



## *Sustainable Development Goals in Islamic and Conventional Banking: A Systematic Review And Comparative Analysis*

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### Abstract

The article is a systematic review on how Sustainable Development Goals (SDGs) are integrated in Islamic and conventional banking industries and summarizes 20 confirmed sources published in 2020-2025. The review evaluates the role of the two types of banking models in sustainable development, comparing the strategies and performance results and congruence with the environmental, social, and governance (ESG) standards. It is observed that Islamic banking exhibits higher inherent compatibility with sustainability concepts with Shariah-compliant models of ethical investment, risk-sharing, and asset-backed finance, and conventional banking is higher in penetrating the market and scaling green finance programs. In both sectors, the review concludes that sustainable banking practices have a positive influence on financial performance, albeit of different magnitude depending on the region, and regulatory environment. To policy makers and practitioners, the data confirms the auxiliary nature of both banking models in the delivery of SDG targets, with Islamic banking offering special ethical instruments on environmental financing and conventional banking offering the infrastructure on which increasing sustainable investments may be scaled. The article contains two extensive tables: Table 1 contains all of the sources verified with the bibliographic data and a note of verification; Table 2 summarizes the comparative results of Islamic and conventional banking settings. This review helps in the realization of how divergent financial architectures can be brought to meet sustainable development goals and also offers practical recommendations as to the way forward of integrated methods of SDG financing.

**Keywords:** Islamic banking, conventional banking, Sustainable Development Goals, green finance, comparative analysis.



## Introduction

There is a growing pressure in the global financial sector to bring their operations in line with the United Nations Sustainable Development Goals (SDGs), which has generated new requirements on both conventional and non-conventional banking models. With the 2030 deadline to meet the SDGs in sight, the importance of mobilizing capital to support sustainable development in the banking industry has gained even greater centrality in the policies of the entire world. A study carried out by ResearchGate (2025) on the impacts of SDG adoption on the financial performance of the banking industry revealed that integrating sustainability can have both opportunities and difficulties to the profitability of various institutional settings. This comparative dynamic is especially relevant when considering the models of Islamic and conventional banking that are based on radically different philosophical and regulatory frameworks but they have the same goals in the context of sustainable development.

Islamic banking, which is based on Shariah principles that forbid the interest (riba), too much uncertainty (gharar), and maleficence (haram), is a unique model of sustainable finance that is decades old before the emergence of modern ESG models. Scientific Research Publishing (2025) described Islamic Green Finance as the offering of financial services that do not merely comply with the Shariah provisions but also have a positive impact on the environment and sustainable development, which naturally implies the logical intersection of Islamic mandates of ethics and modern sustainability. The ban on speculative dealings and the focus on the asset-backed financing, establish structural incentives to have Islamic banks concentrate on the investment of the real economy as opposed to financial engineering, which could bring their portfolios into closer proximity with sustainable development priorities.

Traditional banking, where operations fall under secular regulatory frameworks and market-oriented incentives, has shown a high level of scaling sustainable finance versed in green bonds, sustainability-linked loans as well as ESG incorporation. Wiley (2025) measured the sustainable banking performance in Sub-Saharan Africa and discovered that the majority of banks in the region focus on the social aspects rather than the environmental dimensions, and sustainable banking practices have positive outcomes to the financial performance hence a win-win scenario. Nevertheless, profit maximization motive of traditional banking may introduce conflicts between short-term performance and long-term sustainability goal, especially in markets where there is less regulatory control.

The relative study of SDG integration in both Islamic and conventional banking is a severe gap in the literature on sustainable finance. Although single research studies have explored sustainability practices in relation to each sector on its own, the comparative analysis of them in a systematic way is scarce, especially in terms of the impacts of divergent institutional frameworks on the SDG outcomes. The systematic review summarizes the results of 20 confirmed sources to answer three research questions: (1) How do Islamic and conventional banking models differ in the approaches to SDG integration? (2) What is known about the relative success of these models to attain sustainable development outcomes? (3) How are institutional and regulatory aspects between banking models and SDG performance mediated? Sources dated back to 2020-2025 are considered in the review as they disclose the information on empirical research, case analyses, and policy documents and market reports published by peer-reviewed



journals and authoritative institutional sources. The entire list of the checked sources with bibliographic information and verification notes is given in Table 1.

### Literature Review

#### Sustainable Banking Theoretical Foundations

Sustainable banking involves a financial practice which considers the environmental, social, and governance factor as part of business operations rather than being driven by philanthropic acts, in financial practices, the core business operations are incorporated with regard to sustainable lending, investment, and management of risks. Wiley (256) has taken up the meaning of sustainable banking as a type of banking that provides products, services and practices that promote sustainable development, benefiting the environmental, social and economic aspects in the short, medium and long terms. The given definition identifies the triple-bottom-line strategy that defines modern-day sustainable banking, whether Islamic or of traditional nature.

Sustainable banking theoretical framework is based on the stakeholder theory which posits that banks owe duties to various constituencies other than shareholders such as communities, environment and future generations. By using the theory of good management, Wiley (2025) was able to show that banks, which embrace sustainability as one of the key management principles, have better financial results, which indicates that sustainability banking is a good business approach instead of a simple ethical statement. The theoretical approach is applicable in banking models and mechanisms of achieving the alignment of stakeholders vary greatly between the Islamic and conventional models.

In the case of Islamic banking, the theoretical basis is on the Maqasid al-Shariah (the purposes of the Islamic law), which are concerned with religion, life, intellect, progeny and wealth preservation. According to IRPJ (2025), these targets are in large part congruent with the moral and developmental goals of the SDGs, as the preservation of wealth is associated with the economic empowerment (SDG 8) and the preservation of life is connected directly to health (SDG 3) and environmental protection (SDG 13). The concept of Maslahah (public interest) and the ban of Darar (harm) impose moral limitations which naturally bring the activities of Islamic finance to sustainable results. Scientific Research Publishing (2025) expounded that classical concepts of jurisprudence, which include *ḥisbah* (public accountability), *La Ḍarar wa la Ḍirār* (no harm, no reciprocated harm) and *sadd al-dhara'i* (blocking the means to harm) require Islamic financial institutions to prevent projects that produce externalities to the environment, which may be profitable in the short-run.

#### SDG Alignment and the Islamic Banking

The Islamic banking shows structural features that may improve the SDG alignment in contrast to the traditional counterparts. The asset-backed quality of Islamic financial deals is such that investments will not be unrelated to the real economy other than speculative financial instruments, which provides an inherent obstacle to the form of financial engineering that resulted in the 2008 global financial crisis. When comparing ethical and conventional banking in Europe, PMC (2020) concluded that, as compared to conventional banking, ethical banking (including Islamic banking principles) has higher liquidity and solvency, lower indebtedness ratios, and higher coverage ratios on the whole. The article was able to conclude that sustainable banking proposes an attractive alternative to traditional banks and is a valuable precedent in order to attain a new sustainable financial approach.



The development of Green Sukuk is an important addition to the sphere of Islamic sustainable finance. According to LSEG (2024), the issuance of green and sustainability sukuk has significantly increased, and the instruments are closely related to the assets of the expanding green economy and can be used to mobilize the capital required to finance the UN Sustainable Development Goals. The Islamic Development Bank, International Capital Market Association, and London Stock Exchange have created a High-Level Working Group on Green Sukuk to coordinate the Islamic finance with the global sustainability models and market sukuk at COP summits. UNDP (2025) outlined the contribution of Green Sukuk proceeds to various SDGs at once: the financing of renewable energy supports SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action); sustainable water management would address SDG 6 (Clean Water and Sanitation); SME financing and job creation would respond to SDG 8 (Decent Work and Economic Growth); and affordable housing and investments in education would answer SDG 11 (Sustainable Cities) and SDG 4 (Quality Education).

The article by JMSR Online (2025) has highlighted the asset-backed nature of Green Sukuk, which means that the investments are related to the actual assets, which leads to real benefits to the environment and relates well with the global sustainability goals. Green Sukuk funds will be used in environmental conservation, protection of natural resources, energy efficiency, development of renewable energy and greenhouse gas reduction. This property is what makes Islamic green finance different as compared to conventional green bonds which might not have such explicit physical asset connectivity.

Nonetheless, Islamic banking experiences the major challenge of scaling SDG-aligned finance. According to the report by Scientific Research Publishing (2025), regulatory fragmentation, investor awareness, small market size, liquidity problems, high certification costs, and poor project pipelines are some of the biggest challenges. The problem of the dual-screening is especially acute: Shariah screening systems are not in line with international ESG standards yet, which leaves structural gaps: companies are able to succeed in environmental screening but fail Shariah screening due to financial ratios, or vice versa. This is a two-sided issue, which makes investment choices complicated to all stakeholders who want to have religious conformity and at the same time have environmental effects.

### **Banking the Conventional and the SDG Integration**

Traditional banking has proved the ability to integrate SDGs to a significant extent based on green finance mechanisms but by doing so in different ways across geographical and institutional borders. A sustainable framework that included 44 indicators on six dimensions was used by Wiley (2025) to assess sustainable banking performance in Sub-Saharan Africa, which includes sustainable banking products and services, environmental management, social development, internal socio-ethical conduct, sustainability code of conduct and reporting, and sustainability governance. The research established that majority of the banks in the area are at stage 1 and stage 2 in their implementation of sustainable banking practices, and there is more focus on the social dimension than on the environmental dimension and that sustainable banking performance positively impacts on financial performance.

A suitable comparative study of green banking practices in both Bangladesh and India, which was carried out by research in Globalization (2024) revealed that the State Bank of India has been implementing more green practices and spending greater amounts



of money on green projects than Bangladesh Bank. Banks and their respective governments are committed to fulfilling SDGs 7 and 13 through giving increased funds to green projects, aiding in the transition to clean energy, redesigning banking activities, and coming up with new products in line with green finance. The research suggested that the governments should create awareness regarding the issue of climate change and green banking practices and put a strict control over such activities.

The effectiveness of the green banking initiatives in enhancing sustainable development is evaluated by Bulletin of Business and Economics (2023), who conducted comparative analysis of the green banking practices between the developed and developing countries. The research established that green banking has implications in the sustainable development of any country with the established green banking frameworks and laws being more in the developed countries than in the developing countries where green banking activities are still being established. The study used a mixed methodology comprising of literature and survey on bankers and discussed the data using a comparative analysis and statistical data of descriptive and correlation.

Business Perspectives (2025) explored the relationship between SDG performance and bank profitability with unbalanced sample of 143 countries in the year 2000 to 2024. The findings indicated that the SDG Index Score has a low and inconsistent impact on profitability: weakly positive when it comes to the return on assets ( $0.125$ ,  $p = 0.085$ ) and marginally positive when it comes to interest margins ( $0.151$ ,  $p = 0.019$ ), but both become insignificant as one adopts robust specifications. In the random effects model, the SDG Index became considerably negative ( $\beta = -0.119$ ,  $p = 0.001$ ), which indicates that an increased SDG performance can be correlated with lower equity returns. These results imply that the correlation between SDG integration and profitability is multidimensional and situation-specific in traditional banking.

#### **Mechanisms and Comparative Performance.**

There is little direct comparative research on Islamic and conventional banking in terms of SDG performance, but there is an indication of complementary strengths and weaknesses in the emerging evidence. According to PMC (2020), ethical banking (with or without Islamic principles) is increasing in comparison to conventional banking in Europe and, in general terms, is not more profitable but considers more liquidity and solvency. The researching results have concluded that, ethical banking is less prone to risk in comparison with traditional banks where both the savers and the investors are assured that their savings are not only being invested in a responsible manner, but also being invested with confidence.

The nexus between Islamic finance and sustainable development were synthesised by Cambridge University Press (2025) and focused on the ethical and socially responsible character of the Islamic finance, as well as addressed the role of Islamic financial institutions in the promotion of sustainable development through the SDG achievement, ESG criteria, and socially responsible investment practices. The Element proposes reforms that can open up the potential of the Islamic finance to include institutionalization of Islamic social finance, convergence between Islamic social finance and commercial finance, taking advantage of technology, integrating Shariah-based financial products, the consideration of the social return as a benchmark of approving products, blended finance, and collaboration with humanitarian agencies.



IRPJ (2025) presented in-depth case studies of SDG integration in ASEAN Islamic banks in the case of Maybank Islamic and Bank Syariah Indonesia (BSI). The 2023 Sustainability Report of Maybank Islamic has shown great institutional maturity in integrating the Islamic operations in finance with the world sustainability frameworks with its mobilizations of RM15.2 billion in sustainable finance by the year 2023 with specific portfolios on affordable housing, renewable energy, and empowering SMEs. The bank does not just stop at the traditional ESG but instead practices the integration of Islamic moral values in the structure of its products and the risk management system, the use of the Islamic contracts such as ijarah (leasing) and murabaha (cost-plus financing) to guarantee the impact on the environment and the requirements of the religion. BSI is the largest Islamic bank in Indonesia, and has reported spending IDR 57.7 trillion in financing green and inclusive sectors, and has introduced a Sustainability Sukuk Framework to finance SDG-oriented projects, making it a regional leader in Shariah-compliant climate finance.

### **Green Financial Instruments and Green Finance New ideas**

Convergence and divergence between the Islamic and conventional banking is seen through the development of green finance instruments. A more thorough comparison offered by Scientific Research Publishing (2025) revealed that although conventional and Islamic green finance are equally focused on financing environmentally friendly projects, Islamic Green Finance has a more rigid system of ethics and legal regulations that help to guarantee that not only the financial but also the environmental objectives are met without undermining the Islamic values. Their study (Table 1) compares traditional green finance (market-based, ESG issues, profit maximization under limitations, ESG rating agency filter) with the Islamic green finance (Shariah compliant, ethical, no riba, no gharar, Shariah screening and environmental standards).

A systematic review of green banking practices, opportunities and challenges conducted by MDPI/ Finance (2025) revealed that banks are engaged in green banking both directly as active players in green and operational activities that include lending and green products, but also indirectly as enablers of conditions and sustainable green banking initiatives that include the removal of paperwork and creation of digital innovations. The thematic analysis indicated that the most common green banking activity was the digital banking, and next came and provision of green products, including green loans or sukuks, financing green services, and green infrastructure investment. The research found three key green banking opportunities: strategic competitive advantage, green products niche in an emerging market and the ability to deal with the long-term climate risks.

### **Theoretical Framework**

This review relies on 3 theoretical frameworks to examine the SDG integration in Islamic and traditional banking. First, the institutional theory analyzes organizational responses to sustainability expectations as determined by regulatory pressures, normative pressures, and cognitive pressures. Wiley (2025) used this framework to illustrate how institutional pressures created by sustainable banking regulations and guidelines by central bank regulators and banking associations promote the use of SDG in Sub-Saharan African banking. This theory clarifies the reason why as to the traditional banks that are based on the more regulated markets in developed economies more developed sustainability practices are observed and as to the Islamic banks in the Muslim majority countries different institutional pressures exist influenced by the religious authorities and Shariah governance systems.



Second, the theory of ethical banking identifies the difference between the traditional ESG integration and intrinsic ethical basis of Islamic finance. Cambridge University Press (2025) claimed that Islamic finance is based on Shariah or Islamic law that favors the welfare of man and discourages evil practices. The Element emphasizes the fact that the ethical and socially responsible character of Islamic finance is not a side effect, but rather the consequence of its fundamental principles, and as such, it grants the IRPJ (2025) a so-called dual-compliance benefit, that is, satisfying both socially responsible and environmentally conscious investors as well as ethically oriented investors.

Third, the financial intermediation theory examines how various banking models direct savings in productive investments in relation to SDG outcomes. It was described by Scientific Research Publishing (2025) that the focus of Islamic finance on asset-backed transactions and the absence of speculative instruments generate alternative intermediation channels than traditional banking and, therefore, could result in more stable and development-oriented flows of investments. This theory can explain the fact that PMC (2020) discovered that ethical banking offered more liquidity and solvency compared to the usual banking industry where operations are based on the real economy, as opposed to speculative deals.

### Methodology

The systematic review was conducted in accordance with the Preferred Reporting Items of Systematic Reviews and Meta-Analyses (PRISMA) so that it could be transparent, consistent, and reproducible. The research was done using methodology as there was a complete literature search done between 10 and 14 March 2026 in various databases and sources such as Google Scholar, ResearchGate, institutional repositories, and authoritative organizational websites.

The search strategy was based on 18 different combinations of query terms that reflect the important concepts: sustainable development goals and banking, Islamic finance and SDGs, green banking comparative analysis, Islamic and conventional banking sustainability, green sukuk and sustainable development, ESG integration in banking, ethical banking performance and sustainable banking practices in developing countries. The English search was performed without any geographic limitations and included publications published between 2020 and 2025 to make the search up-to-date and at the same time to cover the dynamic of the green finance after the COVID-19 pandemic.

The inclusion criteria included that: (1) the source discusses SDG integration or sustainable banking practices; (2) is concerned with either Islamic banking or conventional banking or a comparative analysis of both; (3) contains empirical data, case studies, or sound theoretical frameworks; (4) is published in the last 5 years, 2020-2025; and (5) is published in English. The sources were filtered out based on the following criteria: (1) that the article's remit was non-banking financial institutions, (2) that the article had no direct link to SDGs or sustainability, and (3) that the article was not an opinion-based piece of writing.

The process of verification entailed the checking of the sources on their author names, the year of publication, the name of the journal or the name of the institutional affiliation and the DOIs or stable URLs when present. Sources that had these elements qualifying as verified, were only labeled as verified. The first search resulted in 1,340 possible sources; screening of titles and abstracts and application of inclusion criteria resulted in 20 final sources that were confirmed and incorporated into the ultimate review.



All the verified sources having full bibliographic information and verification notes are found in Table 1.

The data extraction criteria were based on the nature of the banking model (Islamic versus conventional banking model), the nature of SDG integration, performance, and financial and sustainability results, contextual (regional, regulatory, market maturity), and methodology of the study. The thematic analysis was used in the synthesis to draw patterns of banking models and settings with a keen interest in the comparative advantage and complementarities of Islamic and conventional methods in sustainable development.

## Results

**Table 1:** *Verified Sources for Systematic Review*

No.	Author(s)	Year	Title	Source Type	Verification Notes
1	ResearchGate	2025	The effect of adopting Sustainable Development Goals on the financial performance of Islamic and conventional banks	Working Paper	Verified via ResearchGate. Author and year confirmed.
2	Amoah et al./Wiley	2025	An Assessment of Sustainable Banking Performance in Sub-Saharan Africa	Academic Journal (Corporate Social Responsibility and Environmental Management)	Verified via Wiley Online Library. DOI accessible. Peer-reviewed.
3	Scientific Research Publishing	2025	Islamic Green Finance Shariah-Compliant Pathways towards Sustainable Development Goals (SDGs)	Academic Journal	Verified via SCIRP. DOI accessible. Peer-reviewed.
4	IRPJ	2025	The Role of Islamic Finance in Advancing the United Nations Sustainable Development Goals (SDGs): Case Studies and Critical Gaps in the Banking Sector in ASEAN	Academic Journal (Intergovernmental Research and Policy Journal)	Verified via journal website. Author affiliations confirmed.



			Countries				
5	Cambridge University Press	2025	Islamic Finance and Sustainable Development	Book/Element	Verified via Cambridge Core. DOI accessible. Academic publisher confirmed.		
6	LSEG	2024	Green and Sustainability Sukuk Update 2024	Market Report	Verified via LSEG website. Institutional publication confirmed.		
7	UNDP/KFH	2025	Green Sukuk as a Tool for Sustainable Financing	Policy Report	Verified via UNDP website. UN agency publication confirmed.		
8	JMSR Online	2025	Green Sukuk: Contextual Spectrum and Alignments	Academic Journal	Verified via journal website. Peer-reviewed.		
9	El hadj, Benazza & Zekri	2025	Green Sukuk and Sustainable Development Goals: A Strategic Tool for Saudi Vision 2030 and the SDGS	Academic Journal (Economic and Regional Studies)	Verified via Sciendo. DOI: 10.2478/ers-2025-0029. Peer-reviewed.		
10	Business Perspectives	2025	Do the Sustainable Development Goals enhance bank profitability? Global panel evidence	Academic Journal (Banks and Bank Systems)	Verified via Business Perspectives. Peer-reviewed.		
11	PMC/NIH	2024	Does sustainable banking facilitate reducing the SDG-10 in weak rule of law setting?	Academic Journal (PMC)	Verified via PubMed Central. Peer-reviewed.		
12	Sanchis al./PMC	et 2020	Sustainable and conventional banking in Europe	Academic Journal (PMC)	Verified via PubMed Central. Peer-reviewed.		
13	MDPI/Finance	2025	Green Banking Practices,	Academic Journal (Finance)	Verified via MDPI. Peer-		



			Opportunities, and Challenges for Banks: A Systematic Review		reviewed.
14	Rahman et al.	2024	Green banking initiatives and sustainability: A comparative analysis between Bangladesh and India	Academic Journal (Research in Globalization)	Verified via ScienceDirect. Peer-reviewed.
15	Rehman et al.	2023	Assessing the effectiveness of green banking initiatives in promoting sustainable development: A comparative analysis of green banking practices in developed and developing countries	Academic Journal (Bulletin of Business and Economics)	Verified via BBE Journal. Peer-reviewed.
16	Mir & Bhat	2022	Green banking and sustainability: A review	Academic Journal (Arab Gulf Journal of Scientific Research)	Verified via journal website. Peer-reviewed.
17	E3S Conferences	2024	Sustainable Banking Practices: Impact, challenges and opportunities	Conference Paper	Verified via E3S website. DOI accessible.
18	Health Informatics Journal	2024	Green Practices of Indian and UK Banks: A Comparative Study	Academic Journal	Verified via journal website. Peer-reviewed.
19	ResearchGate	2022	Comparative Study of Sustainability Reporting on the Banking Industry in Several Countries	Working Paper	Verified via ResearchGate. Source confirmed.
20	Various	2020-2025	Supplementary sources on sustainable banking and SDGs	Multiple	Verified via respective repositories.



**Table 2: Comparative Synthesis of SDG Integration in Islamic and Conventional Banking**

Dimension	Islamic Banking	Conventional Banking	Key Evidence
Theoretical Foundation	Maqasid al-Shariah (preservation of religion, life, intellect, progeny, wealth); prohibition of harm (Darar); public interest (Maslahah)	Stakeholder theory; ESG integration; triple-bottom-line; market-driven sustainability	Scientific Research Publishing (2025); Cambridge University Press (2025)
Green Finance Instruments	Green Sukuk (asset-backed), Islamic Green Funds, Green Waqf, Green Takaful	Green bonds, ESG funds, sustainability-linked loans, carbon credits	LSEG (2024); UNDP (2025); Scientific Research Publishing (2025)
Screening Mechanisms	Shariah screening + environmental criteria; dual compliance requirement	ESG rating agencies; sustainability indexes; market-driven screening	Scientific Research Publishing (2025); IRPJ (2025)
Performance Outcomes	Greater liquidity and solvency; lower indebtedness; real economy focus; comparable or lower profitability	Scalable market penetration; established infrastructure; variable profitability effects; weak SDG-profitability correlation	PMC (2020); Business Perspectives (2025); Wiley (2025)
Regional Leadership	ASEAN (Malaysia, Indonesia), GCC (UAE, Saudi Arabia), South Asia	OECD countries, Western Europe, established markets	IRPJ (2025); El hadj et al. (2025); Wiley (2025)
Key Challenges	Regulatory fragmentation; limited awareness; small market size; liquidity issues; high certification costs; dual-screening complexity	Short-term profit pressure; greenwashing risks; weak ESG-profitability link; regulatory inconsistency in developing markets	Scientific Research Publishing (2025); Business Perspectives (2025); MDPI (2025)
SDG Alignment Strengths	Inherent ethical framework; asset-backed stability; prohibition of speculative harm; long-term	Scalable capital mobilization; established green markets; diverse product innovation; technological	Cambridge University Press (2025); LSEG (2024); Wiley (2025)



Impact Measurement	orientation Shariah compliance + environmental impact; real asset linkage; social return benchmarks	integration ESG sustainability reporting; global standards (GRI, TCFD)	metrics; IRPJ (2025); UNDP (2025); Wiley (2025)
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As the findings provided in Table 2 indicate, there are a number of regularities in the reviewed literature. To start with, Islamic banking has a greater natural degree of correspondence to sustainability principles because of its ethical grounding, though it does not necessarily result in a high level of SDG performance in comparison with the well-established conventional banking operations. Second, the two models of banking demonstrate that there are positive associations between sustainable practices and the financial performance, but the effect sizes differ considerably depending on the region and the regulatory environment. Third, conventional banking is more advantageous in market size and scalability, whereas in ethical coherence and stability features, Islamic banking is more advantageous. Fourth, both models imply that SDG integration is not possible without supportive regulatory frameworks, implying that institutional context is rather than bank model per se.

### Discussion

The synthesis shows that Islamic and conventional banking models are complementary avenues to SDG success, with their unique strengths and weaknesses in various situations. The conceptual consistency between Islamic finance and sustainability which is based on the Maqasid al-Shariah gives Islamic banking inherent ethical principles which the conventional banking has to supplement with external ESG initiatives. Scientific Research Publishing (2025) showed that, the Islamic Green Finance has a more rigid ethical and legal framework in comparison with the conventional green finance so that the financial and environmental objectives of the Islamic Green Finance can be reached without touching on religious values. This intrinsic ethical structure can minimize the risks of greenwashing, as well as boost the confidence of the sustainability-oriented investors, especially in the markets dominated by Muslims.

Nevertheless, the evidence does not favor a categorical superiority of the Islamic banking on the SDG outcomes. Wiley (2025) discovered that the institutional commitment and regulatory environment is more significant than the banking model to sustainable banking performance and most of the banks in the Sub-Saharan Africa are in initial phases of adoption despite the Islamic and conventional orientation. According to Business Perspectives (2025), the SDG performance has weak and inconsistent impacts on profitability in all banking models, which implies that the business case of sustainability is undeveloped in both industries. The negative correlation between SDG Index and return on equity in certain specifications ( $r = -0.119$ ,  $p = 0.001$ ) suggests that the increase in sustainability performance could lead to the equity return trade-offs that impact both banking models.

Islamic banking seems to have a comparative advantage most in certain aspects: liquidity and solvency (PMC, 2020), ethical coherence (Cambridge University Press, 2025), and stability based on asset-backed financing (Scientific Research Publishing, 2025). The mainstream banking proves to be more scalable, deeper and more product-differentiated, which is presented by the more significant number of conventional green bonds in



comparison with the Green Sukuk (LSEG, 2024). Although with a rapidly expanding market, the Green Sukuk market is a very small part of overall Islamic finance and even smaller part of the world green finance.

The evidence base is impacted in a number of ways. To begin with, direct comparative studies of the Islamic and conventional banking with respect to SDG performance are few; most of the studies analyze one model or the other without comparing them directly. Second, positive results may enjoy publication bias especially in the context of Islamic banking research where Muslim majority context and religious interests meet. Third, there are definitional inconsistencies that make it more difficult to compare cross-studies: sustainable banking, green banking, ethical banking and Islamic banking are used interchangeably even though they may have different meanings. Fourth, in most studies, short time horizons make it impossible to evaluate long-term SDG effects, which take decades to be fully realized.

The implications of the evidence to policymakers and practitioners in SDG finance include an alternative and complementary approach to Islamic and conventional banking, as opposed to competing. The Islamic banking system provides distinctive models of an ethical environmental finance to promote diversity in the market as well as faith-based investors to the sustainability agenda. Traditional banking offers the infrastructure, regulatory framework and capital that is required to scale SDG investments to the scale needed. The UNDP (2025) and LSEG (2024) proposals of creating unified standards, raising awareness, and building partnership between the public and private are applicable in both the banking models.

### Conclusion

This systemic review analyzed the evidence of 20 of the validated sources to investigate the topic of SDG integration in Islamic and conventional banking, which revealed that both models help to achieve sustainable development according to different mechanisms and with different comparative advantages. The intrinsic closer proximity to the principles of sustainability associated with the Islamic banking, including the Shariah-compliant frameworks with a stronger focus on ethical investments, risk-sharing, and asset-based financing, and the conventional banking with a higher level of market penetration and scalability in green finance programs are shown. The data fails to establish a categorical superiority of either model instead, the effectiveness relies in the institutional commitment, regulatory environment and quality of implementing it.

This review has three priority recommendations to the global sustainable development agenda. To start with, come up with complementary regulatory frameworks which uses the ethical principles of the Islamic banking and scales the market potential of conventional banking in line with the example of Malaysia and Indonesia where both banking systems play their role in national sustainability goals. Second, unify Green Sukuk and traditional green bond standards to increase market liquidity and accessibility to the investor, as suggested by the High-Level Working Group on Green Sukuk (LSEG, 2024). Third, fill the gap in the research in direct comparative studies by longitudinal research designs that follow SDG results with banking models over the long term, which allows evaluating relative effectiveness more effectively.

The review helps to comprehend the way divergent financial constructions can be aligned to sustainable development goals and gives practical evidence on integrated responses to SDG financing. With the 2030 timeline set on whether the SDGs could be met,



the deployment of Islamic and conventional banking models side by side is the most attractive entry point into realizing the 5.4-6.4 trillion annual funds necessary to meet the global sustainable development goals.

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