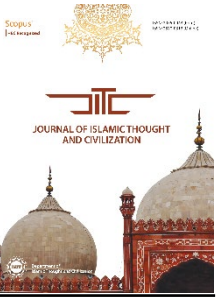
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Author (s):	Mohammad Amimul Ahsan[1], Saber Ahmad[1], Mohammad Jaweed Iqbal[1], Habib Ullah[1], and Mohammad Jonaed Kabir[2]
Affiliation (s):	[1]International Islamic University Chittagong, Chattogram, Bangladesh [2]Rangamati Science and Technology University, Rangamati, Bangladesh
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University of Management and Technology, Lahore, Pakistan

The Challenges of Islamic Moral Economy in the Contemporary Social Context of Bangladesh

Mohammad Amimul Ahsan*
Islamic Studies,
Center for General Education,
International Islamic University Chittagong,
Bangladesh

Saber Ahmad
Arabic Language,
Center for General Education,
International Islamic University Chittagong,
Bangladesh

Mohammad Jaweed Iqbal
Islamic Studies,
Center for General Education,
International Islamic University Chittagong,
Bangladesh

Habib Ullah
Department of Business Administration,
International Islamic University Chittagong,
Bangladesh

Mohammad Jonaed Kabir
Department of Management,
Rangamati Science and Technology University,
Bangladesh

Abstract

The Islamic Moral Economy (IME) that was developed in the late 1960s and early 1970s offers a morally sound alternative to conventional economics focusing on justice and equity. Based on Islamic values, it encourages social responsibility, shared prosperity, and sustainable development using a unique economic and financial system. Islam is the predominant religion in Bangladesh, and the idea of an IME has drawn significant attention. Therefore, this study aims to provide an overview of the IME, and explore the contemporary state of the IME in the social context of Bangladesh. It also attempts to critically examine the multi-dimensional obstacles that hinder the effective implementation of IME in Bangladesh, focusing on the economic, social and political factors behind its complexity. The key findings revealthat the negative impacts of global capitalism, widespread corruption, violations of human rights, political instability, the rise of secularism and fragmented Islamic movements are significant obstacles that decrease economic justice and trust. The shortcomings of Islamic banking, which often ignore fundamental ethical values, also create significant obstacles. Finally, this paper seeks to illuminate the potential solutions for the IME from Bangladeshi perspective and offers valuable insights to policymakers, financial institutions, and researchers navigating Bangladesh's evolving economic landscape. With a qualitative approach, this paper relies on primary data from the professors of Islamic studies, political science and economics

*Correspondence related to this article should be addressed to Mohammad Amimul Ahsan, Assistant Professor of Islamic Studies, Center for General Education, International Islamic University Chittagong, Bangladesh at raudaamim@gmail.com

and an official of banking sector, and secondary data from journal articles, newspaper reports, social media, and related books.

***Keywords*:** Bangladeshi social context, challenges, Islamic moral economy, moral economy, recommendations

Introduction

The moral economy idea was primarily originated and developed by Thompson in 1971[1]. He refers to a set of cultural and ethical values that governed the economic relationships and practices of working-class communities in 18th—and 19th-century England.[2] In the same way, Scott's anthropological studies of different peasant economies can give us more information about this idea in 1976.[3]

In more recent years, the idea of "moral economy," interpreted in a more specific way, has found its way into the mainstream of political discourse. Andrés Manuel López Obrador (2021) has called for a more humane and ethical approach to the economy. Criticizing the previous neoliberal economic model, he emphasized the need for a new moral economic model that would prioritize the needs of the Mexican people.[4] Sanders believes that the contemporary economic regime has led to the increased level of income inequality and poverty rate in the United States. He has been urging a more just and fair economic structure, one that values the needs of people who are in working class: the middle class.[5]

The IME is interpreted as a collection of beliefs and values with which people form perceptions regarding their notion of what is fair and just in the market place and what guides economic behavior. It lays stress on the importance of ethics, fairness, and social justice in the process of making economic decisions, and tries to reduce the negative influence of capitalism. It is derived from the Qur'ān and Ḥadīth, and attempts to harmonize material well-being with moral principles. Wealth is regarded in the IME as a trust of Allah and it must be used for the benefit of the society. The focus on profit is acceptable, but ought to be reciprocated with other values, which include fairness, equity, and escape from exploitation.[6]

According to Yusop the term "Islamic moral economy" was coined by Karim in 2010 and by Asutay in 2012.[7] Nevertheless, Asutay mentioned that the IME was rejuvenated mainly in the post-1960s, inspired by the Islamic revivalist movements of Muslim countries since the early 20th century, when capitalist, Marxist, or nationalist economic development failed in the Muslim world. He also said that well-known academics like Chapra, Siddiqi, Al-Sadr, Ahmad and Naqvi are the modern

[1]Edward P. Thompson, "The Moral Economy of the English Crowd in the Eighteenth Century," *Past & Present* 50 (1971): 76–136.

[2]Ibid.

[3]James C. Scott, *The Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia* (New Haven: Yale University Press, 1976).

[4]Noé Hernández Cortez et al., "El discursonacional-popular de Andrés Manuel López Obrador (2018–2020)," *Revista Republicana* 31 (2021): 39–54.

[5] MSNBC, "Sanders on the Need for a Moral Economy," April 15, 2016, https://www.msnbc.com/msnbc-news/watch/sanders-on-the-need-for-a-moral-economy-666808899785.

[6] Abdul Zahoor Ahmadi et al., "Understanding Islamic Economics as an Islamic Moral Economy," *COMSERVA* 4, no. 5 (2024): 1080–1088, https://doi.org/10.59141/comserva.v4i5.2172.

[7]Mohd Mahyudi Mohd Yusop, "The Moral Economy and Islamic Economics: How Does 'Universal Man' Enter Future Discourse?" *International Journal of Economics, Management and Accounting* (2021): 361–379, https://doi.org/10.31436/ijema.v29i2.867.

founding fathers of IME.[8] He argues that the perceptions of *ʿadālah* (fairness) and *ḥaqq* (right) are the focal ideas and operational principles around which the Islamic economic structure has been originated.[9]

The IME, which provides a framework of an equitable and ethical economic system, faces numerous problems in its operation in Bangladesh. Bangladesh is a Muslim majority country since its creation in 1971. However, the practice of IME is impeded by intricate problems, such as the negative impacts of global capitalism, pervasive corruption, political instability, systematic human rights abuses, the rise of secularism and the disintegration of Islamic forces. The limitations of the Islamic banking system also led to a reduction in the implementation of IME within Bangladesh's economic structure, as Islamic banking systems often do not align with the fundamental ethical values of IME in many cases. In this age of moral degradation, it is of the utmost importance to make an effort to identify the obstacles that are slowing down the implementation of IME in Bangladesh to explore potential solutions. With this paper, we aim to uncover and consider these challenges extensively and critically, while also finding possible solutions that may contribute to pave the way to fill gap between IME aspirations and the socio-political and economic situation in Bangladesh. It is to contribute to the ongoing discussion of Islamic economics and to inform policymakers, financial institutions and researchers in Bangladesh through rigorous insights and practical suggestions.

2. Literature Review

Numerous articles examine the moral economy (ME) and IME from diverse viewpoints. According to Thompson, the moral economy of the working class was based on a shared set of beliefs and customs that placed a moral obligation on employers to provide fair wages and decent working conditions, and on workers to behave in a responsible and cooperative manner. Thompson argues that the ME of the working class was under threat because of the rise of industrial capitalism, which promoted the pursuit of profit and the exploitation of labour. He says that the working class's opposition to these changes came from their belief in the ME and that their fights for their rights and living standards showed that they wanted to keep society fair and just.[10]

Scott offers a more nuanced understanding of the relationships between culture, ethics, and economic practices. Scott argues that the ME concept should not be seen as a fixed set of cultural values and beliefs, but as a flexible and dynamic system of social norms and expectations that are constantly being negotiated and redefined in response to changing economic and political conditions. He also argues that ME should be applied not just to the working-class, but to all communities and social groups that are involved in economic activities. The ME is about creating a shared sense of obligation and responsibility for the well-being of the community as a whole.[11]

Asutay argues that Islamic banking and finance institutions (IBFIs) have not made a systematic attempt to influence the development of the societies in which they operate, mainly due to the limited scope of their current structure. Although IBFIs do contribute to economic growth, development that aims to fulfill the goals of the IME goes beyond merely growing the economy. IBFIs are expected to fulfill the *Maqāṣid al-Sharīʿah* (the higher objectives of Islamic law), which are identified through the values and norms of Islam, making them socially acceptable financing options for the development of society. According to Asutay, to fulfill the promise of the IME, new Islamic financial

[8]Mehmet Asutay, "A Political Economy Approach to Islamic Economics: Systemic Understanding for an Alternative Economic System," *Kyoto Bulletin of Islamic Area Studies* 1, no. 2 (2007): 3–18.

[9]Ibid.

[10]Thompson, "The Moral Economy of the English Crowd," 76–136.

[11]Scott, *The Moral Economy of the Peasant.*

institutions are necessary, and IBFIs should focus on substance and consequences rather than merely form.[12]

Yusop compares conventional and Islamic economics' discourse on moral economy. According to him their main common denominator is the perceived attempt to match purposive rationality with value-based aims and considerations. Regarding their differences, secular conventional discussions carry a more empirical disposition than IME, which shows a more pietistic inclination. Apart from that, the conventional discussions exhibit greater breadth and depth than IME that tends to focus on Islamic banking and finance topics. He furthermore argues that the concept of 'universal man' could provide valuable guidance to policymakers in developing effective policy strategies. Quality strategies could increase the instrumental value of this moral economy discourse for both conventional and Islamic economics, and could potentially increase its visibility. To better align with their goal of being a part of the scientific community, he recommends shedding the hyperbolic rhetoric of identity politics used by Islamic revivalists like Abul Ala Mawdudi's (1903-1979) Economics in the past. Instead, it's time to focus on the practical challenges of reform beyond the Islamic banking and finance sector. By doing so, Islamic economists can contribute meaningfully to the global movement of implementing sensible ideas from the moral economy discourse for the betterment of humanity.[13]

According to Khan and Barua, mediation is the most effective means of resolving disputes in Islamic banking and finance (IBF) from the IME standpoint. Mediation involves open dialogue and amicable discussions, leading to mutually agreeable solutions. Furthermore, the authors assert that mediation is preferable to litigation or court proceedings, as it is more consumer-friendly and adds value to the IBF. Mediation is also cost-effective, avoids negative emotions, and saves time.[14]

IME continues to struggle in positioning itself as a credible alternative to contemporary economic systems. These challenges stem both from internal regulatory requirements and from external pressures exerted by the global economic order. Among the most pressing issues are the development of a unified theoretical foundation, the ability to withstand recurring crises, and the need for effective integration with international financial mechanisms. Furthermore, the diversity of Shari'ah interpretations, coupled with cultural differences and the absence of supra-regulatory structures, has significantly hindered the extent of integration.[15] Besides, IME also faces opposition from capitalist mind sets, which involve partnership approach and advance technology to make it successfully globalized.[16]

The current academic literature lacks significant information on the challenges faced by the IME in the social context of Bangladesh. This research aims to fill this gap by conducting a comprehensive

[12] Mehmet Asutay, "Conceptualising and Locating the Social Failure of Islamic Finance: Aspirations of Islamic Moral Economy vs the Realities of Islamic Finance," *Asian and African Area Studies* 11, no. 2 (2012): 93–113, https://doi.org/10.14956/asafas.11.93.

[13] Yusop, "The Moral Economy and Islamic Economics: How Does 'Universal Man' Enter Future Discourse?".

[14] Hanna Ambaras Khan, et al., "Alternative Dispute Resolution and Sustainability of Economic Development for the Consumer's Benefit: An Islamic Moral Economy Perspective," *Asian Journal of Law and Policy* 2, no. 2 (2022): 99–111, https://doi.org/10.33093/ajlp.2022.7.

[15] Yudi Mashudi, "Complexity of Sharia Economic Problems," *Journal of Law and Regulation Governance* 2, no. 7 (10 September 2024): 260–280, https://doi.org/10.57185/jlarg.v2i7.63.

[16] Suud Sarim Karimullah, "[Keadilan Ekonomi Islam Sebagai Solusi Alternatif Bagi Krisis Ekonomi Global," (Islamic Economic Justice as an Alternative Solution to the Global Economic Crisis), *Jurnal Riset Hukum, Ekonomi Islam, Ekonomi, Manajemen Dan Akuntansi* 4, no. 1 (2025): 133–152, https://doi.org/10.61393/heiema.v4i1.273.

analysis of the various obstacles that hinder the progress of the IME in contemporary Bangladesh. Furthermore, it presents effective solutions to promote the development of IME in the county.

3. Research Methodology

The present study provides a comprehensive exploration of the challenges faced by the IME in the current sociopolitical environment of Bangladesh through a qualitative research design. This research is founded on primary data gathered from in-depth interviews with four distinguished experts from different fields as summarized in the Table-1 below:

Table 1. Details of Informants

SL	Designation	Organization	Age
Respondent I	Associate Professor from the Department of Economics	University of Chittagong	47
Respondent II	Professor from the Department of Islamic Studies	International Islamic University Chittagong	53
Respondent III	Branch Manager and Assistant Vice President	Islamic Bank Bangladesh PLC	50
Respondent IV	Professor from the Department of Political Science	University of Chittagong	54

This research created an interview guide by reviewing literature and talking to International Islamic University Chittagong, and Chittagong University experts. The researcher used an open-ended questionnaire to gather insights into the scholars' observations, experiences, and knowledge concerning the IME's challenges in Bangladesh. The questions asked included inquiries into the status of the IME in Bangladesh, the challenges associated with implementing it, and recommendations for establishing it. The interviews took 1 hour to 1.5 hours. Along with the primary data, the researcher did library work and examining of office documents of various sources.

An inductive method was used to analyze both primary and secondary data thematically. To understand the multifaceted hurdles that hamper the effective implementation of IME in Bangladesh's socio-political landscape, emerging themes—such as the adverse effect of global capitalism, widespread corruption, violations of human rights, political instability, the rise of secularism, failure of Islamic movements and the limitations of Islamic banking as the significant obstacles that decrease economic justice and trust—were derived from interview narratives and supported by secondary sources. The study also evaluated possible ways to improve the implementation of IME in Bangladesh by analyzing both primary and secondary data.

4. Findings and Discussion

4.1. An Overview of Islamic Moral Economy (IME)

It is observed that the IME as a concept was phrased and developed by two prominent figures of Islamic economy; Karim (2010) and Asutay (2012). Karim focused on a holistic approach to IME, which encompasses traditional Islamic economic principles, while also taking into account the contemporary economic and social environment in which Muslims live. According to Karim, the IME is an economic, social and political model predicated upon the theological doctrines and values promoted by the Qurʾān and *Sunnah*. He elaborates on concepts such as Ribāʾ, ribāʾ-free money, *Ribāʾ*-free banking and *Ribāʾ*-free insurance. He discusses *al-fiqh* (Islamic jurisprudence) principles and concepts, and their proposed application in contemporary times. He further argues that IME is

more than just a set of economic regulations; rather, it is a comprehensive system that includes ethical, moral, and spiritual components.[17]

Similarly, Asutay explained the changing dynamics between Islamic principles and economic principles. Asutay argues that in the past, the traditional Islamic principles of trust, morality, and equality were emphasized within the Islamic economic system, leading to an equitable, just, and sustainable economic system.[18] However, in modern times, the traditional Islamic principles of morality and justice have been largely sidelined in favor of more modern economic principles such as competition, efficiency, and market-based decision-making.[19] Moreover, Asutay argues that this shift has led to inequality and economic injustice, as well as an unsustainable economic system that is not conducive to long-term economic development and prosperity. Asutay emphasizes the practical side of the Islamic economy by boldly and critically questioning the existing Islamic banking and finance sector's ability to meet IME goals as set forth by the first generation of Islamic economists.[20]

A new term, IME, has been introduced instead of Islamic economy. This is to place more emphasis on the moral dimensions of the Islamic economy rather than its legal aspect. The IME ideology is based on the concept of an ethical economy, which aims to ensure that all financial activities are conducted in accordance with the Qur'ān and *Sunnah*. This approach promotes fairness and justice for all parties involved in any transaction, and encourages community sense and shared responsibility. This system is applicable to all aspects of the economy, including production, distribution, financial transactions, and investment.

4.2. IME Status in Bangladeshi Social Circumstances

4.2.1. Economic Philosophy of Bangladesh

Bangladesh implemented a socialist economic system through nationalizing every industry following its independence from Pakistan in 1971. The government steadily increased the opportunity for private sector engagement in the economy starting in late 1975, and this trend has continued till date.[21]

Economic initiatives to promote private business and investment, privatize governmental industries, re-establish fiscal responsibility, and to liberalize import regulations were expanded. Bangladesh adopted capitalist economic system in the late 80s, and in these 35 years it has become a capitalist haven.[22] One can argue that constitutionally, Bangladesh accepted a communist economic philosophy, but it has decided its policies over time in favor of capitalist principles or a market economy.

All respondents argued that at present, Bangladesh operates as a mixed economy, with elements of both market capitalism and government control. Bangladesh is the country of South Asia with the

[17]Shafiel A. Karim, *The Islamic Moral Economy: A Study of Islamic Money and Financial Instruments* (Universal-Publishers, 2010), 1.

[18]Mehmet Asutay, "Islamic Moral Economy as the Foundation of Islamic Finance," in *Islamic Finance in Europe*(Cheltenham: Edward Elgar Publishing, 2013), 55–68.

[19]Asutay, "Conceptualising and Locating the Social Failure," 93–113.

[20]Ibid.

[21]Sheikh Mujibur Rahman, *The Unfinished Memoirs*, trans. Fakrul Alam (Dhaka: University Press Limited, 2012), 26.

[22]Md. Joynal Abdin, "The Nature and Evolution of Capitalism in Bangladesh," *SSRN Electronic Journal* (2016): 4, https://doi.org/10.2139/ssrn.2752969.

most economically liberalized or free-market and trade-oriented policies, making it the leader in commerce.[23]

4.2.2. Economic Status of Bangladesh

Bangladesh has achieved impressive economic growth, with a GDP growth of 7.9% in the fiscal year 2020-2021 despite the challenges posed by the COVID-19 pandemic. The World Bank has praised the government's efforts to maintain macroeconomic stability and implement structural reforms. Bangladesh achieved a lower-middle-income position in 2015 and is projected to be removed from the UN's list of Least Developed Countries in 2026. Poverty has decreased from 43.5 percent in 1991 to 14.3 percent in 2016, and there have been improvements in human progress in many other aspects of the country.[24]

Bangladesh has emerged as a prime trading and investment hub with an average annual economic growth of 7% over the last decade and a half. In the fiscal year 2018-2019, GDP grew by 8.15 percent. The fast growth was made possible by local solid demand, substantial export growth, and ongoing infrastructure construction. According to the International Monetary Fund's (IMF) 2018 Global Economic Outlook, Bangladesh was ranked as the world's 44th largest economy in terms of nominal GDP and the world's 32nd largest economy in terms of purchasing power parity.[25]

4.2.3. IME Status in Bangladesh

4.2.3.1. Islam in Bangladesh

All participants witnessed that globally, Bangladesh is the third-largest Muslim-majority country, with over 85% of its population adhering to Islam. They also agreed that the country has a rich cultural heritage and a long history of Islamic civilization dating back to the 13th century. Bangladesh is known for its moderate and tolerant approach to Islam, with a tradition of Sufi mysticism and syncretism with indigenous Hindu and Buddhist beliefs. Despite the prevalence of Islam, the country has a secular constitution and upholds religious freedom, with a diverse spiritual community including Hindu, Buddhist, Christian, and other minority groups.

4.2.3.2. Muslims' Status of Bangladesh in the Economic Transactions

Participants I & II confirmed that a large number of Muslims in Bangladesh actively uphold Islamic principles in business transactions, personally offer *Zakāh* and *Fiṭrah*, and support establishments such as madrasahs and mosques. *Awqāf* have historically made a substantial contribution to the social and educational advancement of Islam. The sustainability of *Awqāf* management is threatened by corruption and irregular property dealings, as respondents I & II pointed out the lack of transparency and oversight in this area. In the same way, neither the public nor private sectors have an efficient, long-lasting system for collecting and distributing *Zakāh*, nor do they have the necessary oversight tools to guarantee openness in these crucial Islamic financial operations. Global capitalism strongly influences banks and other financial institutions in Bangladesh, encouraging greed to be the standard. Participants observed that many Muslims now treat religion

[23]Dina Mahnaz Siddiqi, "Political Culture in Contemporary Bangladesh: Histories, Ruptures and Contradictions," in *Political Islam and Governance in Bangladesh*, ed. Ali Riaz and C. Christine Fair (London and New York: Routledge, 2010), 21–40.

[24] World Bank, "Overview of Bangladesh Economy," accessed February 2, 2023, https://www.worldbank.org/en/country/bangladesh/overview.

[25]High Commission for Bangladesh to Canada, "Overview of Bangladesh Economy," accessed February 2, 2023, https://www.bdhcottawa.ca/economy-and-trade/overview-of-bangladesh-economy.

primarily as a ritual rather than as a manual for moral economic behavior, separating ethics from economics.

4.2.3.3. Contributions of Individuals and Institutions to IME in Bangladesh

The respondent I & II argued that the IME concept, or Islamic economics, is underdeveloped at an intellectual level. They attribute this to unfavorable constitutional rules and conventions, as well as the secular education system that has been in place since the time of British rule. However, the works of some scholars and intellectuals have significant contribution to the Islamic economics fields.

All respondents acknowledge that Maududi was a renowned Islamic philosopher who had a significant impact on the development and understanding of Islamic economics. Maududi's works on Islamic economics and finance were widely read, and influenced many people in Bangladesh. The most texts of Islamic banking and financial institutions in Bangladesh were mainly influenced by Maududi's ideas and writings.

Islamic economics has been promoted in Bangladesh by eminent academics such as Habib Ahmed,[26] Abdul Mannan, Mahbubul Haq, Masudul Alam Chawdhury, Shah Abdul Hannah, and others. Several organizations support this effort by means of training, publications, and research, thereby increasing public awareness and understanding of Islamic economic ideas and their application in development and finance such as Bangladesh Institute of Islamic Thought, Islamic Foundation and Islamic Economics Research Bureau, and International Islamic University Chittagong among others.

4.3. The Problems with Promoting IME in Bangladesh

In Bangladesh, where the majority of the population is Muslim, IME has become a significant cultural and economic force. Based on the inputs provided by the participants of this study, it appears that there are various challenges associated with the implementation of the IME system in Bangladesh.

4.3.1. Effects of Global Capitalist Dynamics on the Bangladeshi Economy

There are mixed effects of global capitalism on economic progress, productivity, creativity, and invention. Additionally, the respondent I & IIargue that global capitalism has a severe impact on the IME promotion in the Muslim world, including Bangladesh. Finally, Bangladesh has become an ideal location for capitalist enterprise.[27]

Respondents I, III, and IV claim that global capitalism encourages selfishness, greed, and hopelessness, all of which many people in Bangladesh have unquestioningly accepted. They also say that, in contrast to Islamic principles, the free market, which is the accumulation of wealth, disadvantages smaller organizations. Additionally, respondents pointed out that cultural globalization hurts language, ideals, lifestyle, and morals. They conclude that Bangladesh's adoption of the IME is seriously hampered by global capitalism and cultural commercialization.

[26] "Bangladeshi Academic Wins Top Global Prize in Islamic Economics," *Dhaka Tribune*, May 29, 2022, https://www.dhakatribune.com/bangladesh/2022/05/29/bangladeshi-academic-wins-top-global-prize-in-islamic-economics.

[27] Alyssa Ayres, "Bangladesh: Capitalist Haven?" *Forbes*, October 28, 2014, https://www.forbes.com/sites/alyssaayres/2014/10/28/bangladesh-capitalist-haven/

4.3.2. Moral Degradation (Corruption)

Every respondent witnessed how widespread class division, corruption, bribery, and moral decay exist in Bangladesh, a nation with the majority of Muslims. They also asserted that society is motivated by greed rather than compassion, with officials putting their interests first, politicians concentrating on winning elections, and businesspeople acting unfairly. The public lacks trust and is deeply envious. Comparable to cancer, corruption keeps weakening the country's political, cultural, and economic pillars. In the most recent ranking, Bangladesh was ranked 25th out of 100 countries, indicating a perceived high level of corruption. This prompted Bangladesh to receive a title of being the 12th most corrupt country in the world, with Guinea and Iran as well.[28]

All the participants argued that the impacts of corruption in Bangladesh are widespread and far-reaching, affecting the country's economy, politics, and society. Corruption can undermine public trust in government and institutions, and reduce foreign investment, and slow economic growth. They furthermore argue that this corruption can certainly be a major challenge in implementing IME in Bangladesh, because, IME emphasizes the importance of justice, fairness, and transparency in economic transactions while corruption runs counter to these principles.

4.3.3. Superiority of Secularism in Bangladesh

The respondent II & IV noted the growing secularist movements in the civil society of Bangladesh, particularly in the media and government spheres. While acknowledging its momentum, they also expressed concern about potential challenges to implementing the IME in this context. They suggested that secular policies may hinder IME's implementation and restrict its freedom of operation. Furthermore, there is apprehension that secularism could create tension between IME and the dominant economic systems and structures in Bangladesh, which prioritize individualism and profit over community and ethics.

4.3.4. Human Rights Violation

The participant I, II & IV expressed their opinion that the violation of human rights is one of the major obstacles in the development of a moral economy in Bangladesh. The country is grappling with a multitude of human rights issues such as child labour, restriction of freedom of expression, widespread violence, fear, and gender-based violence, which pose a significant challenge to the IME promotion. All respondents acknowledged that the IME is founded on the principles of justice and fairness as advocated in the Qur'ān, which underscores the importance of equality, fairness, and justice in economic systems. Within this framework, the study's participants contend that the protection and promotion of human rights are crucial to the stability of the economic system, and any infringement of these rights can have severe negative consequences. Furthermore, they see that the violation of human rights also has a vital impact on the economic growth. When people are deprived of basic needs, it affects their productivity and overall economic growth. In addition, it contributes to social instability, which leads to further economic problems.

4.3.5. Unfavorable Public Policies

The participant II & IV suggested that the IME establishment in Bangladesh could face obstacles due to unfavourable policies from the government. These policies could manifest in various forms, including regulatory barriers, unfavourable tax policies, absence of a legal framework, political interference, lack of government backing, religious or cultural prejudice, and bureaucratic hurdles.

[28]"Bangladesh Ranks Second Most Corrupt in South Asia Again: TIB," *The Daily Star*, January 25, 2023, https://www.thedailystar.net/news/bangladesh/news/bangladesh-ranks-second-most-corrupt-south-asia-again-tib-3235211.

4.3.6. Lack of National Spirit

According to all respondents, the national spirit is deeply rooted in the country's history and cultural heritage, as well as its legacy of freedom and self-determination. Bangladesh was born out of a struggle for independence from Pakistan in 1971, and this legacy of freedom and self-determination continues to be an important part of the country's national spirit. Similarly, Islam is indeed an important part of the national spirit of Bangladesh, contributing to the country's cultural heritage, values, and national identity sense.

In the aftermath of the liberation war, the nation faced the challenge of establishing a national consensus that could address both local and international concerns. There is a view perceived by all the participants, that a weak sense of national identity in Bangladesh could impede the IME progress. A robust national spirit, characterized by solidarity, persistence, and a common goal, is crucial in fostering a stable and encouraging atmosphere for economic advancement. In the realm of an Islamic economy, a dearth of national spirit may result in a fractured and chaotic business terrain, posing difficulties for the establishment of Islamic financial and commercial practices. As a result, the absence of backing and investment in Islamic finance may hinder the growth and expansion of this sector.

4.3.7. Political Instability

Respondent II & IV argued that Bangladesh has faced political instability since gaining independence from Pakistan in 1971. Despite the presence of both military regimes and democratic governments, the country has struggled with political polarization and a lack of agreement on crucial issues. According to the Global Economy report of 2023, the current state of political stability in Bangladesh is not promising. The report notes that between 1996 and 2021, Bangladesh's average value was -1.19 points, with a low of -1.86 points in 2005 and a high of -0.37 points in 1998. The most recent figure for 2021 is -1.97 points. In comparison, the global average predicted for 2021, based on data from 194 nations, was -0.07 points.[29]

However, the respondents II & IV acknowledged that this political instability could also pose significant challenges to establishing the IME in Bangladesh. They argued that it could create an uncertain business environment that restricts long-term investments and plans, adversely affecting the growth of the Islamic finance industry.

4.3. 8. Shortcomings of Islamic Movements

Several aspects of Islamism in Bangladesh have been observed by participants, indicating a multifaceted nature of this ideology. Notably, in Bangladesh, *ʿUlamāʾ* (Islamic scholars) affiliated with Islamic organizations are categorized into various sects and factions, such as self-proclaimed Sunnis, *Ahl al-Ḥadīth* adherents, *Salafī*, *Wahhābī*, *Ṣūfī*, and followers of specific *Madhāhib*. Regrettably, these *ʿUlamāʾ* often invest substantial time in contentious debates over trivial theological matters while neglecting the more fundamental issues within Islam.[30]

Furthermore, each sect of *ʿUlamāʾ* aspires to establish dominance and promote their sectarian beliefs and policies, asserting their own righteousness while branding others as deviant or misguiding.[31] Consequently, these internal sectarian conflicts among the *ʿUlamāʾ* have left the

[29] "Political Stability in Bangladesh," *TheGlobalEconomy.com*, accessed February 2, 2023, https://www.theglobaleconomy.com/Bangladesh/wb_political_stability.

[30] Muhammad Amimul Ahsan et al., *Towards Understanding Ibadah in Islam* (Dhaka: Bangladesh Institute of Islamic Thought, 2015), 3.

[31] Ibid.

general Muslim populace perplexed about the comprehensive nature of Islam.[32] Some Islamic groups exhibit a limited understanding of Islam, as they disregard the economic and political dimensions of the faith. Conversely, extremist factions exploit Islam as a pretext for significant disruptions in the country.[33]

Moreover, the participant II & IV argued that Islamic political organizations have transformed Islam into a predominantly political rather than a social force. Their uncompromising approach has led secular political entities to view any Islamic revivalist programs, including those aimed at promoting IME, as a threat to their power. Consequently, the general Muslim population appears reluctant to engage with Islamic revivalism, not due to a lack of comprehension regarding its importance, but out of fear of being labelled as religious extremists.

Additionally, all respondents observed that Muslim communities have limited hope in Islamic revivalist movements because they failed to formulate a competent model for the IME. This failure to present a transparent approach in economic affairs further erodes trust and confidence in the economic sector.

In conclusion, the majority of respondents firmly contended the shortcomings of Islamic movements in Bangladesh, in terms of fostering the IME and addressing the multifaceted challenges posed by different strands of Islamism. This can be viewed as a formidable obstacle to the development of such an economy in the country.

4.3.9. Shortcomings of Islamic Banking and Finance

According to a report by the Satista, the total assets of Islamic banks worldwide reached $2.8 trillion in 2021.[34] Similarly, the country has seen a rapid growth in Islamic banking over the last decade, with the number of Islamic banks increasing from just four in 1990 to 35 in 2020. Both deposits and investments under Islamic banking have seen massive increases over time, displaying a phenomenal growth and expansion of the system across the country. According to Bangladesh Bank data published in Newagebd (2023), the total Islamic banking deposits soared to Tk 4,21,375 crore at the end of September 2022 from Tk 1,57,492 crore in 2015 and Tk 1,13,360 crore in 2013. The share of Islamic banks in the country's total bank deposit stood at 26.8 per cent in September 2022.The total investment — loans and advances— under Islamic banking reached Tk 3,86,221 crore at the end of September 2022 from Tk 1,35,061 crores at the end of September 2015 and Tk 97,530 crore at the end of December 2013.[35]

Islamic Banking and Finance (IBF) has largely failed to integrate social justice and broader social concerns into its operational framework. Its distinctive features have been reduced to technicalities, with the value system often invoked only in relation to the Qur'ānic prohibition of ribāʾ (usury).[36] Moreover, critics argue that Islamic banking and financial institutions frequently operate in alignment with the interest rates and fiscal mechanisms of conventional banking, prioritizing financial stability over their envisioned ethical and social objectives.[37] In addition, he

[32]Ibid.

[33]Mohammad Amimul Ahsan et al., "Islamization of Knowledge in Bangladesh: Hindrances and Solutions," *International Journal of Ethics in Social Sciences* 1, no. 1 (2013): 149–168.

[34] "Worldwide Growth of Islamic Banking Assets," *Statista*, accessed February 2, 2023, https://www.statista.com/statistics/1090891/worldwide-growth-of-islamic-banking-assets/.

[35]"Islamic Banking Thrives in Bangladesh," *New Age Bangladesh*, accessed February 6, 2023, https://www.newagebd.net/article/193134/islamic-banking-thrives-in-bangladesh.

[36]Mehmet Asutay, "Islamic Banking and Finance: Social Failure," *New Horizon* 169 (2008): 1–3.

[37]Ibid.

argued that IBF should not be confined merely to ensuring monetary or fiscal stability. Beyond maintaining financial order, it must also function as a moral compass, guiding capitalism with ethical and value-based principles.[38] According to the IME structure, ethical implications in the value proposition in the original meaning are not limited to the forbiddance of *Ribā'* (interest), but also connect to more significant economic and social progress issues.[39] To rephrase, IME sees IBF as a financing proposal molded not only by the laws (*al-fiqh*) but also by the moral principles of Islam, which together form the core foundation of Islamic finance.[40] To fully support a society, IBF should be more than just monetary dealings and agreements, and it should offer a comprehensive financial method in term of IME. Additionally, it is recognized that debt financing has become the predominant mode of financing in IBFIs over the world.[41] Nagaoka says that *Muḍārabah* financing (which is based on debt and includes mark-up priced products) and *Mushārakah* financing (which is based on assets and includes joint venture capital products) are only a small part of Islamic Banking and Finance (IBF).[42]

Nonetheless, in light of the observations made by all participants, there is a valid contention to be made regarding the imperative for Islamic Banking and Finance (IBF) in Bangladesh to accord primacy to the core moral values and principles that are intrinsic to Islamic finance. These include *Muḍārabah, Mushārakah*, and principles of fairness, justice, and transparency. The adherence to these principles can pose significant challenges for Islamic banks in their quest to adhere to the tenets of Islamic finance, potentially adversely impacting the credibility and standing of the entire sector. The shortcomings of Islamic banking and finance serve as major obstacles to the establishment of a functional IME, as confidently expressed by some respondents. Islamic finance fundamentally espouses the principles of justice, equality, and fairness, advocating for the conscientious and principled conduct of individuals in financial transactions.

5. Conclusion

Developed by Shafei A. Karim and Mehmet Asutay, the IME seeks beyond traditional Islamic finance by integrating moral, ethical, and spiritual values into economics. Asutay denounces the ethical drift of modern Islamic finance, Karim advocates a jurisprudence-based model grounded in justice, fairness, and sustainability. Though Islamic ethics in waqf and Zakāh lack institutional backing, global capitalism rules and IME ideas stay marginalized even with economic development in Bangladesh. While its integration calls for academic attention, value-based policies, and structural changes aligned with Islamic moral goals, scholars such as Habib Ahmed and Maududi observe rising interest in IME.

The results indicate essential sociocultural and structural obstacles preventing Bangladesh from developing an IME. Global capitalism's domination has caused the emphasis to shift from ethics to profit, and the basis required for IME is being undermined by pervasive corruption, moral decay, and

[38]Ibid.

[39]Mehmet Asutay, "Conceptualisation of the Second-Best Solution in Overcoming the Social Failure of Islamic Finance: Examining the Overpowering of Homo-Islamicus by Homo Economicus," *IIUM Journal in Economics and Management* 15, no. 2 (2007): 167–195, https://doi.org/10.31436/ijema.v15i2.134

[40]Ibid.

[41]Zubair Hasan, "Islamic Finance: The Structure-Objective Mismatch and Its Consequences," *ISRA International Journal of Islamic Finance* 2, no. 1 (2010): 35–60, https://doi.org/10.55188/ijif.v2i1.76.

[42]Shinsuke Nagaoka, "Beyond the Theoretical Dichotomy in Islamic Finance: Analytical Reflections on Murabahah Contracts and Islamic Debt Securities," *Kyoto Bulletin of Islamic Area Studies* 1, no. 2 (2007): 72–91.

secular public policies. Moral economic planning is hindered by political instability and inadequate governance. Islamic movements also lack coherence and a convincing economic vision. Islamic banking is expanding, but its transformative potential is constrained by its imitation of traditional models. Human rights issues, a divided society, and a lack of national pride all work against IME's moral principles, making its application challenging.

In order to provide Bangladesh with models, future studies should examine how other Muslim-majority nations, such as Malaysia and Indonesia, have institutionalized IME principles. Reforming *waqf* and *zakāh* governance, incorporating IME into national economic policies, and using Islamic social finance to reduce poverty are important areas. Additionally, research should look at how education can foster ethical economic literacy to overcome the ideological and political obstacles to IME adoption, by analysing how much Bangladeshi Islamic banking resembles or conforms to traditional finance. These questions can assist in determining how to incorporate Islamic morality into Bangladesh's economic growth.

5.1. Policy Recommendations

Without justice, integrity, and a governance structure that is in line with Islamic principles, an IME cannot prosper. Respondents stressed that although it is the duty of every Muslim to practice and promote IME, constructive constitutional, political, and educational reforms are necessary for its full implementation. They contend that laws supporting IME and Islamic finance must be passed, and that the government must embrace a new moral and economic philosophy based on Islamic principles. However, the state shouldn't bear all the blame, people also need to live up to Islamic principles every day. Public demand and individual dedication must work together. Muslims can create a convincing model of IME that meets both spiritual and financial needs by comprehending and emulating the true spirit of Islam, particularly in a globalized world. All must strive and look only for the implementation of the IME scheme, as it is a subject of our belief and devotion. In conclusion, the study recommends the following steps to develop the IME agenda at private and public levels based on the suggestions of the respondents:

- A comprehensive attempt should be taken by Islamic scholars and Islamic institutions to find a way to balance the needs of individuals and the needs of society as a whole with a view to face the challenges of global capitalism in implementing IME system.
- To effectively implement IME in Bangladesh, it is essential to stop corruption and restore accountability, transparency, and good governance. This can be in the form of enactment of policies that can prevent and punish corruption, as well as promote transparency in governmental and commercial procedures. It must also educate people about the negative effects of corruption.
- The IME is difficult to execute in Bangladesh due to the prevalence of secularism in this country. Open communication is therefore necessary to resolve this by balancing social justice, community needs and individual rights according to the secular and Islamic values.
- Human rights abuse also obstruct impartial oversight and equitable economic change. For everyone to have equal opportunities, the government must uphold justice, end discrimination, and implement inclusive policies. Bangladesh can endeavor to create an Islamic economic system based on justice and moral values by defending human rights and advancing equity.
- To promote IME in Bangladesh, it is crucial to establish a more equitable education system that incorporates Islamic viewpoints. This will enable students to enhance their understanding of the principles and practices of IME and make informed decisions regarding their economic and lifestyle choices.

- The lack of a clear national identity in Bangladesh could hamper the establishment of an Islamic economy in the country. Addressing this issue and fostering national unity and shared purpose is crucial to creating a conducive climate for Islamic finance and business growth.
- Political instability and public fear pose substantial obstacles to implementing the IME in Bangladesh. A stable and secure political climate is crucial for promoting a conducive economic atmosphere to encourage investment, entrepreneurship, and economic expansion. Therefore, Bangladesh's administration and political leaders should strive to establish a secure and predictable political culture.
- Islamic movements should create examples to advance the IME system by adopting peaceful and tolerant approaches toward society. Additionally, the systems should be able to consult and interact with the sustainable conventional economic schemes of the particular communities in a creative and dynamic way.
- Islamic banking and financial institutions, as in the case of social banks and social businesses, should launch additional stronger social justice-oriented principles. *Masjid* may also be adopted as the center for Islamic culture and social business. Additionally, IBF has to take a more proactive approach to promoting and utilizing *Mudarabah* and *Musharakah* finance.
- There should be several volunteer groups or individuals in charge of the Zakāh funds and waqf states, and they should be open and accountable. To educate the donors about the correct Islamic understanding and faith in IME, motivational programs, view exchange programs, etc., should be organized.
- To launch a moral economic system in the societies, people need to be motivated regarding their goals. To implement this, the policy makers should formulate guidelines and rules to sustainheritageand legacy in education and practices.

Author Contribution

Mohammad Amimul Ahsan: Writing – original draft. **Saber Ahmad:** Data Curation. **Mohammad Jaweed Iqbal:** Reviewing and Editing. **Habib Ullah:** Methodology. **Mohammad Jonaed Kabir:** Supervision.

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