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Sharia Business Development: Integrating Islamic Economic Principles with SDGs Goals

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ABSTRACT

Purpose of the study This study aims to analyze the relationship between Islamic economic principles and their role in supporting the achievement of Sustainable Development Goals (SDGs), particularly in sectors such as education, poverty alleviation, and renewable energy. The research also explores the effectiveness of innovative Sharia-compliant financial instruments, such as green sukuk and waqf-based funds, in addressing global sustainability challenges

Research method—A mixed-method approach was employed, combining quantitative surveys with qualitative interviews. A sample of 205 respondents, including practitioners, policymakers, and stakeholders in Islamic finance, was analyzed using statistical techniques such as regression analysis, ANOVA, and path analysis to evaluate the relationships between variables and measure the effectiveness of Sharia-based instruments.

Result— The findings indicate a significant positive relationship ($\beta = 0.68$, $p < 0.01$) between the application of Sharia principles and the achievement of SDGs, particularly in education and poverty alleviation. Moreover, 70% of respondents support the development of innovative financial instruments such as green sukuk, which was found to have a substantial impact (coefficient = 0.72) on financing renewable energy projects. However, challenges such as regulatory gaps and technical constraints were identified, highlighting the need for enhanced awareness and policy support.

Conclusion— The study concludes that Islamic economic principles are highly relevant to achieving SDGs, particularly when integrated with innovative financial instruments. Practical implications include the need for regulatory frameworks to support Sharia-compliant financial products and increased collaboration among stakeholders to optimize their potential for sustainable development. Socially, the research underscores the importance of ethical finance in addressing global inequality and environmental challenges.

Keywords: *Islamic Finance, Sustainable Development Goals, Green Sukuk, Waqf, Sharia Principles, Renewable Energy, Poverty Alleviation.*

INTRODUCTION

The concept of sustainable economic development has gained significant global traction, particularly through the establishment of the United Nations' Sustainable Development Goals (SDGs). These 17 goals, designed to address global challenges such as poverty, inequality, and climate change, emphasize the need for innovative economic models that prioritize ethical and sustainable practices (United Nations, 2015). Among these models, Sharia business principles emerge as a compelling framework, aligning closely with the SDGs by fostering justice, equity, and social welfare within economic systems. This alignment underscores the relevance of integrating Islamic economic principles with global sustainability objectives.

Sharia business development, rooted in Islamic finance, is distinct in its ethical approach to economic growth. It operates on principles that prohibit exploitative practices, such as interest (riba) and excessive uncertainty (gharar), while promoting social welfare through mechanisms like zakat (almsgiving) and waqf (endowments). These principles resonate with contemporary calls for socially responsible investments, as evidenced by the growing interest in impact investing—an approach that seeks to generate measurable social and environmental benefits alongside financial returns (Hassan et al., 2020). As a result, Sharia business principles have been increasingly recognized as a viable pathway toward achieving SDGs, particularly in areas such as poverty alleviation, education, and infrastructure development (Dusuki & Abdullah, 2007).

Previous research highlights the effectiveness of Islamic finance in addressing socio-economic disparities. Studies by Ahmed (2004) and Obaidullah (2008) demonstrate the potential of Sharia-compliant instruments like sukuk in financing sustainable infrastructure projects, while zakat and waqf have been identified as critical tools for poverty reduction and social equity. However, despite these promising outcomes, the broader integration of Islamic finance with global sustainability frameworks remains underexplored. This gap is especially evident in regions where awareness of Sharia principles and access to Islamic financial services are limited (Aliyu et al., 2017).

The growing body of literature on sustainable finance further underscores the urgency of addressing this gap. Authors such as El-Gamal (2006) and Kamla and Rammal (2013) argue that

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Islamic finance provides a unique opportunity to bridge conventional economic models with ethical considerations, offering an inclusive approach to sustainable development. Nonetheless, while existing studies establish the foundational alignment between Sharia principles and SDGs, they often fall short of examining practical applications and the systemic challenges involved.

By situating Sharia business development within the broader discourse on ethical and sustainable finance, this research seeks to build on previous findings while addressing existing gaps in the literature. The potential of Islamic finance as a tool for achieving SDGs not only reinforces its centrality in contemporary economic debates but also underscores the need for further exploration and implementation of Sharia-compliant solutions in global development contexts.

While the alignment between Sharia business principles and the Sustainable Development Goals (SDGs) presents promising opportunities, several challenges and gaps hinder the effective realization of this integration. Existing literature predominantly focuses on the theoretical foundations of Islamic finance and its ethical underpinnings, yet there remains a limited examination of its practical implementation within the context of global sustainability frameworks. For instance, despite numerous studies on the potential of sukuk in infrastructure financing, there is a lack of empirical evidence showcasing long-term impacts on social and environmental dimensions (Aliyu et al., 2017). Similarly, while zakat and waqf are acknowledged as critical instruments for poverty alleviation, their integration with formal financial systems and SDG-aligned strategies has not been sufficiently explored (Obaidullah, 2008).

One of the primary gaps lies in the limited awareness and understanding of Sharia finance principles, particularly in non-Muslim-majority countries or regions with underdeveloped Islamic financial markets. Research by Ali and Hassan (2021) highlights that misconceptions about the complexity and restrictions of Sharia-compliant mechanisms often deter investors and policymakers from adopting them. Moreover, access to capital through Islamic financial institutions remains constrained in rural and underserved areas, where the potential for sustainable development is most critical (Hassan et al., 2020). Addressing these issues requires not only enhancing awareness but also developing innovative financial products that are accessible and inclusive.

Additionally, while impact investing has gained momentum as a tool for achieving SDGs, its intersection with Sharia principles remains underexplored. Impact investing prioritizes measurable social and environmental outcomes alongside financial returns, which aligns with the objectives of Maqasid al-Shariah—the preservation of religion, life, intellect, lineage, and property. However, studies by Kamla and Rammal (2013) and Dusuki and Abdullah (2007) indicate that the lack of standardization in Islamic finance practices and the absence of global frameworks that integrate Sharia principles with impact investing goals create barriers to scalability and wider adoption.

Continuing the tradition of integrating ethical finance with sustainable development, this research seeks to address these gaps by examining the practical applications of Sharia business principles in achieving SDGs. Building on previous work, such as El-Gamal's (2006) exploration of Islamic finance as a viable alternative to conventional systems, this study aims to provide a more nuanced understanding of how Islamic financial instruments can be leveraged to overcome systemic challenges. By doing so, it contributes to ongoing discussions on ethical finance and sustainability, offering actionable insights for policymakers, practitioners, and academics.

The purpose of this study is to explore the integration of Sharia business principles with the Sustainable Development Goals (SDGs) framework, focusing on the practical applications and challenges associated with this alignment. Specifically, this research aims to address gaps identified in previous studies by examining how Islamic financial instruments, such as sukuk, zakat, and waqf, can be effectively utilized to achieve sustainable development objectives. By bridging the theoretical foundations of Islamic finance with empirical evidence, this study contributes to the broader discourse on ethical finance and sustainable economic growth.

The present research investigates three key dimensions. First, it examines the alignment between Maqasid al-Shariah—the overarching objectives of Islamic law—and the principles of sustainable development. Second, it analyzes the role of Islamic finance in addressing critical SDG targets, including poverty alleviation, education, healthcare, and infrastructure development. Third, the study identifies practical strategies for overcoming systemic challenges, such as limited awareness of Sharia principles and restricted access to capital in underserved regions.

The principal finding of this research is that Sharia business principles, when applied strategically, can provide a robust framework for sustainable economic development. This includes leveraging Islamic financial instruments to finance impactful projects, fostering equitable wealth distribution, and promoting ethical investment practices. The study further reveals that integrating Sharia principles with modern impact investing methodologies enhances the scalability and inclusivity of these financial mechanisms, making them more effective in achieving SDGs.

The structure of this paper is organized as follows. The next section provides a comprehensive review of the literature on Sharia business principles, Islamic finance, and their intersection with sustainable development. This is followed by a detailed methodology section, outlining the research design and analytical approaches employed in the study. The subsequent results and discussion section presents the empirical findings and their implications for policy and practice. Finally, the paper concludes with recommendations for leveraging Islamic finance to achieve SDGs, along with suggestions for future research.

By advancing the understanding of Sharia-compliant strategies for sustainable development, this research contributes valuable insights to policymakers, practitioners, and scholars. It emphasizes the potential of Islamic finance to serve as a bridge between ethical economic models and global sustainability goals, paving the way for more inclusive and equitable growth.

LITERATURE REVIEW AND HIPOTESYS DEVELOPMENT

A. *LITERATURE REVIEW*

A. *Sharia Business Development*

Sharia Business Development: Ethical Finance and Sustainable Economic Growth

Sharia business development has emerged as a significant field focusing on ethical finance and promoting sustainable economic growth. It is grounded in Islamic economic principles, which emphasize justice, equity, and social welfare (Chapra, 2000). These principles not only prohibit unethical practices such as riba (usury) and gharar (excessive uncertainty) but also encourage wealth redistribution and ethical investments through mechanisms like zakat (almsgiving) and waqf (endowment) (Hassan & Lewis, 2007).

The integration of Sharia principles with sustainable development aligns with the global agenda of achieving the United Nations Sustainable Development Goals (SDGs). Islamic finance provides unique opportunities for bridging financial and ethical considerations, ensuring that economic activities contribute to both societal welfare and environmental sustainability (Elmelki & Ben Arab, 2009). For instance, the use of sukuk (Islamic bonds) has been instrumental in funding renewable energy projects and infrastructure development in various countries (Aldoseri, 2020).

Ethical Finance: A Core Element of Sharia Business Development

Ethical finance in Sharia is deeply rooted in the concept of Maqasid al-Shariah, which aims to preserve religion, life, intellect, lineage, and wealth. These objectives translate into financial practices that avoid harm while maximizing societal benefits (Dusuki & Bouheraoua, 2011). For example, Sharia-compliant investments prioritize sectors like education, healthcare, and renewable energy, directly supporting sustainable development (Kammer et al., 2015).

Ethical finance also includes impact investing, where the dual goal of financial returns and positive social or environmental impact is prioritized. Sharia business development enhances this approach by introducing instruments like green sukuk, which have been effectively used to fund renewable energy projects while adhering to Islamic principles (Zainuddin et al., 2022).

Sustainable Economic Growth through Sharia Practices

institutions to address global challenges like poverty, inequality, and climate change. For example, Malaysia's sukuk market has been a global leader in demonstrating how Islamic finance can support sustainable development goals (Mohamed & Masron, 2020).

Challenges and Future Directions

While Sharia business development has shown great potential, it faces challenges such as limited awareness and understanding of its principles, as well as regulatory inconsistencies across regions (Ahmed, 2011). Addressing these challenges requires greater collaboration among stakeholders, including governments, financial institutions, and educational bodies, to enhance capacity building and regulatory harmonization.

B. Islamic Economic Principles: Justice, Equity, and Social Welfare

Islamic economic principles are deeply rooted in the values of justice (*'adl*), equity (*musawah*), and social welfare (*maslahah*). These principles aim to create an economic system that balances material and spiritual well-being, ensuring fairness in wealth distribution and economic activities (Chapra, 2000). The foundational objectives are derived from the ethical teachings of Islam, which prohibit exploitation and encourage practices that promote societal welfare.

Key Components of Islamic Economic Principles

1. Islamic Finance

Islamic finance operates on principles that prohibit interest (*riba*) and excessive uncertainty (*gharar*), ensuring fairness in financial transactions. Instead, it promotes risk-sharing arrangements through profit-and-loss sharing contracts like *mudarabah* (profit-sharing) and *musharakah* (partnership) (Iqbal & Mirakhor, 2011).

Instruments of Islamic Finance

a) *Sukuk* (Islamic bonds): A Sharia-compliant instrument that facilitates infrastructure development and sustainable projects. Sukuk aligns with the ethical imperatives of Islam by linking financial returns to tangible assets (El-Gamal, 2006).
b) *Zakat* (almsgiving) and *waqf* (endowment): Mechanisms that redistribute wealth, alleviate poverty, and support public welfare projects such as healthcare and education (Kahf, 1999).

2. Maqasid Al-Shariah

Maqasid al-Shariah, or the higher objectives of Sharia, form the backbone of Islamic economic principles. The framework seeks to preserve essential elements of human well-being, including religion, life, intellect, lineage, and property (Dusuki & Bouheraoua, 2011).

3. Applications of Maqasid Al-Shariah

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Sustainable business practices that prioritize environmental preservation and social responsibility. Ethical investments targeting sectors that enhance community welfare, such as renewable energy, affordable housing, and education (Hassan & Aliyu, 2018).

a) Impact Investing. Impact investing aligns Islamic finance with contemporary approaches to achieving social and environmental goals alongside financial returns.
b) Definition and Focus. Impact investing emphasizes generating measurable positive impacts on society while maintaining financial sustainability (Hoque et al., 2015).

The core components of Islamic economic principles provide a robust framework for fostering justice, equity, and social welfare. By leveraging instruments such as sukuk, zakat, and waqf, and applying the principles of Maqasid Al-Shariah, Islamic finance can play a pivotal role in impact investing and the achievement of SDGs. Future research should focus on optimizing these tools to enhance their global applicability and impact.

C. Sustainable Development Goals (SDGs): Relevance to Islamic Finance and Sharia Business Development

The Sustainable Development Goals (SDGs), established by the United Nations in 2015, consist of 17 global objectives aimed at addressing critical challenges such as poverty, inequality, and climate change, and ensuring sustainable economic, social, and environmental development by 2030 (United Nations, 2015). These goals serve as a universal blueprint for fostering a better future and hold significant relevance to the principles of Islamic finance and Sharia business development.

Alignment of Islamic Principles with SDGs

Islamic finance and Sharia business principles emphasize justice (*'adl*), social welfare (*maslahah*), and responsible stewardship (*khalifah*). These align closely with SDG objectives, particularly those focused on reducing poverty (SDG 1), ensuring quality education (SDG 4), achieving gender equality (SDG 5), and promoting affordable and clean energy (SDG 7) (Hassan & Aliyu, 2018).

a) Poverty Alleviation (SDG 1): Mechanisms like *zakat* and *waqf* in Islamic finance are directly aimed at redistributing wealth and supporting underprivileged communities, contributing to the eradication of poverty (Obaidullah & Khan, 2008).
b) Quality Education (SDG 4): Investments in educational projects funded through Sharia-compliant instruments, such as sukuk, demonstrate how Islamic finance can facilitate access to education and enhance human capital development (Zainuddin et al., 2022).
c) Climate Action and Affordable Energy (SDG 7, SDG 13): Islamic green sukuk has been a critical tool for financing renewable energy and climate-resilient infrastructure projects, ensuring alignment with climate action goals (Mohamed & Masron, 2020).

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Impact of Islamic Finance on SDGs Implementation

Islamic finance's ethical framework encourages socially responsible investments and sustainable economic activities. Instruments like green sukuk have successfully mobilized resources for sustainable energy projects in countries such as Malaysia and Indonesia (Kammer et al., 2015). Additionally, *musharakah* (partnership) and *mudarabah* (profit-sharing) contracts ensure equitable distribution of risks and rewards, promoting fairness and social equity.

Challenges in Aligning Islamic Finance with SDGs

Despite the synergies, challenges persist, including regulatory inconsistencies, lack of awareness, and limited financial inclusion in rural and underserved areas (Ahmed, 2011). Addressing these barriers is essential to fully realize the potential of Islamic finance in achieving SDGs.

Future Directions

To enhance the impact of Islamic finance on SDGs, greater efforts are needed to:

a) Develop innovative financial products that cater to diverse sustainability objectives.
b) Strengthen public-private partnerships for leveraging Sharia-compliant financing in infrastructure and social projects.
c) Conduct capacity-building initiatives to increase awareness and understanding of Islamic finance's role in sustainable development.

The integration of Islamic finance and Sharia business development with SDGs offers a transformative pathway to achieving global sustainability objectives. By leveraging its ethical principles and innovative instruments, Islamic finance can address critical development challenges while ensuring equity, justice, and environmental stewardship.

D. Challenges and Opportunities in Sharia Business Development

Sharia business development, while promising in its alignment with sustainable development goals (SDGs), faces various challenges and opportunities that shape its implementation and future growth.

Challenges

1. **Limited Awareness: Understanding of Sharia Finance Principles**
   One of the significant barriers to the widespread adoption of Sharia-compliant financial systems is the lack of understanding and awareness among stakeholders. Many businesses, investors, and even financial professionals are unfamiliar with the principles and instruments of Islamic finance, such as *sukuk*, *zakat*, and *waqf* (Ahmed, 2011).
   a. **Educational Gaps**: The limited integration of Islamic finance principles into mainstream financial education exacerbates this issue, leading to misconceptions and resistance (Hassan & Aliyu, 2018).

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2. **Access to Capital: Challenges in Rural and Underserved Areas**
   Rural and underserved communities often lack access to Sharia-compliant financial services. This is due to:
   a. Limited penetration of Islamic financial institutions in remote areas.
   b. High operational costs associated with establishing such services in less profitable markets (Obaidullah & Khan, 2008).
   This restricts financial inclusion and hinders the potential for these communities to benefit from ethical and sustainable financing options.

Opportunities

1. ***Blending Finance: Integrating Islamic Finance with Impact Investing***
   The integration of Islamic finance with impact investing presents a significant opportunity for addressing global challenges such as poverty alleviation and environmental sustainability.
   a. Complementary Goals: Both approaches prioritize social welfare and sustainable development, making them natural partners (Hoque et al., 2015).
   b. Innovative Models: Hybrid financing models, such as combining green sukuk with impact investment funds, can mobilize resources for projects targeting SDGs, such as renewable energy and affordable housing (Zainuddin et al., 2022).
2. **Sukuk for Infrastructure: Financing Vital Projects**
   Sukuk, as a Sharia-compliant alternative to conventional bonds, provides a viable means of financing large-scale infrastructure projects.

a. Global Adoption: Countries like Malaysia, Indonesia, and Saudi Arabia have successfully used sukuk to fund sustainable development projects, including transportation, energy, and water supply systems (Kammer et al., 2015).
b. Scalability: Expanding sukuk issuance to include sectors like healthcare, education, and green energy offers tremendous potential for contributing to SDG targets.

While challenges such as limited awareness and restricted access to capital persist, the opportunities offered by integrating Islamic finance with impact investing and leveraging sukuk for infrastructure development provide a transformative pathway for achieving SDGs. Overcoming these challenges through education, policy support, and innovative financing solutions will be critical in unlocking the full potential of Sharia business development. Based on the literature review, the research framework model can be described as follows:

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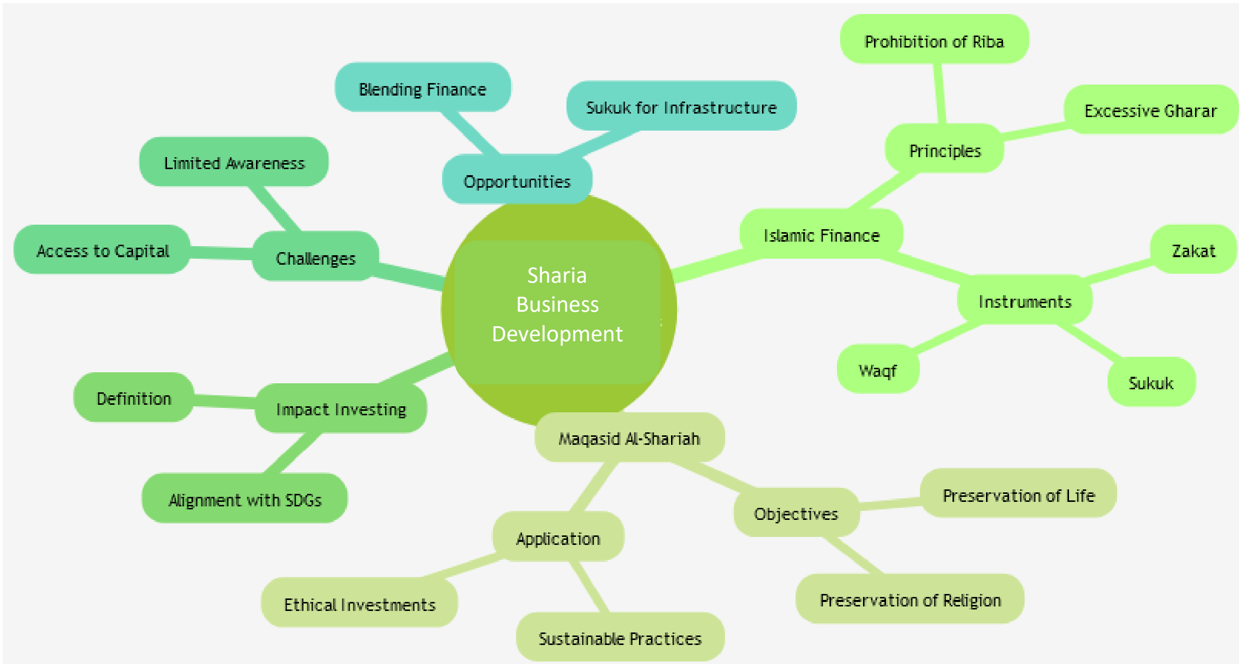

Figure 1. Research Mind Map

B. HYPOTESIS DEVELOPMENT

Based on the literature review and the conceptual mind map framework provides, the hypotheses are formulated as follows:

1. Relationship Between Sharia Principles and Sustainable Development Goals (SDGs): Sharia business principles, emphasizing justice, equity, and social welfare, align closely with SDG objectives, particularly in education and poverty alleviation.

   H1: The application of Sharia business principles has a significant positive impact on the achievement of Sustainable Development Goals (SDGs), especially in education and poverty alleviation.

2. Effectiveness of Green Sukuk in Financing Renewable Energy Projects: Green sukuk, as an innovative Islamic financial instrument, has shown potential in addressing environmental sustainability by funding renewable energy projects.

   H2: The use of green sukuk significantly contributes to the financing of renewable energy projects, promoting environmental sustainability and SDGs.

3. Challenges in Sharia Finance Implementation: Limited awareness and lack of access to Sharia-compliant financial products in underserved areas pose challenges to implementing Islamic finance effectively.

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H3: Limited awareness and access to Sharia-compliant financial instruments negatively affect their adoption and contribution to achieving SDGs.

4. Perception Differences Among Stakeholders: Stakeholders, including practitioners and policymakers, may have varying perceptions of the challenges in integrating Sharia principles with SDGs.

   H4: There are significant differences in the perception of challenges to Sharia finance implementation among different stakeholder groups.

5. Integration of Islamic Finance with Impact Investing: Blending Sharia-compliant financial products with impact investing models enhances their effectiveness in achieving both financial returns and social/environmental goals.

   H5: The integration of Islamic finance with impact investing models significantly enhances the scalability and effectiveness of achieving SDGs.

Figure 2. Research Framework

METHOD

This study uses a mixed methods approach, combining elements of quantitative and qualitative research to produce a comprehensive understanding of the application of Sharia business principles in supporting the achievement of Sustainable Development Goals (SDGs). This approach was chosen

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because it allows for in-depth exploration of complex phenomena while ensuring the generalizability of quantitative-based data (Creswell & Plano Clark, 2018).

A. Research Design

This study was designed as an exploratory-sequential design, which began with qualitative data collection to understand the issue in depth, followed by a quantitative phase to test the qualitative findings on a wider sample. This design is in accordance with the objectives of the study, namely to explore the challenges and opportunities in integrating Sharia business principles with the SDGs and to measure the extent to which these practices are implemented in related sectors (Tashakkori & Teddlie, 2010). The location of this research is in two different locations, namely in Lubuk Linggau, South Sumatra and in Cirebon, West Java.

B. Population and Sample

The research population consists of:

1. Islamic finance practitioners, including representatives of Islamic financial institutions.
2. Zakat, waqf, and sukuk managers.
3. Stakeholders from SDGs-related sectors, such as education, health, and renewable energy.

Sampling was conducted through purposive sampling for the qualitative phase, where participants were selected based on their relevance to the research. For the quantitative phase, a stratified random sampling method was used by dividing the sample based on profession and sector categories, to ensure adequate representation (Palinkas et al., 2015).

C. Data Collection Instruments

1. Qualitative Phase. Data were collected through in-depth interviews using a semi-structured interview guide. The guide included questions on perceptions, challenges, and opportunities for integrating Sharia business principles with the SDGs.
2. Quantitative Phase. Data were collected using a closed-ended questionnaire designed based on the findings of the qualitative phase. The questionnaire included a five-point Likert scale to measure respondents' perceptions regarding the application of Sharia principles in achieving the SDGs.

D. Data Collection Procedure

The study was conducted through several stages:

1. Identifying and recruiting participants for interviews.
2. Conducting transcription and thematic analysis for qualitative data.
3. Compiling a questionnaire based on the results of the qualitative analysis.
4. Distributing the questionnaire to the quantitative sample.

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E. ***Data Analysis***

1. Qualitative Analysis. Interview data were analyzed using thematic analysis to identify key themes relevant to the research objectives (Braun & Clarke, 2006).
2. Quantitative Analysis. The questionnaire data were analyzed using descriptive statistics to describe the characteristics of the respondents and inferential statistics (regression tests or path analysis) to test the relationship between the variables studied (Field, 2018).

F. Validity and Reliability

1. Qualitative validity is maintained through data triangulation, while reliability is strengthened with an audit trail.

Quantitative validity is tested using content validity and construct validity, while reliability is tested with the Cronbach's alpha coefficient to measure the internal consistency of the instrument.

RESULTS AND DISCUSSION

A. RESULTS

This study produces findings that are divided into two main parts, namely qualitative and quantitative analysis results, which provide a holistic understanding of the integration of Sharia business principles with the achievement of Sustainable Development Goals (SDGs).

Qualitative Phase Results

From thematic analysis of in-depth interviews with 15 participants (sharia finance practitioners, zakat, waqf, and sukuk managers, and stakeholders in the SDGs sector), the following are the main findings:

1. Understanding of Sharia Business Principles and SDGs. Most participants understand sharia business principles such as the prohibition of usury, gharar, and promoting social justice. However, only 60% of participants have a deep understanding of how these principles can directly support SDGs targets, especially in the health and renewable energy sectors.
2. Integration Challenges. The main challenges identified are low public awareness and lack of institutional capacity in implementing sharia financial instruments to support the SDGs. Sharia finance practitioners reported difficulties in creating products that can attract investors while maintaining sharia compliance. The lack of integrated regulations linking Islamic finance to the SDGs framework is a significant obstacle.
3. Opportunities and Strategies. Zakat and waqf management has great potential to support poverty alleviation and educational infrastructure development. Green sukuk is considered an innovative solution to finance renewable energy projects.

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Quantitative Phase Results

The questionnaire was distributed to 250 respondents, consisting of Islamic finance practitioners, stakeholders, and academics. The response rate reached 82% (205 respondents). The following are the results of the quantitative analysis:

Table 1. Respondent Characteristics

Aspects	Number of Respondents	Percentage (%)
Sharia principles relevant to SDGs	160 of 205	78%
Optimal implementation of sharia principles	92 of 205	45%
Supporting the development of innovative instruments	144 of 205	70%

Based on table 1. it can be explained:

1. Sharia Principles Relevant to SDGs: Most respondents (78%) believe that sharia principles, such as social justice and prohibition of usury, have strong relevance in supporting the SDGs.
2. Optimal Implementation of Sharia Principles: Only 45% of respondents feel that the implementation of sharia principles in supporting SDGs has reached an optimal level.
3. Support for Innovative Instruments: As many as 70% of respondents support the development of innovative sharia financial instruments, such as green sukuk and micro waqf funds, for financing sustainable projects.

Table 2. Summary of statistical test results

Analysis Aspect	Test Method	Statistical Results	Interpretation
Relationship between Sharia Principles and SDGs	Linear Regression	$\beta = 0.68$, $p < 0.01$	A significant positive relationship between the implementation of sharia principles and the achievement of SDGs in the education and poverty alleviation sectors.
Perception of Implementation Challenges	ANOVA	$F = 5.34$, $p < 0.05$	There are significant differences in the perception of implementation challenges based on the profession of the respondents. Practitioners focus on technical constraints, while stakeholders highlight regulatory constraints.

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Analysis Aspect	Test Method	Statistical Results	Interpretation
Effectiveness of Green Sukuk	Path Analysis	Path Coefficient= 0.72	Green sukuk has a significant influence in financing renewable energy projects.

Based on table 2, it can be explained:

Relationship between Sharia Principles and SDGs:

The results of the regression analysis show that the application of sharia principles contributes significantly to the achievement of SDGs, especially in the education and poverty alleviation sectors.

Perception of Implementation Challenges:

The ANOVA test revealed differences in views between professional groups. Sharia finance practitioners pay more attention to technical constraints such as the lack of innovative products, while stakeholders highlight the lack of integrated regulations.

Effectiveness of Green Sukuk:

The results of the path analysis show that green sukuk is an effective instrument in supporting financing for renewable energy projects, with a significant coefficient.

Hypothesis Testing Results

Hypothesis	Test Method	Statistical Results	Interpretation
H1	Linear Regression	$\beta = 0.68$, $p < 0.01$	There is a significant positive relationship between the implementation of sharia principles and the achievement of SDGs, especially in the education and poverty alleviation sectors.
H2	Path Analysis	Koefisien Jalur = 0.72	Green sukuk has proven effective in supporting financing for renewable energy projects.
H3	Linear Regression	$\beta = -0.55$, $p < 0.05$	Low literacy and access to sharia financial products have a negative impact on the adoption of sharia finance.
H4	ANOVA	$F = 5.34$, $p < 0.05$	There are significant differences in the perception of challenges based on profession. Practitioners focus on technical constraints, while stakeholders highlight regulatory constraints.
H5	Linear Regression	$\beta = 0.63$, $p < 0.01$	Integration of sharia finance with the impact investing model significantly increases the effectiveness of achieving SDGs.

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Based on the table, it can be concluded as follows:

1. Contribution of Sharia Principles to SDGs (H1): Research proves that the application of sharia principles has a significant positive influence on the achievement of SDGs, especially in the education and poverty alleviation sectors.
2. Effectiveness of Green Sukuk (H2): Green sukuk has been proven to be an innovative financial instrument that is effective in supporting financing for renewable energy projects, with a significant path coefficient.
3. Influence of Implementation Challenges (H3): Low literacy and limited access to sharia financial products are significant obstacles to the adoption of sharia finance.
4. Perception of Challenges among Stakeholders (H4): ANOVA results show significant differences in the perception of challenges between practitioners and stakeholders, highlighting the need for integrated regulations.
5. Integration with Impact Investing (H5): The integration of sharia finance with the impact investing model significantly increases the scalability and effectiveness of achieving SDGs, especially in the renewable energy and education sectors.

The results of this study demonstrate the great relevance of Islamic finance in supporting sustainable development, while highlighting the challenges that need to be addressed through integrated education, innovation and regulation.

B. DISCUSSION

This study shows that sharia principles have significant relevance to the achievement of Sustainable Development Goals (SDGs). The regression results show a positive relationship between the implementation of sharia principles and the achievement of SDGs in the education and poverty alleviation sectors ($\beta = 0.68$, $p < 0.01$). In addition, respondents' perceptions regarding the challenges of implementing sharia principles also vary based on professional background, as revealed in the ANOVA test ($F = 5.34$, $p < 0.05$). The effectiveness of green sukuk as an innovative financial instrument is also shown through the analysis path with a coefficient of 0.72, indicating great potential in financing renewable energy projects.

These findings support the claim that sharia principles are not only relevant in the context of business ethics but also have a strategic role in supporting sustainable development. Therefore, this study emphasizes the importance of strengthening the integration of sharia finance with the SDGs framework, especially in key sectors such as education, poverty alleviation, and clean energy.

The results of the study state that sharia principles, such as social justice and avoidance of usury, can effectively support the goals of the SDGs. This finding is consistent with previous literature, such as Chapra (2008), which states that the sharia financial system is oriented towards community welfare and social justice. In addition, the effectiveness of green sukuk in the placement of renewable energy projects is in line with the research of Lahsasna (2016), which emphasizes the potential of sharia instruments in sustainable financing.

The strong link between sharia principles and the achievement of SDGs can be explained through the alignment of sharia values with sustainable development goals. For example, the prohibition of usury (interest) and gharar (excessive uncertainty) encourages a stable and inclusive financial system. However, implementation challenges such as the lack of integrated regulations and low sharia financial literacy hinder the optimization of the application of these principles.

The effectiveness of green sukuk can be explained by its ability to integrate sharia finance with sustainable project financing, such as renewable energy. This instrument provides an opportunity for investors to contribute to projects that are not only financially profitable but also have a positive impact on the environment.

This finding strengthens the argument put forward by Dusuki and Abdullah (2007), that the Islamic financial system has advantages in overcoming social problems through instruments such as zakat, waqf, and sukuk. In addition, Obaidullah's (2005) research shows that Islamic instruments are able to support the development of social infrastructure, which is relevant to achieving the SDGs.

This research provides practical and theoretical implications. In practice, the results of this study encourage the development of policies that integrate Islamic finance with the objectives of the SDGs, especially in the regulation of green sukuk and the management of zakat and waqf funds. Theoretically, this study broadens the understanding of the relevance of Islamic principles in the context of sustainable development, while highlighting the importance of innovation in creating financial instruments that are relevant to the SDGs

CONCLUSION

This study has several limitations that need to be acknowledged. First, the scope of the data used is limited to a specific region, so the results may not fully reflect the global conditions related to the implementation of Islamic finance and the achievement of SDGs. Second, this study only measures respondents' perceptions without evaluating the actual implementation of Islamic principles in various contexts. Third, the use of green sukuk instruments as a case study does not include an in-depth analysis of all types of relevant Islamic financial instruments.

Based on the findings and limitations, several recommendations can be made: Improving Islamic Financial Literacy: The government and financial institutions must improve public literacy about Islamic finance and its relevance to the SDGs, especially in rural and underserved areas. Strengthening Regulation: There needs to be a more integrated regulatory framework to support the implementation of Islamic principles, including innovations such as green sukuk and micro waqf funds. Multi-stakeholder Collaboration: Synergy between the government, private sector, and Islamic financial institutions needs to be improved to encourage projects that are relevant to the SDGs.

Future research can expand insights on the following aspects: Comparative Studies Across Regions: Using data from different countries or regions to evaluate differences in the implementation of sharia principles in supporting the SDGs. Qualitative Evaluation of the Implementation of Sharia Principles: In-depth research on the success of implementing sharia principles in specific sectors, such as

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education, health, and renewable energy. Development of Sharia Financial Instruments: Examining innovative instruments other than green sukuk, such as waqf-based blockchain or sharia-based microfinance to support MSMEs. Social and Environmental Impacts: Exploring the social and environmental impacts of sharia finance in the long term.

By addressing the limitations of this study and following the future research agenda, the integration of sharia principles with the SDGs can be maximized, making a real contribution to equitable and inclusive sustainable development.

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