SUSTAINABILITY ASSESSMENT OF PAKISTANI ISLAMIC BANKING INDUSTRY AND ITS IMPACT ON THE ACHIEVEMENT OF MAQĀSID-AL-SHARI'AH

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Abstract

Purpose

Islam's concept of development places a strong emphasis on both individual and societal welfare, going beyond only material advancement. The socio-economic agenda should be Islamic banks' strategic objective to establish their 'Islamic moral economy' nature. Islamic banks could not be considered to meet the Islamic moral economy requirement of substance beyond form-oriented Shari'ah compliance if they do not incorporate social and ethical dimensions into their business strategy. However, there have been significant criticisms raised against Islamic financial institutions' failure to meet the social demands of society. Due to the significance of Maqāsid-al-Shari'ah for Islamic banks and complaints made against them for failing to uphold their social obligations, it is necessary to investigate their Maqāsid based role. It is necessary to do an empirical investigation of Islamic banks' contributions to promote economic growth, stability, and well-being and the factors that determine successful implementation of Maqāsid-al-Shariah should be given significant consideration and rigorous analysis.

Methods

The study has employed disclosure theories to establish a link between sustainability practices and Maqāsid-al-Shari'ah-based ethical performance. The research has aimed at sustainability assessment of the Islamic banking industry and investigating the impact of sustainability practices on Maqāsid-al-Shari'ah performance of Islamic banks in Pakistan. The annual reports of Pakistani Islamic bank are scrutinized for the information using content analysis technique. The primary source of data are the banks' annual reports. The period of research is from 2010-to 2019. The TOPSIS (Technique for Order Preference by Similarity to Ideal Solution) technique is used to assess the banks' sustainability performance in this study. Finally, regression analysis has been carried out to investigate the impact of sustainability practices on Maqāsid based role.

Results

It is found that economic, financial sustainability and governance practices can help towards Maqāsid-al-Shari'ah achievement by Islamic banks.

Novelty

The Islamic banks' performance evaluation frameworks are heavily weighted toward financial considerations. The literature has evidence on the fact that Islamic banking performance is being assessed using models of the commercial banking system. Only a few studies have examined how Maqāsid-ul Shari'ah can be used in practice, despite the fact that Islamic banks performance standards are moral. There is a significant research gap regarding performance evaluation based on Maqāsid and the factors that contribute to their Maqāsid-based role, the study has aimed to fill this research gap.

Keywords: Islamic Finance, Islamic Banks, Sustainability, Maqāsid, Shari'ah, Topsis, Content Analysis

JEL Classification: A13, B55, G21, Q01, Q56

1. Introduction

Islamic banking model has been developed from moral and ideological precepts found in religion. Shari'ah (Islamic law) is the source of the essential values and principles of Islamic finance and banking, which must be taken into account at all levels of operations. The banking system was created with a focus on social welfare and a risk-sharing model. Islamic economists in the foreground say that IBs should adhere to Shari'ah and endeavour to advance the social well-being of society (Shaikh et al., 2017). Islamic law, or Shari'ah, is described as having been revealed by divine revelation through the Qur'an (the Muslims' Holy Book) and authentic sayings of the Prophet Muhammad (PBUH) (M. S. Mansour et al., 2017). Islamic banking, a branch of the Islamic financial system, should promote a just and equitable society in accordance with the Maqāsid-al Shari'ah, "objectives of Shari'ah" (Chapra, 1992). Maqāsid-al-Shari'ah is defined as "the fundamental principles of Shari'ah, which aim to promote and defend the interests of all human beings and prevent all harm that impairs their interests" by the Islamic Finance Stability Board (IFSB 2011). Maqāsid-al-Shari'ah is literally translated as "the goals of Islamic law." (W. Mansour et al., 2015)

Islam's conception of development places a strong emphasis on both individual and societal welfare, going beyond only material advancement (Chapra, 2008). The core principle of Maqāsid-al-Shari'ah, which calls for the provision of welfare and the avoidance of harm, is very closely aligned with the Sustainable Development Goals (SDGs) set forth in the United Nations' Agenda 2030. The SDG framework and the basic premises of Maqāsid -al- Shari’ah are closely related. The goals of Maqāsid-al-Shari'ah are similar to many SDGs. components, such as living a healthy life, equality, opportunity, and receiving a good education. From the standpoint of sustainable development and Maqāsid-al-Shari'ah, maintaining sustainability, economic growth, safety, and security are equally important.

The financial sector has embraced socioeconomic and environmental concerns in its operations to achieve legitimacy in the environment in which it operates. Owing to this, banks are now required to provide more information about their sustainability efforts. Islamic banking being a player of the Islamic economy must take the goal of holistic development into account. Sustainability is a key component of the Islamic economy and, by extension, Islamic banking's development objectives. As a result, sustainability, which has become increasingly popular in recent management literature, is already ingrained in the fundamental principles of Islamic banking and finance (M. K. Hassan et al., 2018)

Islamic banks (IBs) must act following Islamic law and morality, and socio-economic agenda should be their strategic objective to establish their 'Islamic moral economy' nature. IBs could not be considered to meet the Islamic moral economy requirement of substance beyond form-oriented Shari'ah compliance if they do not incorporate social and ethical dimensions into their business strategy, as it is the substance that distinguishes them from conventional banks (Platonova et al., 2018). However, there have been significant criticisms raised over Islamic financial institutions' failure to meet the social demands of society (M. K. Hassan & Aliyu, 2018; Al-Daghistani, 2016; Dusuki, 2008b; Asutay, 2012).

The IBs' performance evaluation frameworks tend to be heavily weighted toward financial considerations. The literature has evidence on the fact that Islamic banking performance is being

assessed using models of the commercial banking system (Narayan & Phan, 2019). Only a few studies have examined how Maqāsid-ul Shari'ah can be used in practice, despite the fact that IBs.' performance standards are moral (Bedoui & Mansour, 2015). The performance evaluation standards for IBs should be based on Maqāsid-ul Shari'ah. There is a significant research gap regarding performance evaluation based on Maqāsid and the factors that contribute to their Maqāsid-based role (M. K. Hassan & Aliyu, 2018; Mergaliyev et al., 2021).

Due to the significance of Maqāsid-al-Shari'ah for Islamic banks and complaints made against IBs for failing to uphold their social obligations, it is necessary to investigate their Maqāsid based role. However, there is a dearth of empirical and theoretical research on the evaluation of IBs.' performance based on Maqāsid-al-Shari'ah and the factors that can lead to Maqāsid based role (Mergaliyev et al., 2021). It is necessary to do an empirical investigation of Islamic banks' contributions to promote economic growth, stability, and well-being and the factors that determine successful implementation of Maqāsid-ul-Shariah should be given significant consideration and rigorous analysis.

The main objective of the study is to assess Islamic banks' performance based on Maqāsid-al-Shari'ah and establish a link between sustainability practices and Maqāsid-al-Shari'ah achievement.

2. Literature Review

2.1 Islamic Finance and Banking:

The Islamic economic paradigm serves as the foundation for Islamic finance, and Islamic banking is its most prominent application . The institutional elements of the Islamic economic paradigm include Islamic banks and institutions (Asutay, 2012). The largest segment of Islamic finance is Islamic banking, which has assets at around USD1.72 trillion. By any definition, the existence of more than 500 Islamic banks and storefronts around the world is a significant accomplishment (IFSB, 2021).

State Bank of Pakistan (SBP) is the central bank and regulator of the banking industry in Pakistan. The Statistics Department of SBP compiles and publishes statistics on scheduled banks operating in Pakistan. The data is available on SBP's website (State Bank of Pakistan, 2019) according to which the banks are classified into three main groups, i.e., public sector banks (incorporated in Pakistan and controlled by Government), domestic private banks (incorporated in Pakistan and controlled by Private Sector), and foreign banks (bank branches with head offices outside Pakistan). Public Sector banks are sub-divided into commercial banks and specialized banks. A list of Islamic banks is provided in Table1.

The SBP, in January 2001, issued guidelines for the promotion of Islamic Banking in Pakistan. The main guidelines included:

1. Establishment of full-fledged IBs in the private sector
2. Setting up of subsidiaries for IBs by existing commercial banks.
3. Stand-alone branches for IBs by existing commercial bank.

Table 1
Islamic Banking in Pakistan

No.	**Islamic Banks**
1	AlBaraka Bank (Pakistan) Limited
2	BankIslami Pakistan Limited
3	Dubai Islamic Bank Pakistan Limited
4	Meezan Bank Limited
5	MCB Islamic Bank Limited
	Standalone Islamic Banking Branches of Conventional Banks
6	Allied Bank Limited
7	Askari Bank Limited
8	Bank Al Habib Limited
9	Bank Alfalah Limited
10	Faysal Bank Limited
11	Habib Bank Limited
12	National Bank of Pakistan
13	Silk Bank Limited
14	Sindh Bank Limited
15	Soneri Bank Limited
16	Standard Chartered Bank (Pakistan) Limited
17	Summit Bank Limited
18	The Bank of Khyber
19	The Bank of Punjab
20	United Bank Limited

Source:(State Bank of Pakistan, 2019)

2.2 Islamic banking, Sustainable Development and Maqāsid ul Shari'a :

The goal of the study is to establish link between sustainability and Maqāsid -al-Shari'ah on the basis of their core assumptions. The study aims to draw a connection between sustainability and Maqāsid -al-Shari'ah based on the fundamental premise of sustainability and Maqāsid. Although the Islamic economy recognises that increasing income and wealth are needs of people, it also provides proper respect to the equitable distribution of wealth and income. On an individual and social level, satisfaction of spiritual and non-material needs is necessary for human well-being. Economic progress should be supported by the equitable distribution and fulfilment of non-material needs. Any progress would lead to a declining civilization if such phenomenal principles are not taken into consideration. Maqāsid-al-Shariah addresses the satisfaction of material and non-material requirements, which are regarded as fundamental human rights (Chapra, 2000). Only when investment and other decisions made by stakeholders take societal and environmental issues into consideration the notion of Islamic Economy, which is conceptually a socio-environmental centralised economy, be put into effect. Islamic economics is founded on Islamic values and prioritises social justice. The Islamic theology has a strong foundation in the pursuit of social objectives and sustainable development (Khateeb et al., 2023). The Islamic economy, Maqāsid-al-

Shari'ah, and sustainable development all include management of people and natural resources (Hasan, 2020). Even though Islam does not yet have a formal model for ecological welfare, it does have guiding principles that can be used to create one. Table 2 shows the parallels between Islamic Economy, Sustainable Development and Maqāsid-al-Shari'ah based upon their basic premise and objectives

Table 2

Mapping between Islamic Economy, Sustainable Development and Maqāsid-al-Shari'ah

Concept based on Sharia	**Definition**	**Core Concept**	**Social Objectives**	**Environmental Objectives**	**Economic Objectives**	**Governance Objectives**
Islamic Economy	"Islamic economics aims at study of human welfare achieved by organizing the resources of the earth on the basis of cooperation and participation."(Muhammad Akram, 1993)	Human Welfare	Yes	Yes	Yes	Yes
Islamic Banking	As defined by Mirakhor (2000) Islamic banking is provision of banking products and services in compliance with Islamic teachings. The main premise of Islamic banking is prohibition of usury (riba)	Prohibition of Usury/ Socio Economic Welfare	Yes		Yes	Yes
Maqāsid-al-Shari'ah	The definition of Maqāsid-al-Shari'ah as per (IFSB, 2011) is "the fundamental principles of Shari'ah, which aim to promote and protect the interests of all human beings and avert all harm that impairs their interests."	Human Welfare	Yes	Yes	Yes	Yes
Concept based upon Inter-generational Equity						
Sustainable Development	Meeting the needs of the present without compromising the ability of future generations to meet their own needs (Sauvé et al., 2016)	Societal Objectives	Yes	Yes	Yes	Yes
Banking sustainability	Sustainable banking is incorporation environmental, social and governance mechanism into banking industry (Weber, 2017)	Social, environmental, and ethical considerations	Yes	Yes	Yes	Yes

2.3 Banking Sustainability:

The sustainability aspects of the banking industry have been under consideration fo, and many banks have their pathways for maintaining sustainability. The sustainability dimensions of the banking industry include economic, social and financial, environmental, and corporate governance (Aras et al., 2018; Jan et. al., 2019; Kumar & Prakash, 2019a; Kumar & Prakash, 2019b).

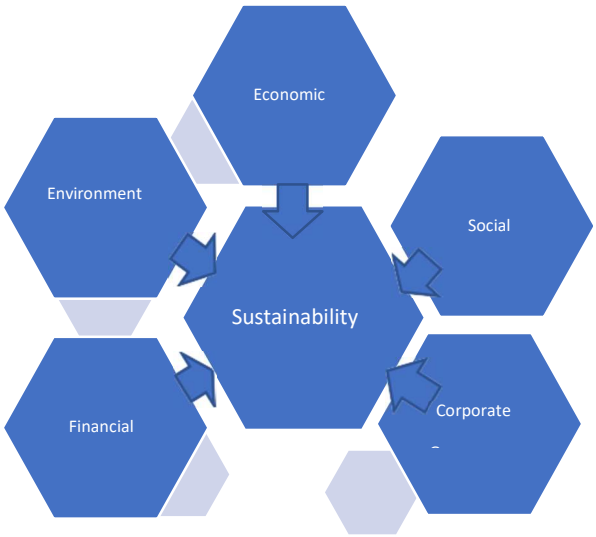


Figure 1
Understanding Concept of Sustainability
Source: (Aras et al., 2018)

Sustainability reporting has been defined as reporting about the economic, social, and environmental impacts of business' operations (Rustam et al., 2019). The sustainability issues of high priority include financial inclusion, microfinance, financial literacy, energy conservation, environmental management, and the development of green products and services (Aras et al., 2018). The sustainability reports are embedded in other reports and sometimes are not easily accessible. Consequently, an overall view of sustainability performance cannot be comprehensively developed (Korzeb & Samaniego-Medina,2019). At the same time there has been considerable efforts by rating agencies, reporting guideline initiatives and for the development of sustainability management systems.

The integration of sustainability in the financial industry and, in particular, banking is a challenging task. The incorporation of sustainability practices into the banking industry has mainly taken two forms:

- Social, economic, and environmentally responsible initiatives, for instance, environmental management programs, donations, improving governance, etc.
- Environmental and social consideration into business strategies like product design integration of environmental and social criteria into lending decisions (Korzeb & Samaniego-Medina, 2019).

This study has taken up the first notion of sustainability and considered IB's social, economic, and environmental initiatives as sustainability practices.

2.4 Theoretical Framework:

The study has employed the practice-based view (PBV) and a wide array of disclosure theories to establish a link between sustainability practices and Maqāsid-al-Shari'ah-based ethical performance. The practice-based theory defines practice as "a defined activity or collection of actions that a variety of firms may execute" and is "publicly known, imitable, and adaptable to transfer across enterprises" (Bromiley and Rau, 2014). The practice-based view (PBV) provides theoretical foundations explaining how organizational practices impact performance. In sustainability literature, PBV theory has been used to explain organizational performance resulting from established practices (Khan et al., 2021). In the context of PBV, this study views sustainability practices as an integrated set of actions that are implemented to improve IBs' Maqāsid-al-Shari'ah based performance.

In sustainability management, researchers have used a combination of theories to explain sustainability management practices and disclosures (Hummel & Schlick, 2016). The disclosure theories are divided into two broad categories including the Economics based disclosure theories and Socio-Political disclosure theories (Hummel & Schlick, 2016). Economics-based voluntary disclosure theories include agency theory, signaling theory, and a few more. The socio-political group of disclosure theories includes legitimacy theory, stakeholder theory, institutional theory, and like. Economics-based voluntary disclosure theories predict a positive association between social and environmental reporting and ethical performance. The motivation for voluntary disclosure for high achievers is to be distinguished from bad performers (Clarkson et al., 2013). These socio-political theories suggest that disclosures are a function of socio-political pressures faced by organizations (Patten, 2002). The socio-political theories including legitimacy, stakeholder and institutional theory claim that disclosures by organizations are meant towards "legitimizing" their operations within the context they operate in. According to a third theoretical branch based only on ethical principles, businesses should exhibit exemplary social and environmental performance

regardless of the benefits or disadvantages (Brooks & Oikonomou, 2018). The theoretical framework used to determine the relationship between sustainability practices and Maqāsid based ethical performance make use of economics-based disclosure theories.

2.5 Relationship between sustainability practices and Maqāsid-al-Shari'ah:

The concept of sustainable banking has evolved from social banking (philanthropy and community management programs), ethical banking (incorporation of ethical activities in banking operation), green banking (environmental management systems, discouraging financing to industries dangerous for the environment) to sustainable banking, which is the incorporation of environmental, social and governance mechanism into banking industry (Weber, 2017;, Sauvé et al., 2016). The social sustainability practices (SSS) is comprised of seven main categories, including community, diversity, health and safety, the quantity of employment, human rights, product and service responsibility, training, and development (Bussoli et al., 2018). For the banking industry and in particular to Islamic banking, the indices created to measure social performance include Qarh-e-Hassan (benevolent fund), equal opportunity policy, Shari'ah awareness training, sponsoring community activities, competitive salary commitment, and interest-free products (Platonova et al., 2018; Farag et al., 2018; Belal et al., 2015; Aribi & Gao, 2010). There are three main categories considered part of companies' environmental sustainability (ENS) including reduced use of resources, reduction of emission, and product/ service innovation (Bussoli et al., 2018).

In this study, the first two have been taken to measure of environmental sustainability practices of IBs. The choice of environmental sustainability indicators are also based on the industry sector. The indicator system used for environmental sustainability practices of banks have included environmental management policy, carbon emission, energy efficiency, Bank reporting about the environmental examination, Bank as a signatory of UNEP FI, Bank as a signatory of EP (Mengze & Wei, 2015; Kılıç & Kuzey, 2019) In their studies Kumar & Prakash, (2019a) examining sustainability reporting practices of the banking industry in India have used indicators including environmental policy, environmental management system, disclosure of qualitative and quantitative data about environmental care as indicators for a sustainability evaluation framework. The definition of economic sustainability (ECS) given by GRI is the impact of any organization on the economic conditions of its stakeholders and economic system at local, national, and global levels (GRI, 2018). The indicators used for measuring economic sustainability by IBs include a contribution to national exchequer, comparative financial position, financial performance infrastructural and institutional development, state of the domestic economy, the impact of the global economy, economic contribution report (Sobhani et al., 2012). Abedifar et al., (2016) used bank deposits and private credit as indicators of resource mobilization and allocations. Aras et.al., (2018) used contribution to national economy, development, and impact of infrastructure investments impact on local economy and the global economy as an indicator of economic sustainability practices of banking. Kumar & Prakash, (2019a) have attempted to develop a framework for the evaluation of sustainability practices by the banks. The indicators that have been identified include microfinance and financial inclusion services.

Alsayegh et al., (2020) have concluded that a positive relationship between sustainable practices and socio-economic and environmental performance of the firms. The study has employed Thomson Reuters Asset4 database scores as a measure of ethical performance. The score are

calculated based on the factors including Product responsibility, community, training, and development, shareholders and client loyalty (Thomson Reuters ASSET4 ESG Data Glossary 2017, ; Jitmaneeroj, 2016). According to the literature, reporting on sustainability suggest that disclosures tend to promote ethical performance since it becomes measurable and apparent to outside stakeholders (Topping, 2012).

Papoutsi & Sodhi, (2020) have studied sustainability disclosures using 51 sustainability indicators to measure disclosures and Dow Jones Sustainability Indices (DSJI) and Bloomberg's environmental and social governance (ESG) ratings to measure socio-economic and ethical performance of the companies, the results have shown that sustainability disclosures reflect actual ethical performance.

The key findings summarised in a review of empirical literature by Brooks & Oikonomou,(2018) on the relationship between corporate disclosures and ethical performance indicate that sustainability disclosures are positively associated with better ethical and social performance.

Based upon the existing literature and theoretical foundations the study proposes the following hypothesis to study the relationship between the sustainability practices and Maqāsid-al-Shari'ah based performance of Islamic banks.

H1: The social sustainability practices of Islamic banks positively impact Maqāsid-al-Sharī'ah achievement of Islamic Banks.

H2: The environmental sustainability practices of Islamic banks positively impact Maqāsid-al-Sharī'ah achievement of Islamic Banks.

H3: The economic sustainability practices of Islamic banks positively impact Maqāsid-al-Sharī'ah achievement of Islamic Banks.

2.6 Relationship between financial sustainability practices and Maqāsid-al-Shari'ah:

Financial stability has received a lot of attention in the finance literature. Financial sustainability (FSS) implies that the financial system is robust to disturbances in financial intermediation (Raut et al., 2017) Islamic finance principles aim for a fair economic system for the well-being of society. Many studies focused on factors like business model (Hasan & Dridi, 2011; Beck et al., 2013), capital adequacy (Karim et al., 2012; Sharmeen et al., 2019), profitability ratios (Zarrouk, 2014) to measure financial stability of IBs. However, a vast number of studies have used Z-Score to measure the financial stability of IBs. Čihák & Hesse,(2010) in their pioneering study of measuring the stability of IBs used Z-Score was a measure of stability. Mat Rahim & Zakaria, (2013) in their study compared Z-scores of IBs and CBs to measure financial stability.

Chollet & Sandwidi, (2018) investigated the relationship between financial stability (measured as market and firm specific risk) and ethical performance of banks have concluded that a firm's strong social performance lowers its financial risk. Their study of a global sample spanning around 40 industries has indicated that low risk is primarily beneficial for ethical performance of firms.

Orlitzky & Benjamin, (2001) provided evidence in their meta-analysis that ethical performance is improved in financially sustainable enterprises, or firms with little financial risk. According to the study, future ethical behaviour is positively correlated with financial sustainability, defined as

low financial risk. Ramzan et al., (2021) have also indicated significant relationship between financial stability and ethical performance.

As supported by the afore-mentioned literature regarding the relationship between financial stability and ethical performance, the following hypothesis is proposed.

H4: The financial sustainability practices of Islamic banks positively impact Maqāsid-al-Sharī'ah achievement of Islamic Banks.

2.7 Relationship between corporate governance practices and Maqāsid-al-Shari'ah:

Due to the wide-scale integration of world economies, good governance and disclosure have become very important and affect the decision-making of stakeholders (Buallay, 2019). Corporate governance (CG) has been measured generally under five categories, including functions of BoD, the structure of BoD, vision, strategy, compensation, and shareholder policy (Bussoli et al., 2018). Though certain governance challenges of IBs are quite similar to other financial institutions, a few governance issues are more dominant in IBs (Safieddine, 2009; Grais & Pellegrini, 2006). Some significant governance challenges for IBs include compliance to Shari'ah, the presence of unrestricted investment account holders (IAH), the fact that IBs operate in emerging economies with weak institutional and governance structures (Darmadi, 2013). The first two factors have been well covered by the academicians, while the last issue could not gain much coverage in literature.

Syafa & Haron, (2019) examines how the characteristics of Shariah supervisory board (SSB) and board structures affect the performance of IBs as determined by the Maqāsid performance index. The study looked into how SSB characteristics and board structures affected IB Maqāsid al-Shari'ah performance. The outcome showed that SSB characteristics (SSB size, SSB cross membership, SSB reputation, and SSB education) and board structures (Board size and Board independence) are crucial for enhancing Maqāsid-al-Shari'ah based performance of Islamic banks. Lesmana & Haron, (2019) have concluded that SSB supervision is much required for Maqāsid based performance of IBs. Mergaliyev et al., (2021) have concluded that Shari'ah governance frameworks improve IBs performance based on Maqāsid.

This has led to the formulation of the next hypothesis of our study as follows:

H5: The corporate governance practices of Islamic banks positively impact on Maqāsid-al-Sharī'ah achievement of Islamic.

2.8 Financial performance as Moderator Between Sustainability Practices and Maqāsid-al-Shari'ah performance

The literature is focused on how corporate sustainability practices affect a firm's financial performance. Examining the impact of IBs' financial success on the link between sustainability practices and Maqāsid-al-Shari'ah-based performance is one of the study's goals. The relationship between sustainability practices and performance metrics has been the subject of numerous research. However, socio-economic and environmental performance have not received much attention; primarily financial measures have been used to measure performance.

According to earlier studies, there is a significant relationship between prior financial performance and subsequent socioeconomic and ethical performance of the companies, demonstrating that financial performance has a greater influence on ethical performance than vice

versa (Margolis et al., 2012; Elayan et al., 2016). This leads to the conclusion that businesses with strong financial results can support moral and socially responsible endeavours. This study has suggested a potential influence of financial performance on the relationship between the adoption of sustainability and Maqāsid-al-Shari'ah based socio-economic performance of IBs, based on theoretical background and literary support.

H 6: The financial performance moderates the relationship between social sustainability and Maqāsid-al-Sharī'ah achievement of Islamic Banks.

H 7: The financial performance moderates the relationship between environmental sustainability and Maqāsid-al-Sharī'ah achievement of Islamic Banks.

H 8: The financial performance moderates the relationship between economic sustainability and Maqāsid-al-Sharī'ah achievement of Islamic Banks.

H 9: The financial performance moderates the relationship between financial sustainability and Maqāsid-al-Sharī'ah achievement of Islamic Banks.

Bank size has been taken as a control variable.

3. Methodology

The research has aimed at sustainability assessment of the Islamic banking industry and investigating the impact of sustainability practices on Maqāsid-al-Shari'ah performance of IBs. in Pakistan.

The annual reports of Pakistani Islamic bank are scrutinized for the information using content analysis technique. The primary source of data are the banks' annual reports. The period of research is from 2010-to 2019. There are a few significant reasons for selecting this time period. There has been a remarkable expansion of Islamic banking and finance during the last decade to meet the growing demand. The Islamic financial industry's total Shari'ah-compliant assets were reported at $2.5 trillion in 2018, up from $861 billion in 2008. (Asutay & Mohd Sidek,2021) and the past two decades have seen increasing interest of the banking industry in sustainability (Kumar & Prakash, 2019b).

3.1 Content Analysis:

Content analysis (CA) is a set of processes for gathering and arranging data consistently that allows analysts to infer characteristics and meaning from written and other recorded materials.

CA is a qualitative and quantitative methodology by definition, using qualitative data that is then quantified. Content analysis has been adopted to collect required data on the sustainability practices of banks. It has been commonly employed in the literature by the researchers to collect information on sustainability (Aras et al., 2018; Jan et. al., 2019; Kumar & Prakash, 2019a; Kumar & Prakash, 2019b). Specifically, in the case of IBs, many researchers have used the same technique to gather information about the nature and extent of sustainability and social reporting. (Sobhani et al., 2012; Jan et al., 2018; Jan et. al , 2019).

The quantitative CA studies are further sub-divided into "index" and "amount-volume" studies. The index method of content analysis looks for the presence or absence of information, while the amount-volume method gathers information for disclosure by counting words, sentences, and page

proportions (Vourvachis & Woodward, 2015). Index studies appear to be more typically referred to as content analysis rather than volumetric techniques. The study has adopted basic binary coding scheme, which assigns a score of 1 or 0 depending on whether the disclosure is present or absent.

3.2 Topsis:

The TOPSIS (Technique for Order Preference by Similarity to Ideal Solution) technique, which is one of the multi-criteria decision-making methodologies, is used to assess the banks' sustainability performance in this study. Rather than focusing on a single criterion, TOPSIS is used in the study.as an integrated multi-criterion decision-making (MCDM) methodology for evaluating sustainability from the economic, social, and environmental viewpoints (Aras et. al, 2018) . The TOPSIS method is employed in the study since it is highly preferred in performance evaluations in the literature. The complete step wise process of TOPSIS is attached in Appendix 1. The sustainability assessment process is explained the Figure 2.

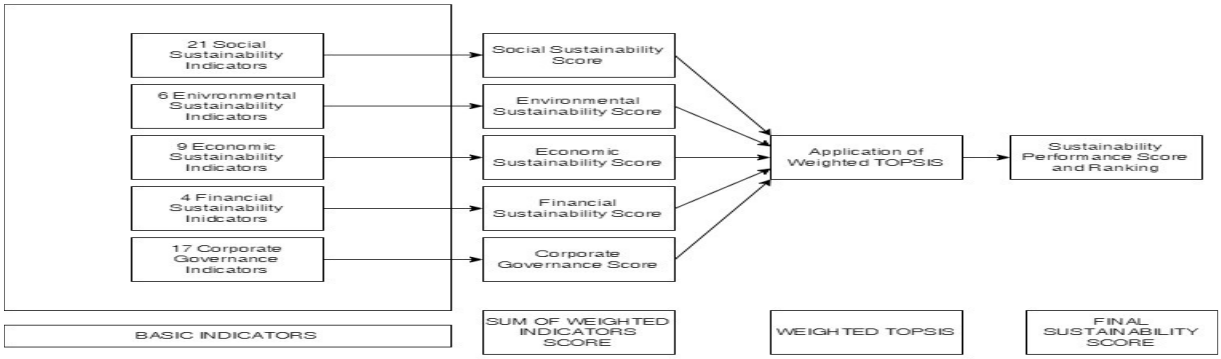


Figure 2

Sustainability Performance Assessment of Islamic Banks

3.3 Maqāsid-ul Shari'ah Performance Assessment:

It is required that performance evaluation of IBs should be done based on foundational theories. This will not only highlight the varied roles played by IBs but will also help in differentiating them from their traditional contenders. To develop Maqāsid-al-Shari'ah based performance measurement criteria, serious efforts have been made. (Omar Mohammed & Md Taib, 2008) employed "Abu-Zaharah's Maqāsid Framework" and developed "Maqāsid Index" to properly assess the performance of IBs based upon the criteria of Maqāsid-al Shari'ah. (Bedoui & Mansour, 2015) developed mathematical model of Maqāsid-al-Shari'ah based performance measurement of IBs. They claimed many shortcomings in the implementation of Maqāsid-al-Shari'ah, which can be very detrimental to Islamic ethical vision (Bedoui & Mansour, 2015). This model was further extended by (Harningtyas, 2015) using the "Abdul Majed Najjar Model." The rationale behind developing Maqāsid Indices is to evaluate the performance of IBs on Maqāsid-ul-Sharia. The Maqāsid index proposed by (Taib.M, 2008) is closer to financial reporting content (M. K. Hassan & Aliyu, 2018); hence it is used in our study for Maqāsid performance evaluation.

4.Analysis

4.1 Sustainability Performance of Pakistani Islamic banks:

This section provides insight on sustainability practices of IBs. The descriptive analysis aims to understand the progress of IBs towards implementing sustainability practices. In particular, the study has focused on the current state of sustainability practices carried out by IBs. and develop their rankings based upon their sustainability performance. The data on sustainability indicators have been collected from the annual reports of IBs through content analysis. The weights of sustainability indicators and dimensions have been used to calculate weighted scores. Finally, TOPSIS is applied to calculate composite A detailed analysis of the current situation and progress of sustainability practices in Pakistan IBs. has been carried out on following basis:

- Overall sustainability performance scores
- Average sustainability performance score of each bank for 2010-19.
- Sustainability performance ranking of IBs.
- Sustainability practices across each sustainability dimension

4.4.1: Sustainability Performance Scores of Pakistani Islamic banks:

The sustainability practices of IBs are mainly discussed in annual reports under the CSR section, director's reports, and Shari'ah supervisory reports. In the case of Pakistan IBs., sustainability initiatives are mainly discussed in corporate reports. Table 3 shows the total average sustainability performance score of Pakistan IBs. from 2010-2019.

Table 3 shows the total and average sustainability performance score of Pakistani IBs. from 2010-to 2019. Meezan Bank Limited has achieved the highest average score, i.e., 0.658 (out of 1), and Albaraka Banak has the lowest score, 0.242 (out of 1). The YOY change in the sustainability performance of Pakistani IBs is positive, and it is on an increasing trend; however, it is apparent that many IBs have just adopted sustainability practices towards the end of the decade i.e., 2010-19. The central bank, State Bank of Pakistan (SBP), joined the International Finance Corporation's (IFC) Sustainability Banking Network in 2015. The SBP announced Green Banking Guidelines in October 2017. Banks and development finance institutions have been given a year to follow the standards and go on to the next stage of green banking adoption. These guidelines have been considered initial initiatives to create a stable and sustainable banking industry (Pakistan Infrastructure Housing & SME Finance Department, 2017). After that, the central bank has yet to announce any new policies, guidelines, or regulations. However, it is more important to create awareness and understanding among all stakeholders, including the central bank, banking sector, and customers, for sustainable banking operations in Pakistan. The main drivers towards sustainability include regulations, reputational benefits, and operational benefits. (Ali & Rizwan, 2013). The best performance with respect to sustainability practices has been by Meezan Bank Limited with score of 0.658, MCB Islamic with 0.555, and Bank Islami with 0.504. Meezan Bank is the largest Islamic bank in the country. It is rather interesting to note that all three top-performers in sustainability are full-fledged Islamic banks. The Islamic banking model in Pakistan consists of full-fledged IBs and commercial banks having stand-alone Islamic banking branches. It is evident from the collected data that full-fledged IBs are more concerned about their sustainability performance. This can be attributed to inherent social and ethical concerns in Sharī'ah compliant organizations.

The sustainability performance of IBs in Pakistan has improved from approximately 0.3 to 0.55 over a ten-year time period Table 4 ; however, this performance cannot be considered satisfactory as there are many areas of sustainability practices that the banks have ignored.

Figure 5 shows the frequency distribution of performance scores by the banks. As can be seen, the majority of the banks lie within the range of 0.24-0.41. In other words, most banks have performed only 20%- 40% on the selected indicators. The only bank to achieve above 60% score is Meezan Bank, which topped the table.

The ranking of Pakistani IBs. based upon TOPSIS over ten years is shown in Table 5. The ranked order of IBs has been steady for some banks and steadily changing for others over time. A few banks, including Faysal Bank Limited, Askari Islamic, and Bank of Khyber, have declined sustainability performance. Other banks, including Albaraka Bank and Bank Alhabib Islamic Bank, have been consistently low performers achieving an average score of 0.242 and 0.294, respectively. Meezan Bank secured the first rank for nine years., losing only to Bank Alfalah in the year 2016. Bank Alfalah has shown marked improvement with a sluggish at the start of the decade to marked improvements towards the end. The laggards include Albaraka Bank and Bank Alhabib Islamic Bank, which could not improve much on sustainability performance ranking scale over ten years.

4.1.2: Performance Scores on Sustainability Dimensions:

Figure 6 shows radar charts of average sustainability scores across dimensions of sustainability. The IBs in Pakistan are much less focused on social and environmental sustainability dimensions of performance. There have not been any environmental sustainability practices by IBs in Pakistan between 2011-14. Starting from the year 2015 onwards, the IBs have started focusing on environmental aspects of their policies, and then there is gradual improvement of performance on environmental practices. This gradual improvement in ENS can be attributed to SBP “Green Banking Guidelines”.

On the contrary, the social sustainability practices of IBs in Pakistan have not shown much improvement during the ten years. The average score on SSS remained within the range of 0.3-0.5. This can be interpreted as Pakistan IBs havng only reported on less than 50% of the social sustainability indicators. The individual score on social and environmental dimensions is less than 0.5 for the period 2010-2015. The most well-reported dimension is CG, with the lowest value of 0.8 out of 1 and above 0.9 in 2019. The FSS score for IBs in Pakistan seems to be low, hovering around 0.5 for ten years. The discrepancy between the scores might be attributed to industry effects as financial institutions are not extensively focused on environmental concerns; thus, environmental concerns seem to be potentially secondary compared to economic and financial sustainability. However, human capital is critically important for banks, and their protection and support are significant. Keeping this in view, the IBs in Pakistan must focus on their human capital and improve their financial stability.

Table 3

Sustainability Performance Score of Pakistani IBs for the period 2010-19

	Sustainability Performance Score of Pakistani IBs for the period 2010-19										
Bank	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	**Average Sustainability Performance**
Faysal Bank Limited	0.386	0.394	0.394	0.390	0.395	0.401	0.402	0.398	0.398	0.525	0.408
Bank Alfalah	0.254	0.259	0.262	0.260	0.260	0.555	0.705	0.628	0.692	0.716	0.459
Askari Islamic Bank	0.360	0.390	0.386	0.104	0.384	0.395	0.389	0.246	0.252	0.258	0.316
Bank Islami	0.477	0.475	0.468	0.464	0.469	0.464	0.470	0.473	0.638	0.643	0.504
Albaraka Bank	0.205	0.215	0.202	0.201	0.200	0.241	0.268	0.280	0.269	0.340	0.242
Bank Alhabib Islamic Banking	0.211	0.229	0.223	0.212	0.213	0.205	0.358	0.373	0.452	0.460	0.294
MCB Islamic	0.361	0.436	0.439	0.498	0.512	0.512	0.661	0.712	0.708	0.709	0.555
Habib Bank Islamic Bank	0.222	0.303	0.259	0.273	0.332	0.351	0.451	0.551	0.554	0.568	0.386
Habib Metropolitan Sirat	0.214	0.223	0.333	0.328	0.312	0.292	0.306	0.309	0.331	0.419	0.307
Meezan Bank Limited	0.560	0.562	0.647	0.645	0.658	0.657	0.654	0.705	0.706	0.782	0.658
Soneri Mustaqeem Bank	0.429	0.394	0.440	0.434	0.457	0.424	0.438	0.430	0.492	0.656	0.459
Bank of Khyber	0.375	0.375	0.372	0.367	0.368	0.364	0.362	0.351	0.465	0.466	0.387
UBL Islamic	0.321	0.301	0.294	0.291	0.299	0.286	0.289	0.441	0.464	0.475	0.346
Average Yearly	0.336	0.350	0.363	0.344	0.374	0.396	0.442	0.453	0.494	0.540	

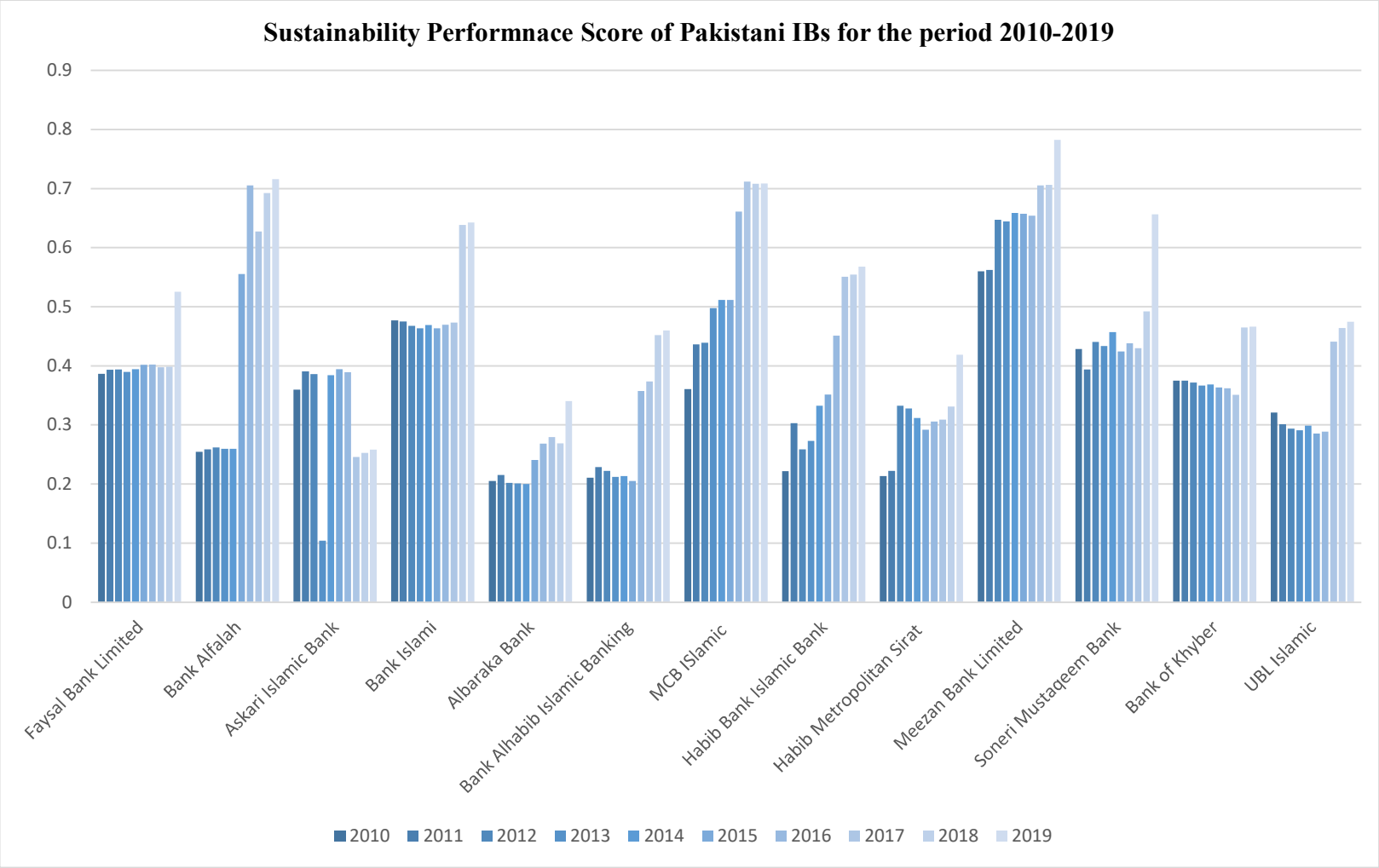

Sustainability Performnace Score of Pakistani IBs for the period 2010-2019
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
Faysal Bank Limited
Bank Alfalah
Askari Islamic Bank
Bank Islami
Albaraka Bank
Bank Alhabib Islamic Banking
MCB ISlamic
Habib Bank Islamic Bank
Habib Metropolitan Sirat
Meezan Bank Limited
Soneri Mustaqeem Bank
Bank of Khyber
UBL Islamic
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019

Figure 3

Sustainability Performance Score of Pakistani IBs for the period 2010-2019

Table 4

Sustainability Performance Average Score of Pakistani IBs for the period 2010-19

	Sustainability Performance Average Score of Pakistani IBs for the period 2010-19									
Bank	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Average Yearly Sustainability Performance	0.336	0.350	0.363	0.344	0.374	0.396	0.442	0.453	0.494	0.540

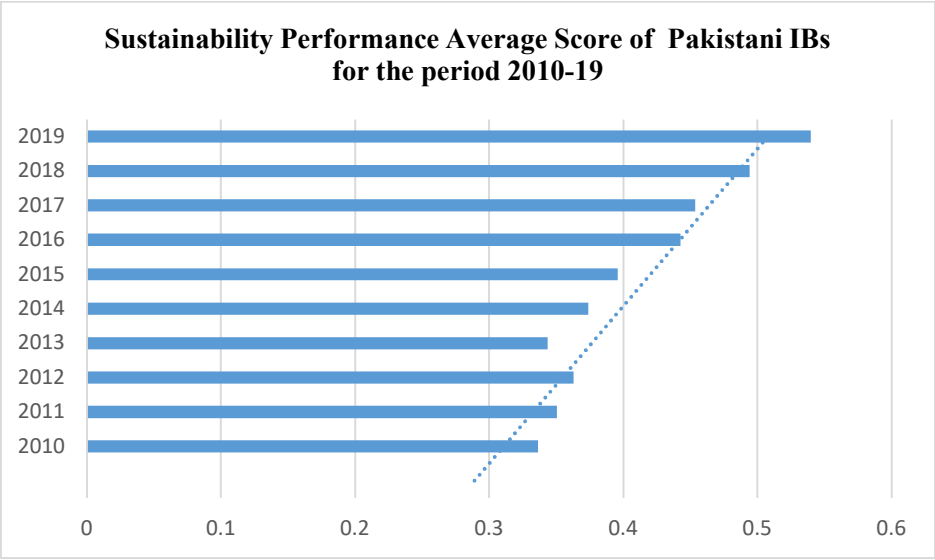


Figure 4

Sustainability Performance Average Score of Pakistani IBs for the period 2010-19

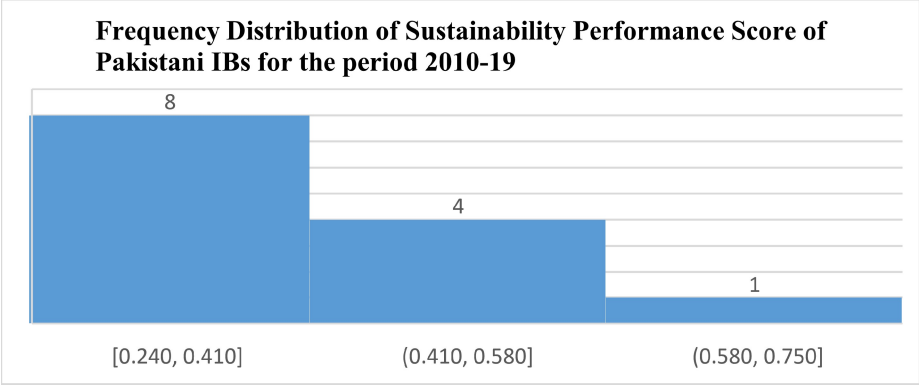


Figure 5

Frequency Distribution of Sustainability Performance Score of Pakistani IBs for the period 2010-19

Table 5

Sustainability Performance Ranking of Pakistani IBs

	Sustainability Performance Ranking of Pakistani IBs									
Bank	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Faysal Bank Limited	4	5	6	5	5	6	7	8	8	8
Bank Alfalah	9	10	11	10	11	2	1	3	2	2
Askari Islamic Bank	5	4	5	12	6	7	8	13	13	13
Bank Islami	2	2	2	3	3	4	4	6	4	5
Albaraka Bank	11	11	12	11	12	12	13	12	12	12
Bank Alhabib Islamic Banking	12	12	13	13	13	13	11	10	10	10
MCB ISlamic	6	3	4	2	2	3	3	2	3	3
Habib Bank Islamic Bank	10	9	10	9	9	9	5	4	6	7

Habib Metropolitan Sirat	13	13	9	8	10	11	12	11	11	11
Meezan Bank Limited	1	1	1	1	1	1	2	1	1	1
Soneri Mustaqeem Bank	3	6	3	4	4	5	6	7	7	4
Bank of Khyber	7	7	7	6	7	8	9	9	9	9
UBL Islamic	8	8	8	7	8	10	10	5	5	6

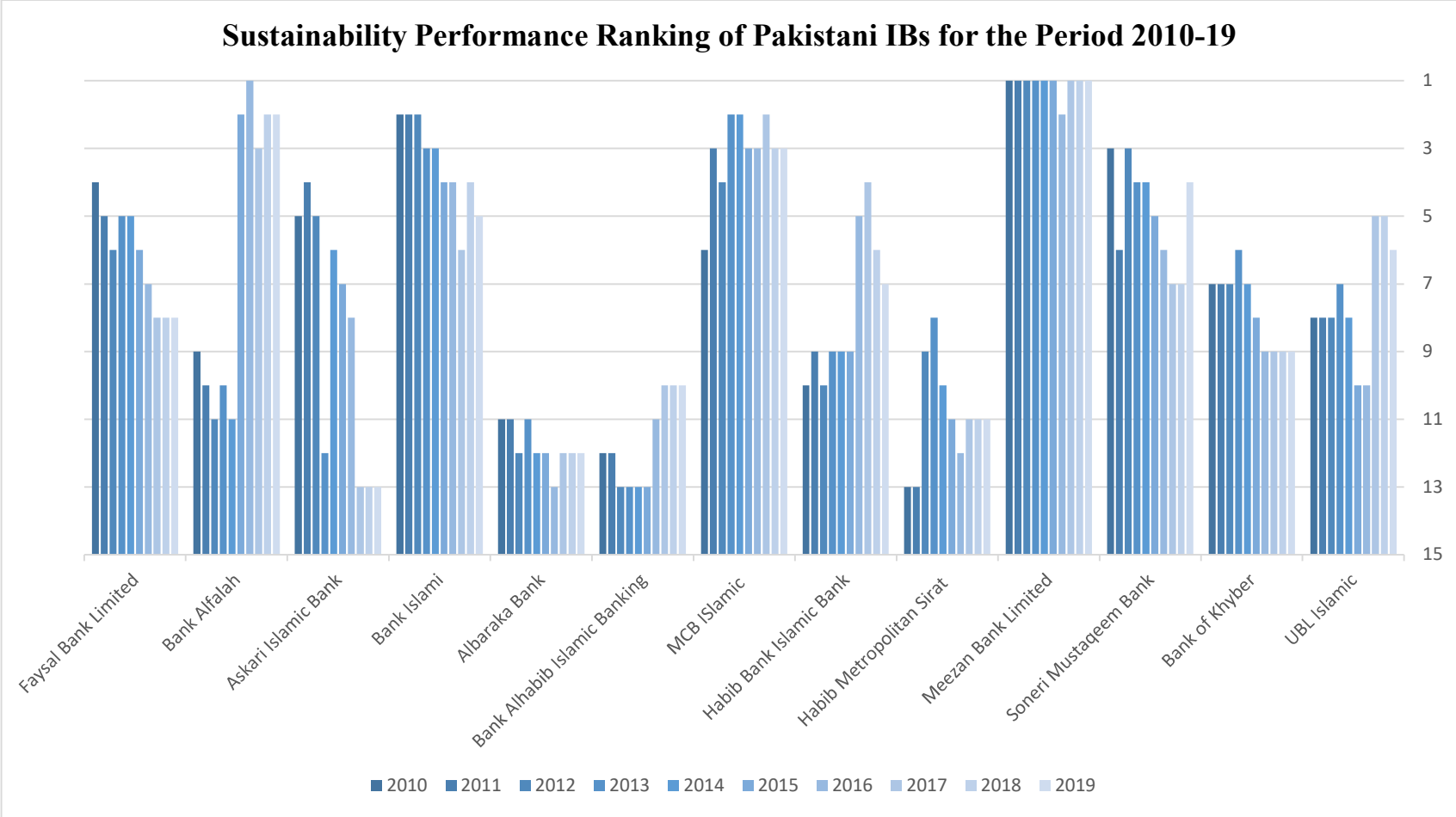
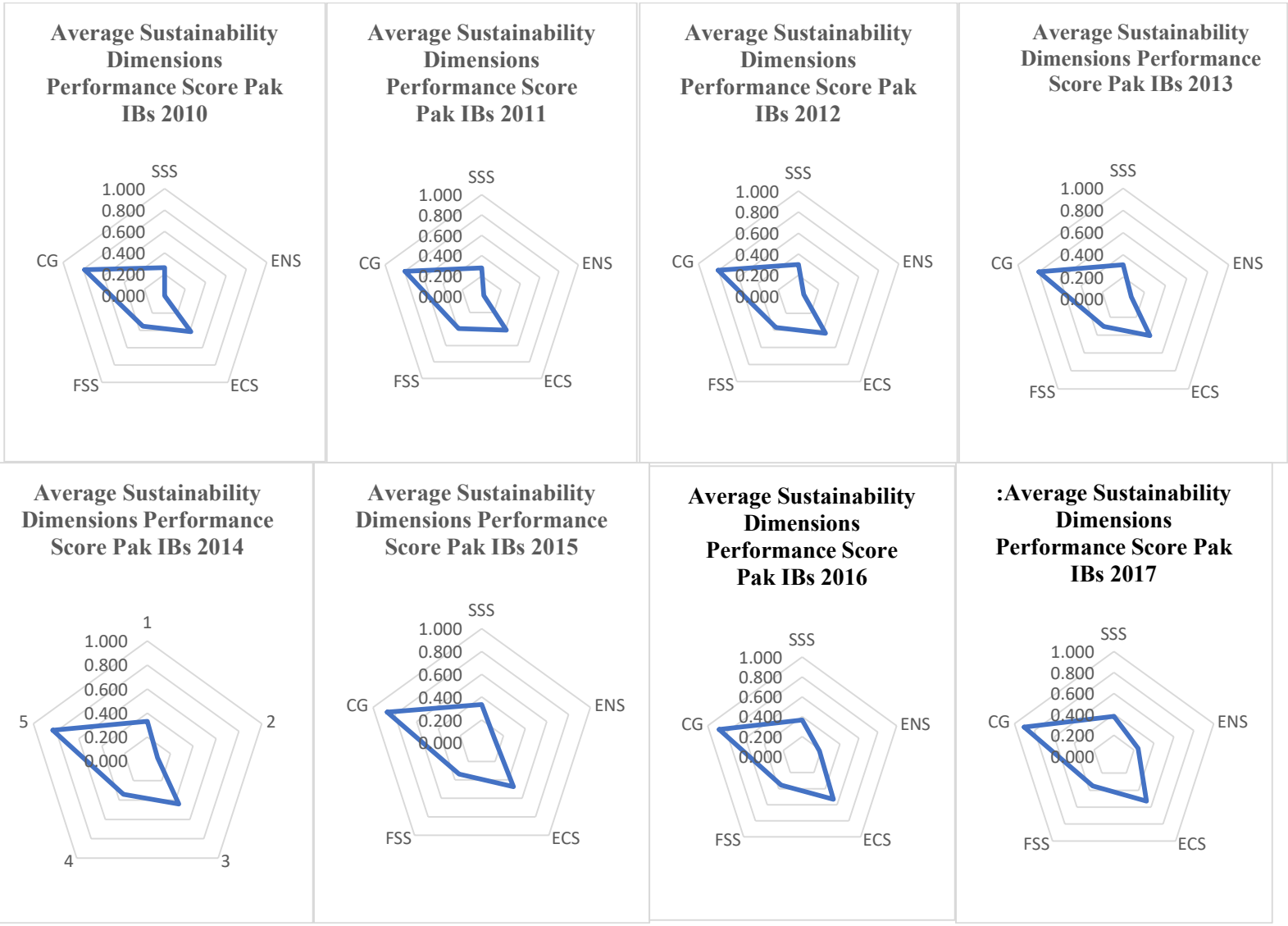


Figure 6:

Sustainability Performance Ranking of Pakistani IBs for the Period 2010-19


Average Sustainability Dimensions Performance Score Pak IBs 2010
Average Sustainability Dimensions Performance Score Pak IBs 2011
Average Sustainability Dimensions Performance Score Pak IBs 2012
Average Sustainability Dimensions Performance Score Pak IBs 2013
Average Sustainability Dimensions Performance Score Pak IBs 2014
Average Sustainability Dimensions Performance Score Pak IBs 2015
Average Sustainability Dimensions Performance Score Pak IBs 2016
:Average Sustainability Dimensions Performance Score Pak IBs 2017
SSS
ENS
ECS
FSS
CG
1.000
0.800
0.600
0.400
0.200
0.000
1
2
3
4
5

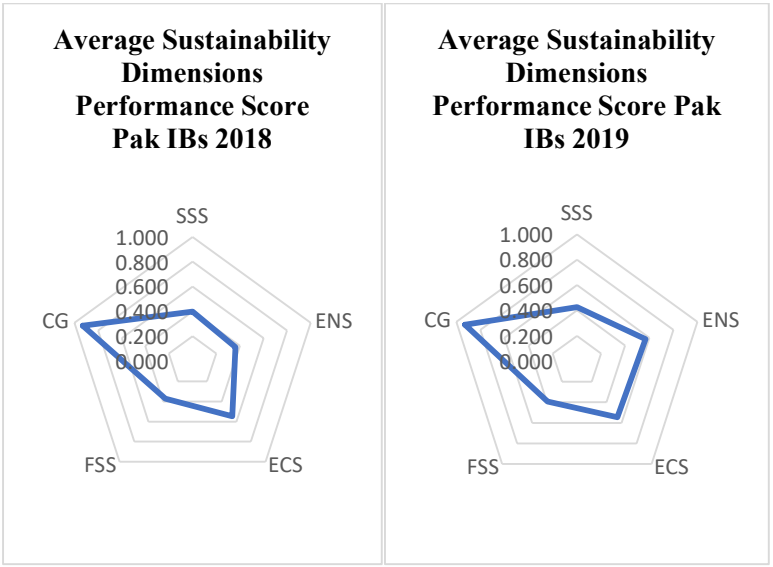


Figure 7

Average Sustainability Dimensions Performance Score Pakistani IBs

4.2 Impact of Sustainability Practices upon Maqāsid-al-Shari'ah Performance of Pakistani IBs

Table 6 shows a summary of the descriptive statistics. The total possible scores for the dependent and independent variables lie within the range of 0-1. The mean of Maqāsid-ul-Shari'ah performance score of 0.34 and the maximum reached Maqāsid score is 0.422. The descriptive statistics of scores of sustainabilitydimensions show that CG has the highest mean value of 0.852, the next is ECS with score of 0.475, FSS has mean value of 0.357, SSS has mean value of 0.34 and ENS has lowest mean score of 0.173. Table 7 provides results of Pairwise correlations.

Table 6

Descriptive Statistics Pakistani IBs

Variable	Mean	Std. Dev.	Min	Max
Dependent Variable				
MQS	.34	.041	.085	.422
Independent Variables				
SSS	.34	.155	.163	.771
ENS	.173	.288	0	.952
ECS	.475	.206	.067	.911
FSS	.357	.175	-.374	.642
CG	.852	.193	.129	1
Control Variables				
LOA	2.641	.504	1.494	3.856

Note: Std. Dev is the standard deviation; Min and Max show the minimum and maximum value of all variables, respectively; MQS is Maqāsid-ul-Shari'ah score SSS shows a bank social sustainability score; ENS is environmental sustainability score, ECS is economic sustainability score, FSS is financial sustainability, CG is corporate governance score, LOA is log of total assets, LGDP is log of GDP.

Table 7

Pairwise Correlations

Variables	(1) MQS	(2) SSS	(3) ENS	(4) ECS	(5) FSS	(6) CG	(7) LOA	(8) LGDP
(1) MQS	1							
(2) SSS	0.113	1						
(3) ENS	0.109	0.679	1					
(4) ECS	0.273	0.493	0.498	1				
(5) FSS	-0.084	-0.13	-0.009	-0.088	1			
(6) CG	0.279	0.225	0.253	0.199	0.143	1		
(7) LOA	0.248	0.291	0.28	0.173	0.429	0.519	1	
(8) LGDP	0.468	0.382	0.421	0.241	0.007	0.164	0.318	1

Table 8

Panel Unit Root Test Results

Series		**Levin-Lin-Chu**	
		Stat.	**Prob.**
1	SSS	-2.1325	0.0165
2	ENS	-4.4328	0.0000
3	ECS	-8.377	0.0000
4	FSS	-1.4439	0.0744
5	CG	-5.054	0.0000
6	MQS	3.0355	0.9988
7	LOA	-5.3149	0.0000

In Table 8 the P-values of all the variables including Maqāsid (MQS), Social Sustainability (SSS), Environmental Sustainability (ENS), Economic Sustainability (ECS), financial Sustainability (FSS), Corporate Governance (CG), Log of GDP (LGDP), and Log of Assets (LOA) are significant implying that data is stationary and fit for further testing.

Table 1

Diagnostic Tests

Diagnostic checks.			
Particulars	**Heteroscedasticity**	**Serial Correlation**	**Omitted Variables**
Breusch-Pagan/Cook-Weisberg		Wooldridge test	Ramsey RESET test
Ho: Constant variance		Ho: No autocorrelation	Ho: No omitted variables
	0.0000	0.3924	0.0258

Table 9 shows the results of diagnostic tests. The P-values of all the tests for all the models are found significant rejecting the null hypotheses and confirming the presences of heteroscedasticity, serial correlation and omitted variables biased in the regression model. In light of these findings Generalized Least Square GLS regression is also used as a robustness check for the model. The omitted

variable bias as identified by Ramsey RESET can be a source of endogeneity in the model (Mallin etal., 2014a). This has been dealt with using Generalized Method of Moments (GMM) regression.

Table 10 shows results of the panel data regression models to predict relationship among the dependent variable, i.e., Maqāsid Performance of IBs, independent variables, which includes social, environmental, economic, financial sustainability, corporate governance, the interaction term of social sustainability, and ROA, and the control variables. The Model 1 results show a significant negative association between SSS and MQS. As highlighted by previous researches Silva, (2021) companies use communication strategies in annual reports as it presents one way communication channel. It has been shown in literature (Patten, 1991; Patten, 2002) that legitimacy concerns drivesustainability reporting. The consistent negative impact of SSS on MQS performance can beexplained in the light of legitimacy theory. The reporting guidelines are developed with the intentof helping organizations to report on

their performance (Moneva et al., 2006), however evidence is reflecting a different reality. The negative relationship expounds that the sustainability disclosures by IBs is not transforming into ethical performance. The negative correlation between FSS (Risk) and MQS (Ethical performance) is supported by meta-analysis of (Orlitzky & Benjamin, 2001) claiming that financial risk is negatively correlated to subsequent ethical performance by thecompanies. The negative impact of increasing ROA measured through interaction terms signify thatincreasing profitability is not helping IBs to engage more in sustainability practices.

Table 10
Impact of Sustainability Practices on Maqāsid Performance of Pakistani Islamic banks

	Model 1	Model 2	Model 3	Model 4	Model 5
VARIABLES	**MQS**	**MQ**	**MQS**	**MQS**	**MQS**
SSS	-0.500	-0.792**	-0.969***	-0.966***	-0.764**
	(0.312)	(0.327)	(0.330)	(0.313)	(0.327)
ENS	-0.127*	-0.112*	-0.0534	-0.127**	-0.146**
	(0.0693)	(0.0675)	(0.0720)	(0.0635)	(0.0671)
ECS	0.115***	0.148***	0.149***	0.225***	0.140***
	(0.0379)	(0.0380)	(0.0376)	(0.0411)	(0.0376)
FSS	0.192**	0.358***	0.368***	0.397***	0.392***
	(0.0969)	(0.106)	(0.105)	(0.0989)	(0.111)
CG	0.314**	0.224	0.208	0.127	0.199
	(0.139)	(0.138)	(0.137)	(0.133)	(0.139)
ROA		1.035***	0.887***	2.296***	0.0868
		(0.319)	(0.246)	(0.458)	(0.216)
LOA	0.0100	0.0151*	0.0165**	0.0238***	0.0171**
	(0.00815)	(0.00813)	(0.00808)	(0.00798)	(0.00818)
LGDP	0.116***	0.115***	0.119***	0.124***	0.124***
	(0.0200)	(0.0195)	(0.0192)	(0.0184)	(0.0195)
SSS*ROA		-16.63**			
		(6.944)			
ENS*ROA			-5.649***		
			(1.998)		
ECS*ROA				-7.175***	
				(1.612)	
FSS*ROA					9.555**
					(3.918)
Constant	-2.738***	-2.719***	-2.821***	-2.991***	-2.956***
	(0.521)	(0.508)	(0.501)	(0.480)	(0.507)
R-Squared	.189	.259	.276	.340	.269

Observations	130	130	130	130	130
Number of YEAR	10	10	10	10	10
Standard errors in parentheses					
*** p<0.01, ** p<0.05, * p<0.1					
Hausman P-Value	0.8301				

Table 11

Impact of Sustainability Practices on Maqāsid Performance of Pakistani Islamic Banks: Robustness Check

GLS and GMM Regression

	(RE)	(GLS)	(GMM)
VARIABLES	**MQS**	**MQS**	**MQS**
L.MQS			-0.196***
			(0.0663)
SSS	-0.500	-0.182	-0.618*
	(0.312)	(0.273)	(0.337)
ENS	-0.127*	-0.136**	-0.203***
	(0.0693)	(0.0617)	(0.0775)
ECS	0.115***	0.0932***	0.110***
	(0.0379)	(0.0322)	(0.0338)
FSS	0.192**	0.247***	0.288***
	(0.0969)	(0.0882)	(0.0909)
CG	0.314**	0.346***	0.0162
	(0.139)	(0.123)	(0.119)
LOA	0.0100	0.00752	0.0229***
	(0.00815)	(0.00757)	(0.00722)
LGDP	0.116***	0.116***	0.131***
	(0.0200)	(0.0180)	(0.0357)
Constant	-2.738***	-2.728***	-3.079***
	(0.521)	(0.467)	(0.933)
Observations	130	130	120
Number of YEAR	10	10	10
Standard errors in parentheses			

*** p<0.01, ** p<0.05, * p<0.1			
No. of banks	13		
Sargan p-Value	0.55		
AR (1)	0.000		
AR(2)	0.77		

5. Discussion

The study has aimed at developing nexus and linkages between sustainability and Maqāsid-al-Shari'ah. The aim has been to establish a link between sustainability and Maqāsid-al-Shari'ah based upon their premise and salient features. The relationship is tested based upon the underlying paradigm of sustainability and Maqāsid. The concept of Islamic Economy, which is a socio-environmental centralized economy, can only be put into practice when investment and other decisions taken by stakeholders consider societal and environmental concerns. Achieving social, economic, and environmental sustainability in such an economic system is highly prioritized (Tan et al., 2017).

The IBs in Pakistan have started to report on their sustainability practices towards the end of the ten years (2010-2019). Divulging further into dimensions reveals the poor performance of Pakistani IBs on the environmental dimension. This is very much in contrast to Islamic ethical teachings of preserving the environment. On the social sustainability dimension, the IBs in Pakistan are continuously improving as an employer. However, gender equality indicators, paid employee volunteering; human rights policy indicators are not adequately reported. The Green Banking Guidelines 2017 by SBP has played a role in the sustainability drive of IBs. However, it seems difficult to achieve full disclosure on sustainability dimensions in the absence of any regulations. The IBs in Pakistan has gradually increased disclosures on social dimension there is much that can be done for environmental disclosures. The disclosures of SSB, prohibited earnings, and financial inclusion seem adequate. However, further advancement and compliance can be achieved for transparent financial reporting.This finding can be concluded as a healthy sign for sustainability management. It shows that banks are making visible efforts to improve their sustainability performance.

The study's findings have indicated that the relationship between sustainability and Maqāsid is complex and involves many other factors at the organizational and governmental levels. Out of the organizational factors, size and financial performance are found to be significant. The sustainability assessment has revealed that large banks in asset size are leading the rest of Islamic banks in their sustainability practices. The relationship between economic sustainability and governance practices have turned out to be positive and significant which could be understood as an industry related factor. The relationship between sustainability and Maqāsid is impacted by the financial performance of Islamic banks. It has been observed that increasing profitability weakens the relationship between disclosures and ethical performance.

The debate on the relationship between voluntary disclosures and actual performance is ongoing. The empirical evidence regarding this relationship has majorly proved a negative relationship between sustainability practices and actual performance (Patten, 2002). In a nutshell, the study has provided empirical findings of the relationship between reported sustainability practices and the Islamic banking industry's actual ethical, social, and performance. The results align with Legitimacy Theory and highlight that disclosures are somewhat disguising the actual ethical performance of Islamic banks. The improved Maqāsid performance can result in a positive image and long-term relationship with the communities they operate in. This can help develop stakeholder relations, and such discretionary expenditures to fulfil Maqāsid can turn into strategic decisions.

Islamic banks have an enormous opportunity in the combination of Maqāsid-Sharī'ah (Sharī'ah Objectives) and sustainability objectives. The process of achieving Maqāsid through the integration of sustainability will provide a road map to Islamic banks to achieve their long-sought goal. It can unlock the potential of Islamic banks and become a business case for them. According to (SBN & IFC, 2016), the banking sector needs to develop its particular business case for sustainability. This can be done by combining their business goals peculiar to their markets with sustainability trends and goals. Undoubtedly, Maqāsid-Sharī'ah is a strategic goal to be achieved by Islamic banks.

The overriding objective of profitability has urged Islamic banks to ignore their Maqāsid-Sharī'ah achievement perspective. This has caused a lot of reputational damage to the Islamic banking industry. The long-term cost of reputational damage will lead to a decline in the Islamic banks' value. Business reputation and branding have become one of the leading causes of integrating social, environmental, and ethical practices into business operations. The business investors are also increasingly demanding to incorporate these factors in operations.

At the same time, regulatory bodies are also coming up with guidelines and regulations to induce Islamic banks to work towards Maqāsid-Sharī'ah (Febrian et al., 2019). Another critical driver for sustainability and Maqāsid integration is compliance with governmental initiatives.The clientele of Islamic banks includes many customers who have religious concerns. The efforts to move towards Maqāsid-Sharī'ah can help Islamic banks gain a unique competitive advantage and cannot be claimed by their conventional counterparts. IBs can implement Maqāsid-Sharī'ah as a strategic decision and be responsible for this. This can further strengthen by playing a positive role in macroeconomic development, strengthening their role as part of the international financial community, and becoming a model to follow.

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Appendix 1

TOPSIS Method for Sustainability Performance Ranking

The TOPSIS (Technique for Order Preference by Similarity to Ideal Solution) technique, which is one of the multi-criteria decision-making methodologies, is used to assess the banks' rank on sustainability performance in this study. Rather than focusing on a single criterion, TOPSIS is used in the study as an integrated multi-criterion decision-making (MCDM) methodology for evaluating sustainability from the economic, social, and environmental viewpoints. The TOPSIS method is employed in the study since it is highly preferred in performance evaluations in the literature.

Following steps are carried out in the TOPSIS method.

- Define the decision matrix.
- Let Xij be the decision matrix.
- Calculate normalized decision matrix.

$$\overline{X}_{ij} = \frac{X_{ij}}{\sqrt{\sum_{i=1}^{n} X_{ij}^2}}$$

- Calculate weighted normalized matrix.

$$V_{ij} = \overline{X}_{ij} \times W_j$$

- Calculation of positive ideal S^+ and negative ideal S^- solutions.
- Calculation of Euclidean distance from Ideal best and Ideal worst solution.

$$S_i^+ = \left[\sum_{j=1}^{m} \left(V_{ij} - V_j^+ \right)^2 \right]^{0.5}$$

- Calculation of performance score.

$$P_i = \frac{S_i^-}{S_i^+ + S_i^-}$$

The performance scores are obtained for all the IBs being studied for the period from 2010-2019.The performance scores obtained by TOPSIS are used to develop ranking among Malaysian IBs based upon their sustainability practices.

Method of Sustainability Rank Calculation of Islamic Bank