

Engagement in Welfare Initiatives to Achieve the Objectives of Shariah: Evidence from Islamic Banks in Bangladesh

Abstract

This study investigates the extent to which Islamic banks in Bangladesh fulfill the Shariah objectives (Maqasid al-Shariah) of promoting social welfare. Using primary data from 820 respondents (410 employees and 410 customers) across eight Islamic banks, the research applies Exploratory Factor Analysis (EFA), Structural Equation Modeling (SEM), and various regression techniques like logistic, probit, and Linear Probability Models to explore the relationship between Shariah-compliant product offerings and ethical outcomes. Results show that deposit and financing (investment) products exert significant positive effects on welfare activities, while customer and employee perceptions reveal high levels of trust in the banks' commitment to engage in welfare activities.

Key words: *Islamic banking, Shariah Objectives ie. Welfare Activities, Deposit Products, and Financing Products.*

Date of Submission: 28-05-2026

Date of Acceptance: 06-06-2026

I. Introduction

Islamic banks, grounded in the ethical and justice-oriented principles of Shariah, are entrusted with the responsibility of advancing welfare initiatives that extend beyond commercial profitability to promote charitable engagement, social upliftment, and environmental stewardship. In the context of Bangladesh—where Islamic banking has expanded rapidly over the past three decades—there is growing scrutiny regarding how effectively these institutions operationalize welfare activities as a means of fulfilling the objectives of Shariah or Maqasid al-Shariah. Increasing emphasis has been placed on their role in supporting vulnerable populations, empowering communities, and contributing to sustainable development.

This study provides an in-depth examination of the welfare-oriented programs undertaken by eight Islamic banks in Bangladesh, highlighting the various mechanisms through which they translate Shariah objectives into tangible social impact. These initiatives include the provision of stipends and scholarships for economically disadvantaged students, financial assistance for widows and marginalized families, food distribution programs during national crises and natural disasters, and the supply of winter clothing to underserved communities. Such activities reflect the banks' commitment to alleviating poverty, reducing socio-economic disparities, and enhancing human dignity—core values central to the objectives of Shariah.

Additionally, the study evaluates the banks' contributions to broader community development through investments in educational and social infrastructure. These efforts encompass the establishment and support of schools, madrasahs, colleges, technical and vocational training institutes, and even medical colleges aimed at expanding access to quality education and healthcare. Furthermore, the research explores their initiatives in promoting environmental sustainability, particularly through green financing, renewable energy projects, and environmentally responsible lending practices. Collectively, these welfare activities reflect the multidimensional role Islamic banks play in advancing social justice, fostering inclusive development, and fulfilling the overarching Shariah objectives of promoting public welfare and preserving societal well-being.

II. Literature Review

The literature on Islamic banking consistently underscores welfare (maslahah) as a central and defining objective that shapes both its normative foundations and operational practices. Islamic banking is firmly rooted in the primary sources of Islam—the Qur'an, the Sunnah of the Prophet Muhammad (peace be upon him), and the established jurisprudential principles of ijma' (scholarly consensus) and qiyas (analogical reasoning). These sources collectively provide a comprehensive legal and ethical framework that governs all economic and financial activities. Within this framework, Islamic banking is not merely a prohibition-based system that avoids riba (interest), gharar (excessive uncertainty), and maysir (gambling), but rather a value-driven financial system

designed to promote justice, equity, transparency, and accountability. The literature emphasizes that Islamic banking inherently integrates ethical considerations with financial intermediation, thereby positioning itself as a welfare-oriented system that seeks to achieve socio-economic development, equitable wealth distribution, and social justice.

The welfare orientation of Islamic finance is deeply embedded in Quranic teachings, which emphasize charity, social responsibility, and the moral obligation to support the less fortunate. Several Quranic verses (e.g., 2:245; 3:92; 57:11; 63:10) highlight the importance of spending in the way of Allah and contributing to societal welfare. These teachings establish a foundational principle that economic activities in Islam are intrinsically linked to ethical accountability and community well-being. Consequently, Islamic banking is conceptualized as an institutional mechanism that operationalizes these values by promoting socially responsible finance, encouraging redistribution, and ensuring that wealth circulates fairly within society. This perspective reinforces the idea that Islamic finance is not value-neutral; rather, it is a moral economy that integrates financial transactions with broader social objectives.

The concept of welfare in Islamic finance is systematically articulated through the framework of objectives of Islamic law or *Maqasid al-Shariah*, which provides a comprehensive guideline for evaluating economic and financial practices. Al-Ghazali (n.d.; 1058–1111) is widely recognized for formalizing this framework by categorizing human welfare into three hierarchical levels: *daruriyyah* (essentials), *hajiyyah* (complementary needs), and *tahsiniyyah* (refinements). At the core of this framework are the preservation of five essential elements: faith (*din*), life (*nafs*), intellect ('*aql*), lineage (*nasl*), and wealth (*mal*). The protection of wealth is particularly relevant to financial systems, as it underscores the importance of ensuring economic justice, financial stability, and equitable distribution of resources. The literature highlights that Islamic banking institutions are expected to align their operations with these objectives by promoting welfare-oriented practices such as equitable financing, charitable initiatives, and community development programs. Thus, the objectives of *Shariah* or *Maqasid al-Shariah* framework provides both a normative and practical foundation for integrating welfare considerations into Islamic financial systems.

Classical Islamic scholars further reinforce the centrality of welfare in economic thought. Ibn Khaldun (1377) provides a comprehensive analysis of economic systems within a broader socio-political and moral context. He strongly condemns *riba* (interest) as an exploitative practice that undermines justice and social cohesion, while simultaneously emphasizing the importance of welfare-enhancing mechanisms such as *zakat* (obligatory almsgiving), *awqaf* (charitable endowments), and fair taxation. According to Ibn Khaldun, sustainable economic prosperity is achieved through productive activities, ethical trade, and a balanced circulation of wealth supported by institutionalized welfare systems. His analysis highlights that economic justice and social solidarity are interdependent, and that financial systems must incorporate redistributive mechanisms to ensure societal stability. This classical perspective continues to inform contemporary Islamic finance by emphasizing the integration of ethical values and welfare objectives into financial practices.

In modern Islamic economic thought, scholars have expanded upon these classical foundations to develop comprehensive frameworks for welfare-oriented finance. Muhammad Nejatullah Siddiqi (1983; 2006) is widely regarded as a pioneering figure in modern Islamic finance, emphasizing the need to restructure financial systems based on *Shariah* principles. Siddiqi argues that *riba* (interest) is inherently exploitative because it transfers risk disproportionately to borrowers, thereby exacerbating economic inequality. In contrast, he advocates for risksharing and partnership-based financial instruments such as *Mudarabah* (profit-sharing) and *Musharakah* (joint venture), which promote fairness, cooperation, and shared prosperity. His work highlights that Islamic finance is fundamentally designed to achieve social justice and welfare by aligning financial incentives with ethical principles.

Similarly, Muhammad Baqir al-Sadr (1961) presents Islamic economics as a comprehensive alternative to both capitalism and socialism, grounded in moral and legal principles derived from Islam. In his seminal work *Iqtisaduna*, al-Sadr emphasizes that the primary objective of Islamic economics is to achieve social justice, equitable distribution of wealth, and moral responsibility. He underscores the role of the state in regulating economic activities, ensuring fairness, and safeguarding public welfare. Al-Sadr's framework integrates ethical, social, and institutional dimensions, providing a holistic vision of an economic system that prioritizes welfare and collective well-being.

Contemporary scholars have further developed the welfare discourse in Islamic finance by linking it explicitly to the objectives of *Shariah*. Chapra (1992; 2014) argues that Islamic economic systems must be firmly anchored in the *Maqasid al-Shariah* or objectives of *Shariah*, which prioritize human well-being, social justice, and equitable distribution of resources. He emphasizes that financial institutions should actively contribute to poverty alleviation, employment generation, and the protection of vulnerable groups. According to Chapra, the success of Islamic finance should not be measured solely by its compliance with legal forms but by its ability to achieve substantive welfare outcomes, including social equity and economic inclusion.

Monzer Kahf (1989; 2003) also emphasizes the integration of ethical, social, and institutional dimensions in Islamic finance. He argues that economic activities—including production, consumption, and financial transactions—must align with the objectives of Shariah, promoting moderation, justice, and equitable wealth distribution. Kahf highlights that merely replacing interest-based instruments with Shariah-compliant contracts is insufficient unless these practices result in tangible welfare improvements. He advocates for a comprehensive framework that integrates financial activities with broader socio-economic goals, ensuring that Islamic finance contributes to sustainable development and social well-being.

Other scholars have critically examined the gap between the normative ideals of Islamic finance and its practical implementation. Mannan (1984) emphasizes that Islamic financial systems must be supported by robust institutional frameworks and policy mechanisms to translate ethical principles into effective practices. He advocates for profit-and-loss sharing, zakah-based redistribution, and partnership-based financing as essential tools for achieving economic stability and social welfare. Similarly, Khan (1997) calls for the development of Islamic economics as a rigorous social science that incorporates empirical analysis and methodological rigor. He highlights the disconnect between the theoretical objectives of Islamic finance—such as equity and welfare—and the actual practices of Islamic banking, emphasizing the need for reforms to bridge this gap.

In the applied context of Islamic banking, several scholars have emphasized the importance of aligning financial practices with welfare objectives. Usmani (1998) argues that the prohibition of *riba* is fundamentally aimed at preventing exploitation and promoting social justice. He cautions against the excessive reliance on debt-like instruments such as *Murabaha*, which may replicate the economic effects of conventional interest-based systems. Instead, he advocates for greater use of participatory financing modes such as *Musharakah* and *Mudarabah*, which directly contribute to economic empowerment and shared prosperity. Usmani also highlights the importance of strong Shariah governance and institutional integrity in ensuring that Islamic banking operations align with both the letter and spirit of Shariah.

Similarly, Daud Bakar (2016) emphasizes that Islamic banking must go beyond formal compliance to actively promote welfare-oriented financial practices. He argues that overreliance on debt-based instruments limits the potential of Islamic finance to achieve its socio-economic objectives, including inclusive growth and equitable wealth distribution. Bakar calls for greater innovation and adoption of genuine risk-sharing instruments to enhance the welfare impact of Islamic banking.

Hussain Hamed Hassan (2007) further underscores that Islamic financial transactions must be structured to promote real economic activity and social welfare. He emphasizes that asset-backed and risk-sharing contracts are essential for ensuring that financial activities contribute to productive sectors and support community well-being. Strong Shariah governance frameworks are also identified as critical for maintaining the integrity and credibility of Islamic financial institutions.

Additional contributions from scholars such as Ahmad (2000; 2009), Islahi (2001; 2012), and Al-Fasi (1963) reinforce the centrality of welfare in Islamic finance. Ahmad highlights that Islamic finance is grounded in ethical and moral principles that promote social justice and equitable wealth distribution. Islahi emphasizes the need for Islamic banking to move beyond the avoidance of *riba* (interest) and actively contribute to welfare-oriented outcomes through ethical investment and risk-sharing practices. Al-Fasi (1963) articulates the concept of *maslahah* (common good) as the ultimate objective of Shariah, encompassing the comprehensive well-being of individuals and society. This perspective is further supported by Kamali (2007), who emphasizes that the promotion of welfare and prevention of harm are fundamental objectives of Islamic law or principles.

Empirical and institutional studies also highlight the practical implications of welfare-oriented Islamic finance. Research by Dusuki and Abozaid (2007) and Ahmed (2011) emphasizes that the prohibition of *riba* reflects a broader ethical commitment to justice, transparency, and social welfare. Studies such as Abu Hurayra Mohammad (2015) demonstrate how Islamic banks, particularly in Bangladesh, incorporate welfare objectives into their operations through zakah distribution, *qard al-hasan* (benevolent loans), and community development initiatives. Similarly, Asutay et al. (2019) emphasize that the ultimate goal of Islamic finance is to achieve *falah* (human well-being), which encompasses both material and spiritual dimensions.

Historical contributions, such as Muhammad Uzair (1955), also play a significant role in shaping modern Islamic banking practices. Uzair's work on interest-free banking provides a practical framework for implementing profit-sharing mechanisms, laying the foundation for contemporary Islamic financial institutions. Similarly, Hassan and Lewis (2007) highlight the evolution of Islamic banking from early partnership-based arrangements to modern institutional frameworks, emphasizing the role of profit-and-loss sharing in achieving welfare-oriented financial intermediation.

Overall, the literature converges on the understanding that Islamic banking is inherently a welfare-oriented system grounded in the objectives of Shariah. Its distinctiveness lies not only in the prohibition of *riba* but also in its broader commitment to ethical conduct, social justice, and inclusive development. The integration of risk-sharing, asset-backed financing, and redistributive mechanisms reflects a comprehensive approach to financial intermediation that prioritizes human well-being and societal prosperity. However, the literature also

highlights ongoing challenges in fully realizing these objectives, particularly in bridging the gap between theory and practice. Addressing these challenges requires stronger institutional frameworks, greater emphasis on participatory financing, and a renewed commitment to the ethical foundations of Islamic finance.

In conclusion, Islamic banking represents a holistic financial paradigm that seeks to harmonize economic activity with moral and social objectives. By aligning financial practices with the objectives of Shariah or Maqasid al-Shariah, it aims to promote justice, equity, and welfare at both individual and societal levels. The emphasis on welfare-oriented practices—ranging from equitable wealth distribution to community support—positions Islamic banking as a viable and sustainable alternative to conventional financial systems, with significant potential to contribute to inclusive socio-economic development and long-term societal well-being.

III. Hypothesis

- Null Hypothesis (H0): There is no significant relationship between the availability of Shariah-compliant financing and deposit products and welfare activities.
- Alternative Hypothesis (H1): There is significant relationship between availability of Shariah-compliant financing and deposit products and welfare activities.

IV. Methodology

This study employs a quantitative methodological framework to examine the role of Islamic banking practices in Bangladesh in promoting welfare activities in line with the objectives of Shariah or Maqasid al-Shariah. Welfare, in this context, refers to the enhancement of socioeconomic well-being, equitable distribution of resources, and community development facilitated through Islamic financial institutions. To ensure a comprehensive analysis, the research relies on primary data sources. Primary data were collected from 820 respondents, comprising 410 employees and 410 customers from eight selected Islamic banks, chosen based on their size and years of operation to represent a substantial share of the sector. Structured questionnaires using a five-point Likert scale were administered to capture respondents' perceptions regarding welfare-oriented practices. Secondary data were obtained from academic literature, annual reports of Islamic banks, and publications of Bangladesh Bank to support theoretical and contextual understanding.

A purposive sampling technique was adopted to ensure that respondents possessed relevant knowledge and experience related to Islamic banking services. The sample size was determined using standard statistical procedures to ensure adequacy and reliability, and it was increased beyond the minimum requirement to enhance robustness and reduce sampling error. The collected data were analyzed using a combination of descriptive and inferential statistical techniques. Descriptive statistics, including mean scores and percentage distributions, were used to summarize respondent characteristics and perception patterns. Correlation analysis was conducted to examine the strength and direction of relationships among variables, while factor analysis, comprising Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA), was employed to identify and validate the underlying constructs associated with welfare activities.

To further examine complex relationships among variables, Structural Equation Modeling (SEM) was utilized as the primary analytical tool. SEM allows for simultaneous estimation of multiple relationships between observed and latent variables, providing a robust framework for assessing both measurement and structural models. The measurement model evaluates the validity and reliability of constructs, while the structural model assesses the causal relationships between Islamic banking practices and welfare outcomes. Model fit was evaluated using standard indices such as Chi-square, RMSEA, CFI, TLI, and SRMR to ensure the adequacy of the proposed model. In addition, regression analysis, including Linear Probability, Logit, and Probit models, was conducted to validate the SEM findings and examine the influence of financing and deposit-related variables on welfare outcomes. The dependent variable in the study is welfare activities, while financing and deposit products serve as independent variables.

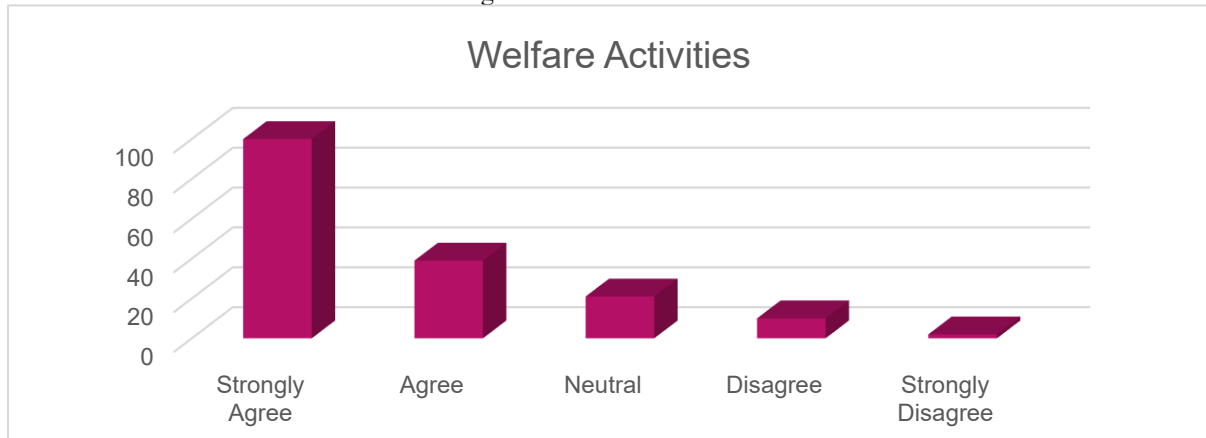
To ensure the credibility and rigor of the research, several measures were taken to establish validity and reliability. A pilot study was conducted to refine the questionnaire and improve clarity and consistency. Construct validity and reliability were further assessed using factor analysis techniques, while triangulation was applied by integrating multiple data sources. Ethical considerations were strictly maintained throughout the research process, with voluntary participation, informed consent, and assurance of confidentiality and anonymity for all respondents. Data were securely stored and used solely for academic purposes. The integration of primary and secondary data, along with the application of rigorous statistical techniques, ensures that the study provides a reliable and comprehensive assessment of the role of Islamic banking in promoting welfare activities in Bangladesh.

V. Data Analysis

5.1 Data Description: The comparative analysis of the survey results on Welfare Activities from both employees and customers provides valuable insights into their perceptions of how well banks are aligning with Shariah

principles in this area. Overall, both groups exhibit strong support for the notion that banks are following Shariah objectives, but the intensity and levels of agreement vary on the topics of Welfare Activities.

Figure 1: Welfare Activities.



Source: Primary data collected from respondents.

A large majority (95% strongly agree) believe that Islamic banks contribute positively to Welfare Activities, although some respondents remain neutral or uncertain. However, they acknowledge that the banks actively take visible initiatives in this regard.

5.2 Table no.: 01 SEM Analysis: Path Coefficients and Hypothesis Testing

The hypothesis testing results are summarized in Table 01 below, displaying standardized regression path coefficients (β), standard errors (S.E.), t-values, and p-values. These indicators help assess the strength and significance of the relationships between the constructs.

Path	β Estimate	S.E.	t-value	p-value	Hypothesis Result
Financing Products → Welfare Activities	0.50	0.072	6.94	***	Supported
Deposit Products → Welfare Activities	0.49	0.070	6.89	***	Supported

***p < 0.001, indicating statistical significance.

Detailed Interpretation of the Constructs and Path Coefficients

The standardized path coefficients (β values) range between -1 and +1, where higher absolute values indicate stronger relationships. In this analysis, all relationships are positive and significant, indicating that the provision of Shariah-compliant Financing and Deposit Products positively impact on Welfare Activities. Welfare Activities and Shariah-Compliant Financial Products: The analysis also shows a significant positive relationship between Welfare Activities and both Financing Products ($\beta = 0.50$) and Deposit Products ($\beta = 0.49$). The t-values (6.94 and 6.89, respectively) and p-values (less than 0.001) further validate the significance of these relationships. The findings indicate that banks engaging in active Welfare Activities practices are more likely to provide Shariah-compliant financial products. Welfare Activities in Islamic banking is not limited to charitable giving and community development; it extends to ensuring that financial practices are Shariah and socially beneficial. By incorporating welfare initiatives and considerations into product offerings, banks enhance the Shariah dimension of their financial services. The strong relationship between Welfare Activities and Shariah-compliant products suggests that Welfare Activities should be an integral part of Islamic banks' strategies to achieve Shariah Objectives. By engaging in Welfare Activities, banks not only fulfill their Shariah obligations but also improve customer perceptions of their financial products.

Implications for Structural Equation Modeling (SEM) and the Measurement of Shariah Objectives: The SEM analysis confirms the hypothesized relationships between the constructs, with adequate fit indices validating the model's suitability in explaining the relationships among Welfare Activities, Financing Products, and Deposit Products. The analysis suggests that Islamic banks can achieve Shariah Objectives more effectively by integrating

Shariah practices into all aspects of their operations, including the development of financial products. By ensuring that financing and deposit products comply with Shariah, banks fulfill not only regulatory requirements but also the Shariah expectations of their customers. These analyses confirm that the development of robust deposit and investment products are critical for advancing welfare objectives.

5.3 Logistic regression analysis Welfare Activities

Figure:02 Logistic analysis Welfare Activities

Variable	Coefficient (β)	Std. Error	zvalue	pvalue	95% Confidence Interval	Significance
Intercept (const)	0.1796	0.705	0.255	0.799	[-1.202, 1.561]	
Deposit_Product1	0.3425	0.157	2.179	0.029	[0.034, 0.651]	Significant
Investment_Product1	0.4301	0.150	2.865	0.004	[0.136, 0.724]	Highly Significant

The Logit regression model investigates the influence of Islamic financial products on achieving welfare. The model displays strong overall significance, as reflected in the likelihood ratio test (LLR p-value = 0.0001508), indicating that the predictors contribute meaningfully to the model. Although the pseudo R-squared value is relatively low ($R^2 = 0.068$), it still suggests that the model provides some explanatory power.

The coefficient for Deposit_Product1 ($\beta = 0.3425$, $p = 0.029$) is statistically significant, suggesting that greater use of Shariah-compliant deposit products is positively associated with the likelihood of eliminating interest-based financial behavior. Similarly, Financial_Product1 ($\beta = 0.4301$, $p = 0.004$) shows a strong and highly significant positive association, indicating that participation in Islamic financial products also contributes to this outcome. In contrast, the intercept ($\beta = 0.1796$, $p = 0.799$) is not statistically significant, suggesting no meaningful baseline probability of welfare without the influence of these products.

5.4 Probit regression analysis Welfare Activities

Figure:03 Probit analysis Welfare Activities

Variable	Coefficient (β)	Std. Error	z-value	p-value	95% Confidence Interval	Significance
Intercept (const)	0.2887	0.358	0.807	0.420	[-0.412, 0.990]	
Deposit_Product1	0.1551	0.078	1.993	0.046	[0.003, 0.308]	Significant
Investment_Product1	0.2190	0.073	3.008	0.003	[0.076, 0.362]	Highly Significant

The Probit regression model analyzes the effect of Islamic financial products on welfare. The model demonstrates strong statistical significance overall, as evidenced by the likelihood ratio test (LLR p-value = $8.588e-05$). The pseudo-R-squared value of 0.0727 indicates a modest yet meaningful level of explanatory power for a binary outcome model.

Deposit_Product1 ($\beta = 0.1551$, $p = 0.046$) is statistically significant, showing a positive relationship between the use of Shariah-compliant deposit products and the probability of engaging in welfare activities. Likewise, Investment_Product1 ($\beta = 0.2190$, $p = 0.003$) is highly significant, further supporting the role of Islamic investment products in promoting welfare. The intercept ($\beta = 0.2887$, $p = 0.420$), however, is not statistically significant, indicating that the baseline likelihood of welfare, absent these predictors, is not distinguishable from zero.

5.5 The Linear Probability Model (LPM) Welfare Activities

Figure:04 Linear Probability Model Welfare Activities

Variable	Coefficient (β)	Std. Error	z-value	pvalue	95% Confidence Interval	Significance
Intercept (const)	0.8099	0.035	23.060	0.000	[0.741, 0.879]	
Deposit_Product1	0.0184	0.008	2.365	0.018	[0.003, 0.034]	Significant
Investment_Product1	0.0169	0.006	2.778	0.006	[0.005, 0.029]	

The Linear Probability Model (OLS) analysis indicates that both financial products— Deposit_Product1 ($\beta = 0.0184$, $*p* = 0.018$) and Investment_Product1 ($\beta = 0.0169$, $*p* = 0.006$)—have statistically significant positive effects on welfare probability, though their economic impact is modest (increasing welfare likelihood by only 1.84 and 1.69 percentage points, respectively). Despite global model significance (F -statistic $*p* < 0.0001$), the low explanatory power ($R^2 = 0.026$) suggests omitted variables heavily influence welfare outcomes. The intercept confirms an 81% baseline welfare probability when predictors are zero ($\beta = 0.8099$, $*p* < 0.001$). While analysis affirm the value of financial products, their realworld welfare impact appears limited under current specifications, warranting further research with additional covariates or non-linear models.

VI. Findings

This study investigates the extent to which Islamic banks in Bangladesh fulfill the objectives of Shariah, with particular emphasis on the advancement of welfare-oriented initiatives. Drawing on primary data from 820 respondents---comprising 410 employees and 410 customers across eight Islamic banks---the research employed structured questionnaires that combined five-point Likert scale items and with binary questions, enabling both descriptive and inferential analyses. Advanced statistical techniques, including Structural Equation

Modeling (SEM) and regression models such as logistic, probit, and Linear Probability Models (LPM), were applied to assess the depth of Shariah compliance by the practices of deposit and financing products. The findings reveal that these products play a pivotal role in fostering welfare outcomes, particularly in areas such as poverty alleviation, community development, and the promotion of socio-economic justice.

The analysis highlighted that while certain banks have made significant progress in addressing these concerns, others still face gaps in implementation, reflecting differing levels of commitment and capacity to uphold Shariah governance. Overall, this comparative perspective provides valuable insights into which institutions are achieving Shariah objectives more comprehensively and which require greater policy and managerial interventions to strengthen shariah compliance. The findings offer comprehensive insights for policymakers, banking professionals, regulators, customers, and other stakeholders, serving as a critical resource for enhancing the effectiveness and credibility of Islamic banking in Bangladesh. By highlighting the degree to which banks comply with Shariah objectives---such as promotion of welfare initiatives---these results provide evidence-based guidance for improving operational practices, governance frameworks, and product offerings.

Findings from Structural Equation Modeling (SEM)

The analysis demonstrates that the provision of Shariah-compliant financial products, particularly deposit and investment offerings, plays a significant role in promoting welfare activities within Islamic banks. Specifically, banks with well-developed deposit and financing (investment) products are more likely to expand their engagement in welfare-oriented initiatives, thereby strengthening stakeholder trust and satisfaction. The SEM results confirm that product development and ethical orientation are closely intertwined, with deposit and investment products exerting strong positive influences on welfare activities. More precisely, deposit products showed significant positive effects on welfare activities ($\beta = 0.49$, $p < 0.001$), while investment products significantly contributed to welfare activities ($\beta = 0.50$, $p < 0.001$). All relationships were statistically significant at $p < 0.001$, underscoring their robustness. The robustness of these findings was further validated through multiple statistical techniques. Data validation and descriptive analysis confirmed dataset reliability; correlation analysis revealed strong interconnections among the constructs; factor analysis verified meaningful latent dimensions; and SEM established the causal influence of deposit and investment products on ethical practices. Confirmatory Factor Analysis also provided strong evidence of convergent validity, with factor loadings ranging between 0.730–0.825 and AVE values above 0.50: deposit products (0.730–0.770, AVE=0.750), investment products (0.750–0.780, AVE=0.765), and welfare activities (0.790–0.825, AVE=0.808). Taken together, the results suggest that Islamic

banks in Bangladesh achieve Shariah objectives most effectively by strengthening their deposit and investment product portfolios, which in turn engagement in welfare activities.

Findings from Regression Analysis on Welfare Activities

The model's likelihood ratio test indicated strong overall significance, while the nonsignificant intercept suggested that, without these products, the baseline probability of welfare is limited. The probit regression analysis with deposit products (coefficient = 0.1551, $p = 0.046$) and financing (investment) products (coefficient = 0.2190, $p = 0.003$) confirmed the positive relationship between Islamic financial products and welfare activities. The probit model, which also demonstrated strong overall significance, confirmed the robustness of the logistic regression findings, emphasizing the central role of Islamic financial products in achieving welfare objectives within the banking sector. This suggests that, although Islamic financial products contribute to welfare promotion, other factors not captured in the current model may also play a substantial role. Taken together, these findings indicate that Islamic financial products---particularly Shariah-compliant deposit and investment offerings---serve as important instruments in promoting welfare activities. Logistic and probit models consistently demonstrate their significance in enhancing the probability of welfare outcomes, while the LPM highlights the modest yet positive real-world impact of these products. Overall, the analysis underscores that the strategic provision and adoption of Islamic financial products not only facilitate compliance with ethical banking principles but also contribute meaningfully to the welfare objectives, reinforcing the integrated role of financial ethics and social responsibility in Islamic banking.

This study finds that Islamic banks in Bangladesh are largely successful in fulfilling key Shariah objectives, particularly the promotion of welfare. Statistical analyses confirm that Shariah-compliant deposit and investment products are central to achieving welfare outcomes, with ethical compliance and social responsibility reinforcing one another. Stakeholder perceptions from both customers and employees reflect strong trust in the banks' avoidance to shariah compliance.

However, the combined evidence from statistical modeling and perception surveys provides strong confirmation that Islamic financial products are powerful drivers of Islamic banking system. Deposit and investment products may foster welfare activities, enhancing stakeholder trust.

VII. Conclusion

This study offers compelling empirical evidence that the strategic development and delivery of Shariah-compliant deposit and investment products play a pivotal role in advancing the core objectives of Islamic banking within Bangladesh's Islamic banking sector. Specifically, these financial instruments actively support welfare-oriented initiatives aligned with the ethical and distributive justice principles of the objectives of Shariah or the maqasid al-Shari'ah.

Collectively, these findings demonstrate that the Islamic banking system in Bangladesh has made remarkable strides in achieving objectives of Shariah, which encompass the protection of wealth (hifz al-mal). Nonetheless, the study emphasizes that further progress requires continued innovation in product structuring, stronger implementation of risk-sharing mechanisms such as mudarabah and musharakah, and enhanced Shariah governance oversight. Strengthening these dimensions will be essential for realizing the full transformative potential of Islamic banking as a just, inclusive, and welfare-driven alternative to conventional banking in Bangladesh.

This study provides robust empirical evidence that the strategic provision of Shariah-compliant deposit and investment products significantly promotes welfare activities in the Islamic banking sector. Together, these findings confirm that Islamic banks in Bangladesh have made substantial progress toward achieving the objectives of Shariah or the maqasid al-Shari'ah, while highlighting the need for continued innovation and stronger risk-sharing practices to fully realize the transformative potential of Islamic banking.

References

- [1]. Ahmad, A. (2000). *Contemporary practices of Islamic financing techniques*. Islamic Development Bank.
- [2]. Ahmad, A. (2009). *Islamic banking and finance: Principles and practice*. International Islamic University Malaysia Press.
- [3]. Ahmed, H. (2011). *Product development in Islamic banks*. Edinburgh University Press.
- [4]. Al-Fasi, A. (1963). *Maqasid al-shariah al-islamiyyah wa makarimuha*.
- [5]. Al-Ghazali, A. H. (n.d.). *Al-mustasfa min 'ilm al-usul*.
- [6]. Al-Sadr, M. B. (1961). *Iqtisaduna*.
- [7]. Asutay, M., Aysan, A. F., & Karahan, H. (2019). *Islamic finance and sustainable development*. Istanbul Sabahattin Zaim University.
- [8]. Bakar, M. D. (2016). *Shariah minds in Islamic finance*. Amanie Media.
- [9]. Chapra, M. U. (1992). *Islam and the economic challenge*. The Islamic Foundation.
- [10]. Chapra, M. U. (2014). *Moral and justice in Islamic economics and finance*. Edward Elgar Publishing.
- [11]. Dusuki, A. W., & Abozaid, A. (2007). A critical appraisal on the challenges of realizing maqasid al-shariah in Islamic banking and finance. *IJUM Journal of Economics and Management*, 15(2), 143–165.

- [12]. Hassan, H. H. (2007). *Shariah governance in Islamic financial institutions*. Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
- [13]. Hassan, M. K., & Lewis, M. K. (2007). *Handbook of Islamic banking*. Edward Elgar Publishing.
- [14]. Islahi, A. A. (2001). *Economic concepts of Ibn Taymiyyah*. The Islamic Foundation.
- [15]. Islahi, A. A. (2012). *Islamic economic thinking: A survey of contemporary literature*. Islamic Research and Training Institute.
- [16]. Ibn Khaldun, A. (1377). *Al-muqaddimah*.
- [17]. Kahf, M. (1989). Islamic economics: Notes on definition and methodology. *Review of Islamic Economics*, 13, 23–47.
- [18]. Kahf, M. (2003). *Islamic finance: Principles and practice*. Islamic Research and Training Institute.
- [19]. Kamali, M. H. (2007). *Maqasid al-shariah made simple*. The International Institute of Islamic Thought.
- [20]. Khan, M. F. (1997). Islamic economics: State of the art. *Islamic Economic Studies*, 5(1), 1–23.
- [21]. Mannan, M. A. (1984). *Islamic economics: Theory and practice*. Cambridge University Press. Siddiqi, M. N. (1983). *Issues in Islamic banking*. The Islamic Foundation.
- [22]. Siddiqi, M. N. (2006). *Islamic banking and finance in theory and practice*. Islamic Development Bank.
- [23]. Usmani, M. T. (1998). *An introduction to Islamic finance*. Idaratul Ma'arif.
- [24]. Uzair, M. (1955). *An outline of interestless banking*. Royal Book Company.
- [25]. Abu Hurayra Mohammad, A. (2015). Islamic banking and welfare activities in Bangladesh. *Journal of Islamic Economics*, 7(2), 45–60.
- [26]. The Qur'an. (n.d.). 2:275–279, 2:45, 3:9, 57:11, 63:10.
- [27]. Bangladesh Bank. (n.d.). Statistics & publications. <https://www.bb.org.bd>
- [28]. Islami Bank Bangladesh PLC. (n.d.). Annual reports. <https://www.islamibankbd.com>
- [29]. Al-Arafah Islami Bank PLC. (n.d.). Annual reports. <https://aibl.com.bd>
- [30]. EXIM Bank PLC. (n.d.). Annual reports. <https://www.eximbankbd.com>
- [31]. Shahjalal Islami Bank PLC. (n.d.). Annual reports. <https://www.sjibld.com>
- [32]. Social Islami Bank PLC. (n.d.). Annual reports. <https://www.sibld.com>
- [33]. First Security Islami Bank PLC. (n.d.). Annual reports. <https://www.fsibld.com>
- [34]. ICB Islamic Bank PLC. (n.d.). Annual reports. <https://www.icbislamic-bd.com> Union Bank PLC. (n.d.). Annual reports. <https://www.unionbank.com.bd>