Institutions and ESG Integration

Zakat constitutes one of the five pillars of Islam and is mandated to be allocated from a Muslim's wealth to qualified recipients. Zakat serves as a mechanism for wealth redistribution, aimed at achieving economic, social, religious, and spiritual objectives within the Muslim community. Zakat functions as a financial mechanism that upholds ESG ideals and spiritual well-being, perhaps mitigating sociopolitical issues and existential crises in our materialistic society. To promote the common good, many nations, including Malaysia, have instituted waqf or a governmental body to manage zakat funds from the populace. Nevertheless, many Muslim societies have not fully utilised zakat funds to improve the social and ethical standards of financial institutions. Syariah compliant organisations are mandated and prepared to adopt moral and ethical standards that promote an ESG culture (Rahman et al., 2017; Sidek, 2021; Zakaria, 2014).

The preponderance of research on ESG is devoid of a robust empirical basis. It is essential to offer managerial recommendations based on solid Islamic principles to bank managers and the broader public. This study outlines the integration of zakat groups adhering to ESG principles in their governance and administration, utilising societal resources for the enhancement and

sustenance of humanity, so benefiting both zakat donors and recipients. To become ESG-compliant, zakat institutions must establish a comprehensive standard that contextualises ESG criteria, integrating both top-down and bottom-up mandates. This can function as a just and principled payment conduit, characterised by meticulously evaluated results and honest communication, alongside a commitment to the public. Zakat institutions are closely linked to the eight principles of Maqasid Syariah as outlined in the Quran and supported by the Hadith. The Quran mandates that poverty requires the collection of zakat, suggesting the presence of adequate income to be distributed to the destitute. Allah guaranteed rewards for individuals who contribute zakat, facilitating the purification of riches. The Prophet's tradition, exemplified by his actions, advocated for the collection of zakat and the prudent allocation of the collected zakat to the specified categories of beneficiaries. Zakat institutions are acknowledged for their capacity to alleviate inequality by promoting formal sector participation, stimulating entrepreneurship in industrialised countries, and reducing poverty and human suffering.

In Islamic finance, the Maqasid principle elucidates that the predominant allocation of human resources essential for productivity and wealth serves the objectives of provision, regulation, and efficient management of resources, while safeguarding the rights of the impoverished, marginalised, and less fortunate. Given the increasing concern for societal welfare, the function of Islamic Finance Institutions (IFIs) extends beyond just profit generation. The Maqasid principle asserts that the objective of Islamic economics is not predominantly to facilitate economic growth for enhanced prosperity, but to attain social welfare. The frameworks of Islamic law, informed by the principles of Maqasid jurisprudence, facilitate the attainment of comprehensive benefits that integrate material advantages with spiritual objectives, harmonising material and spiritual values, economic and social interests, as well as individual and societal aspirations (Rahman et al., 2017; Sidek, 2021; Zakaria, 2014).

Zakat institutions are essential in Islamic banking, acting as crucial enablers of financial inclusion and socioeconomic advancement. These institutions are tasked with the efficient collecting, management, and allocation of zakat funds, which are obligatory charity donations intended for societal improvement. zakat institutions strategically allocate these monies to effectively meet the needs of disadvantaged persons and communities. These institutions advance financial stability and empowerment, thereby upholding the principles of social justice intrinsic to Islamic banking. Furthermore, zakat institutes undertake comprehensive research and educational initiatives to promote awareness and comprehension of zakat's importance. These institutions serve as dynamic catalysts for sustainable economic growth and equitable wealth distribution, thereby reinforcing the foundations of Islamic finance globally.

This paper discusses the significance of integrated zakat funds and organisations dependent on zakat, as well as the principles governing the integration of zakat management performance with Islamic responsibility through the application of Maqasid Syariah-based zakat management. The primary objective is to systematically organise, evaluate, and articulate the direct correlation between the formulation of Maqasid Syariah and the pertinent principles of zakat allocation and distribution from a conceptual standpoint, utilising a review of literature and contemporary realities. A paper is created for the zakat-oriented initiative framework of Maqasid Syariah (Rahman et al., 2017; Sidek, 2021; Zakaria, 2014). This report finishes with recommendations for new instruments derived from the evaluation, aimed at revitalising the institution and offering practical lessons to organisations reliant on the implementation of zakat money across multiple operational processes.

In the 21st century, it is essential for organisations, especially zakat funds, to align performance enhancement objectives with the obligation to consider the interests of diverse stakeholders, including that aid. The Islamic approach to Social Responsibility and Governance is underscored by the incorporation of many ideas from Imam Al Ghazali's teleology, particularly those pertaining to the Maqasid Syariah. Consequently, the incorporation of ESG considerations yields beneficial outcomes regarding the management and efficacy of the zakat fund and for organisations reliant on the fund. Nonetheless, the inquiry at hand is: why must zakat institutions implement ESG principles based on Maqasid Syariah?

Research Methodology

Data is collected using an extensive retrieval process where the requirement is such that the agencies with the least amount of information give way to those that have a robust corporate standing. The research design of this project adopted a modified research methodology where the five objectives of Maqasid Syariah are front ended towards the data collection strategy, especially in the formation of the themes (Abolhallaj et al., 2021; Alam et al., 2017; Ali et al., 2018). The guideline has clearly indicated how the universe of ESG reports from all zakat institutions is selected and how the prospective sample is to be formulated. The next phase is the creation of the building ESG based on Maqasid Syariah dimensions that is created to examine to what extent companies in the prospective sample are engaged in ESG activities and how deeply embedded they are in the ESG universe.

The research perspective is grounded in Maqasid Shariah, which signifies the primary aims of Islamic law. This philosophy underscores the safeguarding of five fundamental parts of existence: religion (Hifz al-Deen), life (Hifz al-Nafs), intellect (Hifz al-'Aql), lineage (Hifz al-Nasl), and money (Hifz al-Mal). These factors function as ethical principles during the research process, guaranteeing that the study not only produces knowledge but also enhances society welfare and conforms to Islamic values (Abolhallaj et al., 2021; Alam et al., 2017; Ali et al., 2018). This philosophy shapes the research's epistemological and ontological viewpoints by acknowledging the significance of equilibrium between empirical facts and ethical principles grounded in Shariah. The research is aligned with the notion of *maslahah* (public interest) to guarantee advantages for both people and the community.

The research approach employs qualitative, interpretive methods to examine real-life experiences, demonstrating the practical implementation of Maqasid Shariah (Abolhallaj et al., 2021; Alam et al., 2017; Ali et al., 2018). The 15 interviews sessions with the mosque committee and zakat's staff; and documentary analyses are methodologies that provide profound insights into the research topic, ensuring the study encompasses both the ethical and practical aspects of Islamic teachings. Integrating Maqasid Shariah into the research design entails choosing examples or data sources that embody the aims of Shariah, such as safeguarding money through ethical financial activities or preserving intellect by promoting educational efforts (Abolhallaj et al., 2021; Alam et al., 2017; Ali et al., 2018). The study research centres on sustainability and corporate governance, it should examine the implementation of these concepts in accordance with Islamic ethics, such as mitigating environmental harm (consistent with Hifz al-Nafs) or fostering financial equity and transparency (consistent with Hifz al-Mal).

ESG in Zakat Institutions

In the conceptualization of ESG, Sidek (2021) also expressed that ESG in an organization will contribute to the welfare and well-being of the community. CSR activities lead the organization

towards achieving sustainable development objectives. The Maqasid of Syariah has been referred to as comprehensive in nature and serves as the provisions guiding voluntary activities, of which CSR simultaneously focuses on organizational preparedness in fulfilling its commitments towards the society consisting of employees, customers, local, and national communities in promoting social trust, order, and justice. The culture is extremist, corporate governance, absence of corporate code of ethics, no code of conduct, and lack of knowledge of their CSR. In order not to be criminally irresponsible in society, zakat institutions are encouraged to integrate the core business with ESG while paying attention to the Maqasid Syariah (Abolhallaj et al., 2021; Alam et al., 2017; Ali et al., 2018).

The current conceptual framework of ESG mainly focuses on operationalizations through performance, social, and environmental factors without focusing on the operationalization of ESG itself. The absence of extended and comprehensive ESG corporate governance systems in current ESG frameworks causes non-implementation, reporting issues, and ESG arrogance by zakat institutions. Therefore, the extension of ESG corporate governance systems based on the conceptual framework of Maqasid Syariah is crucial to ensure ESG corporate governance relevance with zakat institutions' characteristics. In relation to the conceptualization of ESG, previous research developed by Sidek (2021) is related to ESG within the zakat institutions based on the Maqasid Syariah pillars and principles. Therefore, the research is extending the previous research with the conceptual framework in CSR and Maqasid Syariah.

This research is important as spiritual wealth is the basis for managing material wealth (da'iiyyah). This is the inherent role of the zakat institution in realizing the original Maqasid Syariah, in which wealth is a trust (amanah). It is very important for the zakat institution to ensure that the wealthy perform their duty to the general welfare. The thing that marks the current generation as lacking in honesty, as a result of being human and as it ends there without shaming them, and about which one of them would not embarrass another by speaking about it openly, is precisely their practice of the duty of zakat.

The main purpose and strategy of zakat institutions should comply with the objectives of Maqasid Syariah, which are highly significant in Islamic economics and are closely related. stress the importance of zakat institutions making Maqasid Syariah fundamental to the myriads of efforts undertaken in determining the effectiveness of its distribution management. However, there have been no studies on ESG-based zakat management practices used by zakat institutions to ensure they are rightly managing zakat choices based on principles outlined in the Hadith or perfecting the implementation of zakat by migrating from the old managerial approach to the latest modern techniques of corporate governance. This is key in understanding the features of zakat management and important in distinguishing zakat institutions from one another, in which they may differ greatly.

Components Embodied in the Maqasid Syariah Framework

The Maqasid Syariah dimension focuses on the rewarding dimension, where rewards are reciprocated to the zakat Institution, investors, stakeholders, and others concerned. These rewards are given when the initiatives created valuable outcomes in regard to ESG commitment. The principles include affordable e-wallet options, maintaining ethical behaviour to motivate investment, ensuring stable performance, ensuring performance-related job opportunities, commitment to fair expenses, and offering comprehensive access to improve performance (Rahman et al., 2017; Sidek, 2021; Zakaria, 2014). To ensure that the zakat institution's business

strategic plan is designed to prioritize ESG, criteria for the selection of sustainable initiatives are essential to identify the ESG commitments of the zakat Institution.

The ESG principles include reducing societal disadvantage, leveraging expertise for sustainable value-adding operations, using strong networks to enhance ESG initiatives, focusing on viable sustainable returns, prioritizing membership support, and accessing ESG plus benefits. The amalgamation of Maqasid Shariah principles with the ESG framework fosters a comprehensive and ethical methodology for sustainability, particularly for zakat institutions (Rahman et al., 2017; Sidek, 2021; Zakaria, 2014). Aligning the five fundamental objectives of Maqasid Shariah with the three pillars of ESG facilitates the creation of a holistic model that fosters ethical conduct, justice, and social welfare while addressing environmental, social, and governance issues.

(a) Protection of Faith (Din) and Governance (G)

The principle of *protection of faith (din)* ensures that all operations and decisions align with Islamic ethics and Shariah law. This can be closely associated with the Governance (G) component of ESG, which focuses on ethical management, transparency, accountability, and compliance with rules and regulations. The governance in ESG emphasizes ethical corporate governance, ensuring transparency, fairness, and integrity, which resonates with the protection of faith in Maqasid Shariah. zakat institutions must ensure their governance structures are Shariah-compliant, avoiding unethical practices like fraud or interest-based (riba) transactions. By maintaining strong governance, zakat institutions can reinforce their religious obligations while also adhering to best practices in corporate governance.

(b) Protection of Life (Nafs) and Social (S)

The *protection of life (nafs)* in Maqasid Shariah prioritizes the preservation of human life and well-being. This is closely linked to the Social (S) component of ESG, which focuses on societal impacts such as public health, safety, and community well-being. zakat institutions contribute to social welfare through initiatives that protect life, such as healthcare, poverty alleviation, and disaster relief. The social dimension of ESG supports these actions by promoting equitable access to resources, fair treatment of workers, and community development. zakat institutions should prioritize investments that improve health outcomes, social services, and safety, directly aligning with the protection of life principle.

(c) Protection of Intellect ('Aql) and Social (S)

The *protection of intellect ('aql)* emphasizes the importance of knowledge, education, and intellectual well-being. It is again linked to the Social (S) pillar of ESG, which includes education, community engagement, and mental health. Both Maqasid Shariah and ESG call for investment in education and the development of intellectual capacity. zakat institutions can advance this by supporting educational projects, scholarships, and programs that enhance intellectual development. ESG supports these initiatives by ensuring social responsibility and corporate contributions toward educational causes, which aligns with fostering intellectual growth and mental well-being (Ghofur & Utami, 2023; Hamid et al., 2019; Mukhlisin, 2021; Osman & Agyemang, 2020; Sarif et al., 2024).

(d) Protection of Progeny (Nasl) and Environmental (E)

The protection of progeny (nasl) in Maqasid Shariah focuses on the well-being and sustainability of future generations. This aligns directly with the Environmental (E) pillar of ESG, which emphasizes the preservation of natural resources and the prevention of

environmental degradation for future generations. zakat institutions, guided by the principle of protecting progeny, should invest in environmentally sustainable projects that safeguard the planet for future generations. This includes supporting renewable energy, climate change mitigation, sustainable agriculture, and conservation efforts. The environmental focus of ESG echoes this by prioritizing initiatives that reduce carbon emissions and protect ecosystems, ensuring a safe and sustainable environment for future progeny.

(e) Protection of Wealth (Mal) and Governance (G)

The protection of wealth (mal) in Maqasid Shariah emphasizes the ethical management and preservation of resources. This aligns with the Governance (G) pillar of ESG, which focuses on responsible financial management, risk assessment, and the prevention of mismanagement or corruption. Both the protection of wealth in Maqasid Shariah and the governance component of ESG stress the importance of transparency, accountability, and the ethical use of financial resources. zakat institutions must ensure that funds are utilized efficiently, and that wealth is distributed fairly among asnaf (beneficiaries). By adopting strong governance practices, zakat institutions can ensure the preservation and responsible allocation of wealth, promoting long-term economic sustainability.

Aligning ESG Practices for Sustainable and Ethical Governance

The Maqasid Syariah principles offer a holistic ethical foundation that closely parallels the goals of ESG (Abolhallaj et al., 2021; Alam et al., 2017; Ali et al., 2018). By integrating the protection of faith, life, intellect, progeny, and wealth into their operations, zakat institutions can enhance their governance, social responsibility, and environmental stewardship. This alignment not only fulfils their religious obligations but also positions them as leaders in promoting sustainable and ethical business practices, in line with contemporary global challenges. Through this fusion of Maqasid Shariah and ESG principles, zakat institutions can create a meaningful impact, ensuring both spiritual integrity and socio-economic sustainability (Ibrahim, 2024).

(a) Environmental Responsibility (Hifz al-Bi'ah)

Maqasid Syariah places a strong emphasis on the protection and sustainable use of natural resources, which is encapsulated in the principle of Hifz al-Bi'ah (preservation of the environment). This principal advocates for the stewardship of the Earth, recognizing the importance of maintaining ecological balance for the well-being of current and future generations (Ghofur & Utami, 2023; Hamid et al., 2019; Mukhlisin, 2021; Osman & Agyemang, 2020; Sarif et al., 2024).

The environmental component of ESG aligns closely with Hifz al-Bi'ah by focusing on reducing carbon footprints, managing waste, and conserving biodiversity (Muthoifin et al., 2024; Napitupulu et al., 2024; Santoso et al., 2024; Sarif et al., 2024). Zakat institutions are encouraged to adopt practices that minimize environmental harm, such as utilizing renewable energy sources, implementing efficient waste management systems, and protecting natural habitats. By doing so, businesses not only fulfil their ethical responsibilities but also contribute to the broader goal of sustainability, ensuring that natural resources are preserved and available for future use. For example, a company that invests in clean energy technologies and promotes energy efficiency is adhering to both ESG principles and the Maqasid Syariah objective of environmental stewardship. Thus, this dual alignment enhances the company's reputation, fosters trust among stakeholders, and contributes to a more sustainable and just world.

(b) Social Equity (Hifz al-Nafs and Hifz al-‘Aql)

Social equity, encompassing the protection of human life (Hifz al-Nafs) and intellect (Hifz al-‘Aql), is a fundamental aspect of Maqasid Syariah. This principle emphasizes the importance of social justice, equity, and human dignity, ensuring that every individual has access to basic rights and opportunities (Ghofur & Utami, 2023; Hamid et al., 2019; Mukhlisin, 2021; Osman & Agyemang, 2020; Sarif et al., 2024).

The social aspect of ESG mirrors this by advocating for human rights, fair labour standards, and community engagement. zakat institutions are expected to create safe and inclusive work environments, respect human rights, and contribute positively to the communities in which they operate. This includes fair wages, non-discriminatory practices, and support for education and healthcare initiatives. For instance, a corporation that upholds fair labour practices, ensures safe working conditions, and engages in community development projects is exemplifying the *Maqasid Syariah* principles of Hifz al-Nafs and Hifz al-‘Aql. Therefore, by prioritizing social equity, businesses can foster a more harmonious and equitable society, addressing systemic inequalities and promoting overall human welfare.

(c) Governance (Hifz al-Mal)

Good governance, encapsulated in the principle of Hifz al-Mal (protection of wealth), is critical in both ESG frameworks and Maqasid Syariah. Effective governance ensures that businesses operate transparently, ethically, and with accountability, protecting stakeholders' interests and promoting economic stability. The governance component of ESG focuses on corporate governance practices that enhance transparency, accountability, and ethical decision-making. This includes having a robust board structure, clear ethical guidelines, and transparent reporting mechanisms. These practices are essential for building trust with investors, customers, and the broader community. In the context of Maqasid Syariah, Hifz al-Mal emphasizes the ethical management of wealth and resources, ensuring that they are used responsibly and justly. A company that implements strong governance practices, such as transparent financial reporting and ethical business conduct, aligns with the Maqasid Syariah objective of protecting and managing wealth for the benefit of all stakeholders. For example, a business that maintains high standards of transparency and accountability in its operations is not only adhering to ESG principles but also fulfilling the Islamic ethical mandate of Hifz al-Mal. This fosters a culture of integrity and trust, essential for long-term business success and societal well-being.

The integration of ESG principles with Maqasid Syariah provides a robust framework for sustainable and ethical business practices. Environmental responsibility (Hifz al-Bi'ah), social equity (Hifz al-Nafs and Hifz al-‘Aql), and good governance (Hifz al-Mal) are essential components that align closely with the higher objectives of Islamic law (Mas'ud et al., 2021). By embracing these principles, businesses can not only enhance their sustainability and ethical standards but also contribute to the broader goals of social justice, economic stability, and environmental stewardship. This integrated approach offers a path towards a more equitable, just, and sustainable world, where business practices align with both modern sustainability standards and timeless ethical principles.

Table 1: Illustrates the Alignment of Maqasid Syariah and ESG Components

Maqasid Syariah Principle	ESG Component	Explanation of Categories from Data Analysis in the Interview and Document Review	Themes Emerged from Data Analysis in the Interview and Document Review
Hifz al-Bi'ah (Protection of Environment)	Environmental (E)	Focuses on preserving natural resources and maintaining ecological balance for future generations.	The zakat institutions investing in clean energy technologies, reducing its carbon footprint, and managing waste responsibly.
Hifz al-Nafs (Protection of Life)	Social (S)	Emphasizes the protection of human life and well-being, ensuring that individuals have access to basic rights such as safety and healthcare.	The zakat institutions ensuring safe working conditions, fair labor standards, and contributing to community health initiatives.
Hifz al-'Aql (Protection of Intellect)	Social (S)	Promotes the protection and development of intellect, emphasizing access to education and intellectual well-being.	The zakat institutions supporting education programs, mental health initiatives, and promoting knowledge-based community engagement.
Hifz al-Nasl (Protection of Progeny)	Environmental (E)	Ensures sustainability and protection of future generations by conserving natural resources and protecting biodiversity.	The zakat institutions involved in sustainable agriculture, conservation projects, or climate change mitigation efforts.
Hifz al-Mal (Protection of Wealth)	Governance (G)	Focuses on the ethical management of wealth and resources, ensuring responsible and transparent financial practices.	The zakat institutions practicing ethical governance, transparent financial reporting, and responsible investment decisions.

This table provides a clear comparison of how each Maqasid Syariah principle aligns with the respective components of ESG and includes examples to illustrate the integration in practice (Ghofur & Utami, 2023; Hamid et al., 2019; Mukhlisin, 2021; Osman & Agyemang, 2020; Sarif et al., 2024).

In conclusion, different consciousness is wrapped by various movements of social and environmental themes (Sreepriya et al., 2023). This is recognized by business organizations, which find, more and more, the logic to act ethically, responding to the natural aspirations of consumers who seek satisfaction of these desires. The impact of businesses acting ethically interests diverse sectors of society: economists worry about protecting the environment in favour of future generations in terms of sustainable development; sociologists seek zakat institutions that do good for society; and religions emphasize that organizations must act in accordance with the principles of charity, ethical behaviour, and respect for social and environmental issues (Muthoifin et al., 2024; Napitupulu et al., 2024; Santoso et al., 2024; Sarif et al., 2024).

The Islamic financial system needs to offer financial products that attract demand from socially responsible investors. It is important to earn the trust of customers who specifically want to

consume assets that are managed and marketed utilizing techniques that meet the principles of socially responsible investment, in harmony with Shariah principles. Purification of wealth is a doctrine in Islam that, subsequent to rites, is performed through alms or zakat. zakat in Islam has a specific formula and distribution of zakat proceeds. One of its purposes is to alleviate the sufferings of poor people. Therefore, zakat organizations could play a significant role in assisting poor people to reduce income and wealth disparities. zakat can also be used as a tool to achieve a fairer society, defend against the abuse of power through the support of human rights, protect the environment, ensure quality within institutions, and promote responsible economic activities. In managing zakat, the concept of Maqasid Syariah, which are based on high moral values, can be used by zakat institutions in an effort to flourish in the community. This is known as the six assets management of wealth, protection and defence of wealth, compassion, justice, and the defence system.

Conclusion

The study highlights a new way of thinking about enhancing mid-range social accounting research that extends well-established social and environmental accounting. The contribution is to increase awareness of an important underlying framework that has not yet been explicitly analysed and discussed in the social accounting literature. The potential for enhanced performance is significant, both in instrumental and, especially, normative terms. Thus, the paper has interesting possibilities for empirical research.

As a necessary corrective to prior work, which is inherently speculative as it implicitly analyses an institution's decisions as exogenous to its social and environmental accounting approaches, our analysis focuses on an institution-implied approach that enables consideration of accounting yet to materialize. Consequently, it would be intriguing to investigate whether Maqasid Syariah is able to enhance a zakat institution's accountability. The paper may need further refinement and amendments in those four aspects to make it practical in the context of utilizing the principle of ESG. Taking into consideration the similar nature of religious and social organizations, the paper may serve as comparable guidelines for religious organizations in improving their service excellence and for social institutions to continue their mission and show their corporate responsibility in social and environmental activities. Indirectly, this paper also offers significant benefits for advisors and practitioners prior to preparing advice and determining the information disclosure required for promoting zakat institutions in Malaysia. The underlying spirit of corporate social responsibility, as a part of the Maqasid Syariah, is a concept that has been emphasized in Islam and increasingly demanded by stakeholders.

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