

The Progression of Islamic Economic Discourse in South Asia: Navigating Colonial Legacies and Modern Imperatives

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Abstract

The objective of this study is to explore the evolution of Islamic economic thoughts in the South Asian subcontinent. It seeks to show the evolution of the discourse of Islamic economic thought from a merely defensive and colonialist stance to an emerging field of study that addresses contemporary financial issues. The study will be conducted through a historical and analytical approach to examine the various social and political factors that led to the evolution of Islamic economic thought. An in-depth analysis of the various studies conducted will show the major contributions of the indigenous thinkers who have effectively used the traditional principles of Islamic law to address the present needs. The study will be conducted in the context of the practical applications of the theories of Islamic finance in the countries in the subcontinent, such as Pakistan, Bangladesh, and India. It is possible to gain an insight into the unique evolution of the principles of Islamic economics through the synthesis of the theories. It will also be discussed how the theories will be useful in the development of new policies that attempt to integrate ethical considerations in solving the issues of development.

Keywords

Islamic economics; Islamic economic thought; South Asia; colonial legacy; Islamic finance; economic development; Shariah principles; economic policy.

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Introduction

South Asian countries such as India, Pakistan, Bangladesh, Sri Lanka, and Afghanistan have been at the forefront of the promotion and practice of Islamic economic concepts. This is because the region has the highest population of Muslim people in the world. Additionally, the region has been actively engaged in the exploration of economic concepts based on the Holy Quran and the Prophet. The economic concepts based on the

Holy Quran and the Prophet include concepts of justice, social welfare, rejection of exploitative profits, and the economic system of individualism and collectivism (Obaidullah, 2008). The journey of the economic concepts has been a complex one. The complex journey of the economic concepts in South Asia could be attributed to the complex history of the region. This is due to the fact that the region has been through the European colonization of the region by the British. As a result, there has been the adoption of foreign economic concepts such as interest-based banking, the ownership of land, and the taxation of money, which are in direct opposition to the Islamic economic concepts (Mannan, 2000). The struggle for the formation of national identity within the framework of the post-colonial era, and specifically within the framework of the country of Pakistan, has led to the formation of political pressures that seek to advance Islamic economic principles within the political sphere. However, the issue has been subject to the challenges of financial globalisation, technological advancement, and social and economic inequality within the framework of the present era (Metcalf, 2014).

Thus, the objective of the present article is to critically analyse the formation of Islamic economic principles, specifically within the sphere of South Asia. This includes the history of Islamic economics, the role of various economic thinkers, and finally, the challenges to Islamic economics. Thus, the special contribution of South Asia to the global phenomenon of Islamic economics, and specifically its ability to resolve issues of fair economic growth within the twenty-first century, could be explored.

2. Literature Review

An overview of the Islamic economic thought in South Asia is a complex subject, which requires an understanding of history, theology, and political science. This review places the subject in the academic world and recognises the important thinkers and debates.

2.1 Foundational Doctrines and Early Formulations

The history of Islamic economic thought in South Asia dates back to the classical theological traditions of this part of the world. Though they are hardly to be called economists, the important thinkers of this era, such as Shah Waliullah Dehlavi (1703-1762), were very much concerned with the socio-economic conditions of their era. In his very important work “Huijat Allah al-Baligha”, Shah Waliullah discussed the ethical implications of wealth distribution, which transcended their ritualistic implications. His interest in maintaining a balanced social order, coupled with his condemnation of

economic exploitation, gave birth to a theology that reformers of this part of the world would follow in their attempts to deal with colonial capitalism. It was an age of scriptural interpretation according to the real economic conditions (Baljon, 1986).

2.2 Colonial Confrontation and Intellectual Response

One major change was also observed during the British colonial period, as the new ideas of utilitarianism replaced the above ideas. Thus, with the introduction of *riba* through the formation of central banking and taxation of land, a challenge was posed to the Islamic economic ideas. Hence, a group of Muslim intellectuals attempted to address the above challenge by modifying and amalgamating the Islamic economic ideas (Hassan & Aliyu, 2018). In fact, Sir Syed Ahmad Khan, who lived from 1817 to 1898, emphasised the need to modernise science and administration, and create a new Islamic ethic that could address the challenges of the particular period without undermining the basics. Thus, the formation of the Muhammadan Anglo-Oriental College by Sir Syed was not only for imparting new knowledge to the Muslim community, but also for creating a new Islamic identity among them, which could create a new economic mindset of engagement rather than retreating (Lelyveld, 1978).

2.3 Post-Colonial Statecraft and Systematic Islamization

"The translation of Islamic economic thought from the sphere of intellectual debate into that of political reality was accomplished with the establishment of Pakistan in 1947. The ideology that formed the basis of Pakistan's creation had clearly enunciated its objective of creating an 'Islamic economy,' though the means of achieving this objective had been a subject of great controversy (Mannan, 2000). The practical application of Islamic economic thought was evident in the 1970s and 1980s, as exemplified by the nationalization of major industries by the Bhutto regime under the guise of socialism and Islamic economics, and by the 'Islamization' drive of the Zia regime. The practical application of Islamic economic thought by the Bhutto regime and the Islamization drive of the Zia regime is a subject of critical study by various scholars, including Charles Kennedy (Kennedy, 1996)."

On the other hand, the history of Islamic economic thought in the context of secular-democratic countries such as India is quite different. For example, Abul Hasan Ali Nadwi (1914-1999) has emphasised the need for the Muslim community to focus on the concept of self-sufficiency, ethical businesses, and the formation of Islamic financial cooperatives

with diverse legal bases (Metcalf, 2014). The history of Islamic economics has had a profound impact on the government of Bangladesh, which has a secular form of government, since the country gained independence in 1971. Islamic banks have emerged as major financial centres in the 1980s (Hassan & Aliyu, 2018).

2.4 Contemporary Theoretical and Empirical Terrain

The contemporary theoretical and empirical terrain appears to be in order. The pioneering thoughts of individual thinkers such as Khurshid Ahmad have managed to lay the grounds for a strong framework that connects Islamic ethical values with the science of development economics. Systemic work is the need of the hour, not attempts. Though not necessarily working within the framework of South Asia, Monzer Kahf and M. Umer Chapra have been instrumental in influencing the technical debates on banking and monetary issues in the region (Hassan & Aliyu, 2018).

There are also indications of the effectiveness and impact of Islamic financial institutions. For example, the research carried out by Hassan and Aliyu in 2018 is based on the stability of Islamic banks in South Asia during the period of financial crises. This is because they are based on asset-backed. Another area of research is based on the effectiveness of Islamic microfinance institutions in Bangladesh and Pakistan in alleviating poverty and empowering women, as indicated in the study carried out by Mohammad Obaidullah (Obaidullah, 2008).

3. Methodology

The research has been planned to be qualitative in nature and historical in its analysis. The major aim of the research is to interpret and understand the "why" and "how" of the subject matter, and the research has been planned to analyse the subject matter by closely looking at the primary and secondary sources of information.

The primary sources of information include the original writings, policies, and speeches of important individuals such as Shah Waliullah, Sir Syed Ahmad Khan, Abul A'la Maududi, and Khurshid Ahmad, as well as the white papers and laws from the Islamization period in Pakistan (Mannan, 2000).

The secondary sources of information include several books and writings from important individuals, such as the historical, economic, and political writings, and articles. These have been written to provide context, criticism, and theory to the subject matter.

4. Discussion

4.1 Colonialism: Disruption and the Seeds of Revival

Not only were new laws promulgated by the British colonial administration, but a new system was also devised for the economy. The disconnect from the social security system based on the concept of waqf to the state-centric system, and the disconnect from the partnership-based economic system to the interest-based debt system, were the major disconnects. And out of the disconnect, a new catalyst emerged. The fear of the loss of their civilisation led the scholars to move from the implicit to the explicit. They now began to gather and promote the Islamic economic law, or the *fiqh al-mu'amalat*, as a new system. Thus, the colonial movement, although forcing the Islamic movement to the fringes economically, ironically became the catalyst for the organisation and politicalization of the Islamic movement, which led to the movements of the twentieth century, not only for the preservation but for the implementation (Kennedy, 1996).

4.2 The Pakistani Experiment: A Laboratory of Implementation

"The path that we have chosen has been the most ambitious in the creation of an Islamic economy." Nevertheless, all these attempts have shown us the dilemmas that are at the core of such attempts. The attempt at mandating zakat has shown us the theology of compelling religious charity, the dilemmas of efficient distribution, and the dilemmas of corruption. The attempt at creating 'profit and loss sharing' (PLS)-based banking has been converted into conventional 'markup' (Murabaha)-based banking, and it has been argued that it has been 'shariah compliant' only in form, but not in the spirit of risk sharing (Riaz et al., 2017). The difference between juristic ideals and reality is the dilemma that we face at the core of building ethical institutions within the global capitalist system, where at times, we are forced to compromise on our ethical ideals in order to make them functional (Hassan & Aliyu, 2018).

4.3 Contemporary Crossroads: Growth, Critiques, and New Frontiers

Today, Islamic finance in South Asia is an industry that has succeeded and introspected. The development of Islamic finance in terms of assets is impressive. However, the voices of concern from within the Islamic tradition, such as those of Asad Zaman (2010), suggest that the overdevelopment of conventional banking products, such as the development of "Islamic versions of derivatives," has led to "financialization" instead of focusing on the needs of the economy and other major Islamic goals, such as poverty alleviation and the

circulation of wealth. The question is no longer survival but survival as it moves from niche to alternative (Zaman, 2010).

4.4 Digital Reformation: Technology as a Dual-Edged Sword

The digital revolution may also provide new opportunities for the rethinking of Islamic economics. For instance, the permanent records of transactions with blockchain technology may finally provide the transparency that has been the long-standing problem with the collection of Zakat and the issuance of Sukuk. The new entrant into the digital revolution may also provide new challenges to ethics. For instance, the algorithms for automatic Shariah compliance and creditworthiness of borrowers may also face new challenges. Finally, the digital revolution may also take the field of finance into a new dimension of transactional and impersonal relationships, which may challenge the community-based ethics of classical Islamic economics (Shinkafi & Ali, 2017).

4.5 Envisioning a Future: Beyond Banking

What the future of Islamic economic thought in South Asia may hold depends upon the relevance and contribution of the subject to themes and issues beyond those of banking. Some of the most important contributions may come from themes of resource economics, environmental economics, alternatives to traditional economic growth rates, and the ethics of the gig economy and digital assets. The discourse has to reconnect with its roots in social justice to address the glaring issues of inequality in the region and provide specific examples of Islamic social finance, Islamic ethical supply chain management, and cooperative societies. To do so, not only the discipline of economics and Islamic law but also Islamic sociology, Islamic environmental science, and Islamic tech ethics have to find their way into the discourse (Riaz et al., 2017).

5. Results

The above analysis has led to the following important findings being evident:

1. The major impetus for the systematisation and the political engagement of Islamic economic thought has been the colonial period, which transformed Islamic economic thought from a practice to an ideology.
2. The case of Pakistan has revealed the Islamization of the State and the apparent gap between the legal and the practical, in particular about the ethical dimension of risk management and the distribution of wealth.

3. The recent discourse has been characterised by a high degree of self-reflection, in particular about the over-reliance of the sector on debt instruments and the apparent failure to improve socio-economic justice.

4. It has the potential to not only make finance more efficient and inclusive but also to commoditise and de-personalise Islamic Finance, which may be the beginning of a new frontier of ethical and intellectual debates.

5. It has to transcend its boundaries of banking and finance to enter the realms of debates on sustainable development, technology ethics, and inclusive development, and reclaim its holistic vision.

6. Conclusion

The history of Islamic economic thought in South Asia is the history of an intellectually rich tradition that has managed to remain relevant. It is a history of the challenges of the post-colonial project of state-building since the disruption of colonialism, of the challenges of globalisation, of the challenges of financial and technological advancement. The history of Islamic economic thought in South Asia is the history of success in creating a new and sustainable model of finance; the last test of its relevance is to transcend the boundaries of banking to address the critical socio-economic challenges facing South Asia. Its rich heritage contains the vital principles of justice, fairness, and community responsibility. But the key to the vitality of the tradition, however, is not so much imitation, however innovative, as the bold and creative application of the principles of justice, fairness, and community responsibility to the present, and measuring success not by size but by contribution to the dignity and prosperity of people. Islamic economic thought can thus aspire not merely to be part of the economy of South Asia, but to be a vision of its future.

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