

Diploma In Islami Banking (DIB)

Part-I

Paper: 102: Principles of Economics: Conventional and Islamic

First Edition: April 2025
Second Edition: August 2025
Third Edition: April 2026
Fourth Edition: August 2026

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Table of Content

SL	Details	Page No.
1	Chapter One: Meaning and Scope Economics	4-14
2	Chapter Two: Demand and Supply Analysis	15-25
3	Chapter Three: Elasticity of Demand	26-29
4	Chapter Four: Theory of Demand	30-36
5	Chapter Five: Production - Factors of Production	37-43
6	Chapter Six: Cost of Production	44-48
7	Chapter Seven: Market Structure	49-58
8	Chapter Eight: Distribution	59-64
9	Chapter Nine: Analysis of National Income	65-70
10	Chapter Ten: Money	71-88
11	Chapter Eleven: Public Finance	89-97
12	Chapter Twelve: Economic Development of Bangladesh	98-111
13	<i>Previous year questions</i>	112-116

Suggestion:

- *Read 4 star and 5 star marked chapter if you have time shortage to read all chapter.*
- *Must read short notes from all chapter.*
- *MetaMentor Center suggest to read whole note to find 100% common in exam. We cover everything in our note.*

Important	Details	Number of Question common in previous years
*****	Chapter One: Meaning and Scope Economics	16
*****	Chapter Two: Demand and Supply Analysis	15
**	Chapter Three: Elasticity of Demand	04
**	Chapter Four: Theory of Demand	08
*****	Chapter Five: Production - Factors of Production	09
**	Chapter Six: Cost of Production	03
*****	Chapter Seven: Market Structure	11
**	Chapter Eight: Distribution	09
*****	Chapter Nine: Analysis of National Income	12
*****	Chapter Ten: Money	22
*****	Chapter Eleven: Public Finance	16
*****	Chapter Twelve: Economic Development of Bangladesh	18
*****All short note from all chapter and end of note *****		

Syllabus

Chapter One: Meaning and Scope Economics - Definition of economics by Adam Smith, Robbins, Marshall, Cairncross - Positive and Normative Economics - Microeconomics and Macroeconomics - Meaning of Islamic Economics: Its Basic Philosophy, goals and Objectives - Comparative Analysis of Market, Command and Islamic Economic Systems.

Chapter Two: Demand and Supply Analysis - Market Equilibrium - Traditional Concepts of Demand and Supply – Laws of Demand and Supply – Changes in Demand and Supply - Shifts in Demand and Supply - Consumption demand in Islamic Economics - Classification of wants and needs- Concepts of Halal, Haram, Mubah and Makruh.

Chapter Three: Elasticity of Demand – Measurement of Price, Income, and cross elasticities.

Chapter Four: Theory of Demand – Utility – Cardinal utility and ordinal utility- Total and marginal utility- marginal utility and Demand- Indifference curve approach to the theory of demand.

Chapter Five: Production - Factors of Production: Land, Labour, Capital, Organization - The Law of Diminishing Returns - Large and Small scale production - Localization of industries – Factors of Production in Islamic Economics

Chapter Six: Cost of Production - Cost in the Short-run - fixed and variable costs - average and marginal cost. Long-run costs - Economies and diseconomies of scale.

Chapter Seven: Market Structure – Types of Market and their distinguishing Characteristics - Determination of Price and Output under perfect competition, monopoly, monopolistic competition, duopoly, and oligopoly – Market Distortions – Mechanisms to check distortions - Islamic view about Price and Output determination under the different market structure.

Chapter Eight: Distribution – Traditional Concepts of Wages, interest, rent and profit - concept of Distribution in an Islamic system - Interest vs. Profit - Socio-economic impact of interest (riba)

Chapter Nine: Analysis of National Income - Savings and Investment - GDP, GNP and NNP - Measurement of national income – Different Methods - Estimation of National Income in Bangladesh.

Chapter Ten: Money – Definition and Functions of Money in Conventional and Islamic Economics - Demand for and Supply of Money - Value of Money - Quantity theory – Concept of Value of Money in Islamic Economics - Inflation and Deflation: Causes and Cures – Monetary Policy: instruments and goals under Conventional and Islamic Economic System.

Chapter Eleven: Public Finance: Principles of taxation, government expenditure, and government borrowing – Fiscal Policy - Islamic approach to fiscal policy: instruments and goals.

Chapter Twelve: Economic Development of Bangladesh - Causes of underdevelopment and remedies - Development in Islamic Perspective - Poverty Alleviation in Islamic System.

Chapter One:

Meaning and Scope Economics

Q-01. Define the Economics. (November-2022, April-2024, October-2023, November-2024, May-25)

Economics is the study of how people, businesses, and governments use limited resources to meet their unlimited needs and wants.

It explains how goods and services are produced, distributed, and consumed in a society. Economics helps us understand how choices are made when resources like money, time, and materials are limited. According to Paul A. Samuelson, economics is about deciding how to use scarce resources to produce various goods and distribute them among different people.

Islamic economics, focuses on using resources fairly and morally, following the rules of justice and welfare in society.

Q-02. Discuss the main features of Capitalistic, Socialistic and Islamic economics. (April-2024, October-2023, October-2019).

Or, Discuss the main features of Capitalistic & Islamic economics. (May-2022).

Or, Define Islamic economics. Describe the salient features of Islamic economics. In what respect Islamic economics is superior to its conventional counterpart? (April-2018, October-2018, April-2019, October-2021).

Or, What are the basic features of Islamic economics? (May-2022, May-2023).

Or, Define Islamic economics Do you think that Islamic economics is superior to conventional economics? (Nov- 2025)

Or, Discuss the main features of Capitalistic, Socialistic and Islamic economics. Nov- 2025

Or, Describe the characteristics of an Islamic economy. MAY 2026

Islamic economics is the study of how to use resources like money, land, and labor according to Islamic rules (Shari'ah).

It teaches that all wealth belongs to Allah and people are just caretakers (trustees).

Islamic economics focuses on justice, fairness, and welfare for all, not just making profits.

It bans interest (Riba), forbids unfair trade, and makes Zakat (charity) compulsory to help the poor.

It encourages honest business, sharing wealth, and protecting human dignity.

The goal of Islamic economics is not only economic growth but also moral, social, and spiritual development of society.

An economic system explains how a country organizes production, distribution, and use of resources.

The three major systems are Capitalistic, Socialistic, and Islamic economics.

Salient / main Features of Islamic Economics:

- 1. Based on Divine Guidance:** Follows the teachings of the Qur'an and Sunnah, not just human ideas.
- 2. Prohibition of Riba (Interest):** Earning or paying interest is strictly forbidden.
- 3. Wealth Distribution and Zakat:** Encourages fair sharing of wealth through compulsory charity like Zakat to reduce poverty.
- 4. Ethical and Fair Business:** Promotes honesty, fair trading, and justice in all economic activities.
- 5. Balance between Material and Spiritual Needs:** Focuses not only on profit but also on moral values, social welfare, and human dignity.

1. Capitalistic Economy:

- 1. Private Ownership:** Individuals and private firms own land, factories, and businesses.

2. **Profit Motive:** The main objective of business is to earn maximum profit.
3. **Free Market System:** Prices are determined by demand and supply.
4. **Limited Government Role:** Government interference in economic activities is minimal.
5. **Competition:** Firms compete with each other, which increases efficiency and innovation.
This system gives high economic freedom, but it may create income inequality.

2. Socialistic Economy:

1. **Public Ownership:** The government owns major industries and resources.
2. **Central Planning:** The government decides what to produce, how much to produce, and at what price.
3. **Equality of Income:** It aims to reduce income and wealth inequality.
4. **No Profit Motive:** Public welfare is more important than profit.
5. **Full Government Control:** Production and distribution are controlled by the state.

This system reduces inequality, but it may limit individual freedom and reduce efficiency.

Why Islamic Economics is Superior to Conventional Economics:

1. **Moral Foundation:** Islamic economics is based on ethics and justice, not just profit-making.
2. **Prohibition of Exploitation:** It bans interest (Riba) and unfair practices, protecting people from exploitation.
3. **Wealth Sharing:** Through Zakat and charity, it ensures better wealth distribution and helps reduce poverty.
4. **Social Welfare Focus:** It works for the welfare of the whole society, not just the benefit of a few rich people.
5. **Balanced Growth:** Islamic economics promotes both material and spiritual development, creating a peaceful and fair society.

Q-03. Define Conventional Economics and Islamic Economics. Distinguish between Conventional Economics and Islamic Economics. (April-2020).

Conventional economics studies how people, businesses, and governments use limited resources to produce goods and services, aiming mainly for profit and growth.

It focuses on demand and supply, prices, markets, and economic efficiency without considering religious or moral rules. Decisions are based on what people want, even if it is harmful.

Islamic economics is the study of how to manage resources by following the rules of Islam (Shari'ah). It aims for justice, fairness, and welfare for all people.

Islamic economics forbids interest (Riba), promotes charity (Zakat), and encourages ethical business. Its goal is not only profit but also to create a balanced and moral society.

Point of Difference	Conventional Economics	Islamic Economics
1. Basis	Based on human desires and choices.	Based on the teachings of the Qur'an and Sunnah.
2. Interest (Riba)	Interest is accepted and common.	Interest is strictly forbidden (Haram).
3. Goal	Focuses mainly on profit and material growth.	Focuses on justice, welfare, and spiritual growth.
4. Ownership	Full private ownership is allowed without religious limit.	Private ownership allowed but must follow Shari'ah rules.
5. Wealth Distribution	No compulsory system for helping the poor.	Compulsory charity like Zakat to help the poor and reduce inequality.

Q-04. What are Normative and Positive Economics? Of these two economics which one is more supportive to Islamic Economics? (October-2018)

Or, Describe the Normative and Positive Economics. Which one is more supportive to Islamic Economics? Explain why? (October-2021)

Positive economics and normative economics are two different approaches to studying economics:

1. **Positive Economics:** This deals with facts and cause-and-effect relationships. It tries to understand and explain how the economy actually works. For example, a positive economic statement might be, "If government taxes increase, consumer spending decreases." It's like being a scientist who observes and reports what happens, without giving opinions.
2. **Normative Economics:** This is about what should be or what ought to happen. It involves value judgments and opinions on economic policies. For instance, a normative economic statement could be, "The government should lower taxes to increase consumer spending." It's more like being a policymaker who recommends actions based on personal beliefs about what's good or bad.

In short, positive economics describes economic behavior as it is, while normative economics focuses on economic policy and what the goals of the economy should be.

Islamic economics is more supportive of normative economics because it is based on moral values and justice taught by Islam.

Why Islamic Economics supports Normative Economics:

- **Islamic economics is based on moral values**, not just facts.
- It teaches **what should be done** to create justice, fairness, and welfare for all.
- Islam gives clear guidance on **helping the poor, prohibiting interest (Riba), and fair business practices**.
- Positive economics only **describes** (what *is*), but Islamic economics **prescribes** (what *should be*), like paying **Zakat** or avoiding exploitation.
- Islamic economics aims to **build a balanced and ethical society**, not just maximize profit.

Q-05. Describe Narrative Economics and Positive Economics. (October-2023).

Narrative economics studies how stories, news, and public talks affect people's economic decisions. Sometimes people make choices not based on facts, but based on what they hear and believe. For example, if a story spreads that the economy will crash, people may start saving more and spending less, even if the real situation is not so bad.

Narrative economics shows how emotions and stories can change the economy.

Positive economics explains what actually is happening in the economy based on facts and data, without giving opinions.

It deals with real relationships like "If price increases, demand falls."

Positive economics does not say whether something is good or bad; it just describes facts.

Q-06. Define microeconomics and macroeconomics. Describe macroeconomics indicators of Bangladesh. (April-2018, November-2024).

Or, Define the microeconomics and macroeconomics. Discuss the current situation of macroeconomic indicators of Bangladesh. (October-2019)

Or, Define Micro Economics and Macro Economics. What are the major indicators of macro economics of a country? (May-2022, May-2023, April-2024)

Or, What are the differences between 'Micro' and 'Macro' Economics? (October-2018)

Microeconomics is the study of individual parts of the economy.

It looks at how individual people, businesses, and markets make decisions.

Topics like demand and supply, prices, production, and competition are studied in microeconomics.

Example: How the price of rice changes if production falls.

Macroeconomics is the study of the whole economy.

It looks at big issues that affect a country or the world, like economic growth, unemployment, inflation, and national income.

Example: How the entire economy is affected if the inflation rate rises.

Macroeconomics indicators of Bangladesh:

1. **GDP Growth:** Bangladesh's economy grew around **6.1%** in early 2024. IMF projects **5.4%** growth for 2024–25.
2. **Inflation:** Inflation remains high at about **9.72%**. Target is to bring it down to **6.5%**.
3. **Unemployment:** The unemployment rate is about **3.53%** in 2024.
4. **Trade Balance:** Exports are **\$60.5 billion** and imports are **\$70.1 billion**, causing a trade deficit.
5. **Remittances:** Remittance inflow reached about **\$27 billion**, helping the economy.
6. **Foreign Exchange Reserves:** Reserves stood at about **\$26.17 billion** in early 2025.
7. **Exchange Rate:** Bangladeshi Taka weakened to around **Tk122 per USD**.

Q-07. How can Islamic economic system ensure social justice and equitable distribution of wealth more efficiently? (April-2019).

Or, Islamic economic system ensures social justice and equitable distribution of wealth more ethically – explain. (October-2023, November-2022).

Or, "Islamic Economic System ensures social justice and equitable distribution of wealth more efficiently" – Justify. (April-2020).

Or, Does Islamic economic system ensure social justice and equitable distribution of wealth? Explain (November-2024.)

The Islamic economic system ensures social justice and fair distribution of wealth through several ways:

1. **Zakat (charity):** Rich people must give a part of their wealth to help the poor and needy.
2. **Prohibition of Riba (interest):** Interest is forbidden, which protects poor people from exploitation.
3. **Inheritance Laws:** Wealth must be divided fairly among family members after death, stopping wealth from staying in few hands.
4. **Encouraging Trade and Work:** Islam promotes honest work and fair trade, helping everyone earn a living.
5. **Waqf (charitable trusts):** People are encouraged to donate land or money for education, healthcare, and public welfare.

Through these systems, Islamic economics reduces poverty, avoids extreme wealth gaps, and builds a more **caring and balanced society**.

Q-08. What are the basic Philosophy, Goals and Objectives of Islamic Economic System? (October-2021).

Or, Goals of Islamic Economic System (Nov -2025)

or, "Basic philosophy, goals and objectives of Islamic Economics framework are better than those of conventional system" Explain. (May-25)

Basic Philosophy of Islamic Economic System: The Islamic economic system is based on the belief that **wealth belongs to Allah**, and humans are only **trustees**.

It follows the rules of the **Qur'an** and **Sunnah** to guide all economic activities with justice and fairness.

Goals of Islamic Economic System:

1. **Ensure justice and equality** among all people.
2. **Promote welfare** by helping the poor and needy.

3. **Prohibit exploitation**, like banning interest (Riba).
4. **Encourage fair trade and honest work.**

Objectives of Islamic Economic System:

1. **Distribute wealth fairly** through Zakat, charity, and inheritance.
2. **Create a balanced society** where material and spiritual needs are both fulfilled.
3. **Protect human dignity** and support ethical business practices.

Q-09. “Resources are scarce and wants are unlimited” – Explain it from both conventional and Islamic economics point of view. (October-2018, April-2020, October-2021, May-2023).

In conventional economics, it is believed that resources (like land, money, and materials) are limited, but human wants are unlimited.

People always want more goods and services, but there are not enough resources to meet all these wants. This creates the need to choose the best use of limited resources to satisfy as many wants as possible.

In Islamic economics, it is also accepted that resources are scarce and wants are unlimited. However, Islam teaches that not all wants are good.

Only Halal (lawful) and reasonable wants should be fulfilled. Islam encourages people to control their desires, avoid waste, and use resources wisely and fairly.

It also teaches that wealth is a trust from Allah, so it should be used for personal needs as well as helping others.

Thus, Islamic economics balances between needs, wants, and available resources.

Q-10. Explain “Equitable justice is better than Equality”. (November-2022).

Equality means giving **the same thing to everyone**, no matter their situation.

Equitable justice means giving everyone what they truly need based on their condition and effort. Islam teaches that equitable justice is better than simple equality because people have different needs, abilities, and circumstances.

For example, a poor person and a rich person should not be treated exactly the same when giving financial help — the poor person needs more support.

In equitable justice, fairness is the goal, not just making everything equal.

It ensures that rights are protected, opportunities are balanced, and everyone gets a fair chance to succeed. Thus, Islamic economics focuses on **fair distribution, helping the needy, and rewarding effort** according to justice, not just treating everyone identically.

Q-11. Define Economics as per Adam Smith, Marshall, Robbins, and Cairncross. Compare their views briefly.

Adam Smith (1776): Economics is the study of **wealth** — how a nation produces and increases its wealth.

Alfred Marshall (1890): Economics is the study of **people and their welfare**, not just wealth. It focuses on how people earn and use income.

Lionel Robbins (1932): Economics is the science of **scarcity and choice**. It studies how people use limited resources to meet unlimited wants.

Alec Cairncross (1958): Economics is about how people organize production and distribution of goods to satisfy needs.

Comparison:

- Smith focused on wealth.
- Marshall shifted to human welfare.
- Robbins highlighted scarcity and choice.

- Cairncross combined production, distribution, and needs.

Thus, economics evolved from only wealth study to a broader human and resource-based science.

Q-12. What are the major differences among the definitions of Economics by Robbins and Marshall? Which one is closer to Islamic perspective?

Point of Difference	Marshall's View	Robbins' View
1. Focus	Focus on human welfare.	Focus on scarcity and choice.
2. Nature of Economics	Economics is a social science concerned with living standards.	Economics is a neutral science without judging welfare.
3. Subject Matter	Studies how people earn and spend to improve life.	Studies how to use limited resources to satisfy unlimited wants.
4. Moral Values	Considers ethics and welfare important.	Does not consider ethics, only choices and resources.
5. Approach	Welfare-based approach.	Scarcity-based approach.

Marshall's definition is closer to the Islamic perspective.

Islamic economics focuses on human welfare, justice, and fair distribution of resources. Marshall said economics is about improving people's lives and well-being, not just about wealth or choices.

Islam teaches that earning money is important, but it must be halal (lawful) and used to help society. Ethics, fairness, and caring for the poor are key parts of Islamic economics, which matches Marshall's idea.

On the other hand, Robbins' definition talks only about scarcity and choices without caring about right or wrong, which does not fully match Islamic values.

Thus, Marshall's welfare-based view supports the moral and social goals of Islamic economics better.

Q-13. Discuss the basic differences between Market Economy, Command Economy, and Islamic Economic System.

Point of Difference	Market Economy	Command Economy	Islamic Economic System
1. Ownership	Private individuals own resources.	Government owns and controls all resources.	Both private and public ownership exist under Shari'ah rules.
2. Profit Motive	Profit is the main goal.	No profit motive; focus on government plans.	Profit allowed but within moral and social limits.
3. Role of Government	Very limited government role.	Full government control.	Government ensures justice and welfare without total control.
4. Resource Allocation	By demand and supply.	By government decisions.	By market with Shari'ah guidelines (no exploitation).
5. Moral Guidance	No moral or religious limits.	No religious considerations.	Based on Islamic ethics and fairness.

Q-14. Describe the characteristics of Market-based and Command-based economies. Which of them is more aligned with Islamic economic principles?

Characteristics of a Market-Based Economy:

1. **Private Ownership:** Individuals own businesses, land, and resources.
2. **Profit Motive:** Businesses operate mainly to earn profits.

3. **Free Competition:** Many sellers compete, helping to keep prices fair.
4. **Consumer Choice:** People are free to buy what they want.
5. **Limited Government Role:** The government only controls a few areas like security and law.

Characteristics of a Command-Based Economy:

1. **Government Ownership:** The government owns most businesses and resources.
2. **Central Planning:** The government decides what to produce, how much, and at what price.
3. **No Profit Motive:** The main goal is public welfare, not making profits.
4. **Limited Consumer Choice:** People can buy only what the government provides.
5. **Full Government Control:** The government controls production, jobs, and distribution.

The **Islamic economic system** is **not fully the same** as either the market-based economy or the command-based economy.

However, it is closer to the market-based system, but with important Islamic rules and ethics. Like a market economy, Islam allows private ownership, free trade, and profit-making. But Islam does not allow cheating, exploitation, or interest (Riba), which sometimes happen in free markets. Also, the government in an Islamic system has a bigger role than in a pure market economy — it must ensure justice, prevent harm, and help the poor. At the same time, Islam does not support full government control like in a command economy. In short, Islamic economics balances freedom and control, following Shari'ah to achieve both economic growth and social fairness.

Q-15. Explain the scope of Islamic Economics. How does it go beyond conventional economic analysis?

Scope of Islamic Economics means the areas it covers to manage wealth and resources according to Islamic rules (Shari'ah).

It deals with both individual behavior and society's welfare.

Islamic economics covers:

- **Production:** How goods and services are created fairly.
- **Consumption:** How people spend money responsibly without waste.
- **Distribution:** How wealth is shared fairly (e.g., through **Zakat** and inheritance).
- **Exchange:** How buying, selling, and trading happen honestly.
- **Public Finance:** How governments collect and spend money without interest.
- **Welfare:** Helping the poor, removing inequality, and ensuring social justice.

The goal is not just to grow the economy but to build a just, balanced, and moral society.

Islamic economics goes beyond conventional economics because it does not only focus on profit, production, and efficiency.

It adds moral values, fairness, and social welfare to economic activities.

Conventional economics mainly studies what is, like how people buy and sell. Islamic economics studies both what is and what should be, based on ethics and Shari'ah. It forbids interest (Riba), prohibits exploitation, and requires helping the poor through Zakat and charity. It teaches people to control their desires, avoid waste, and think about the needs of society, not just personal gain. Thus, Islamic economics links economics with religion, ethics, and social justice, making it a complete system for life, not just for business.

Q-16. “Islamic economics is value-based while conventional economics is value-neutral.” — Do you agree? Explain.

Yes, I agree.

Islamic economics is value-based, meaning it follows moral and religious values from the Qur'an and Sunnah. It teaches what is right or wrong in earning, spending, and trading. It focuses on justice, fairness, helping the poor, and avoiding harmful activities like interest (Riba) and cheating.

On the other hand, conventional economics is value-neutral. It does not judge what is right or wrong. It only explains how people behave in markets and how resources are used, even if the actions are unfair or harmful. Conventional economics does not care about ethics; it focuses only on results like growth and profit.

Thus, Islamic economics connects economics with morality, while conventional economics separates economics from ethics.

Q-17. Compare and contrast the objectives of conventional economics and Islamic economics.

Comparison between Conventional and Islamic Economics:

1. Both study how to use limited resources.
2. Both aim to increase production and improve living standards.
3. Both deal with problems of scarcity, choice, and distribution.
4. Both study individual, business, and government activities related to money and goods.

Contrast between Conventional and Islamic Economics:

1. Conventional economics focuses mainly on profit and individual satisfaction, without considering morality.
2. Islamic economics focuses on justice, fairness, and social welfare, following Islamic law (Shari'ah).
3. Conventional economics accepts interest (Riba), while Islamic economics forbids it.
4. In conventional economics, success is measured by wealth and growth, but in Islamic economics, success includes moral development and helping others.
5. Conventional economics is value-neutral, but Islamic economics is value-based.

Q-18. Discuss the main features of Islami economics and conventional economics. November-2024.

Main Features of Islamic Economics:

1. **Divine Guidance** – Operates under Qur'an and Sunnah, focusing on justice and moral values.
2. **No Interest (Riba)** – Completely prohibits interest to ensure fairness in financial dealings.
3. **Wealth Redistribution** – Promotes zakat and charity to support the poor and reduce inequality.
4. **Risk Sharing** – Encourages partnership contracts like Musharakah and Mudarabah.
5. **Ethical Investment** – Bans haram (forbidden) businesses like alcohol, gambling, etc.

Main Features of Conventional Economics:

1. **Secular Foundation** – Based on human logic and utility maximization, not religion.
2. **Interest-Based System** – Allows charging interest as a reward for lending money.
3. **Profit Maximization** – Main aim is to increase personal or corporate profit.
4. **Freedom of Choice** – Consumers and producers are free to decide.
5. **Market Driven** – Price and resource allocation depend on supply and demand.

Q-19. What is Maqasid-al-Shariah? How Islamic economics addresses Maqasid-al-Shariah? Explain. November-2024.

Maqasid-al-Shariah means the **objectives or goals of Islamic law (Shariah)**. It refers to the purpose behind all Islamic rules — to protect human well-being in this world and the hereafter. Scholars agree on five main goals:

1. Protection of religion

2. Protection of life
3. Protection of intellect
4. Protection of wealth
5. Protection of lineage/family

For example, zakat (compulsory charity) protects wealth circulation and supports the poor — fulfilling the goal of economic justice.

So, Maqasid-al-Shariah aims to create a just, ethical, and balanced society by ensuring basic rights and human dignity.

How Islamic Economics Addresses Maqasid-al-Shariah?

Islamic economics is designed to achieve Maqasid-al-Shariah by ensuring **justice, fairness, and social welfare**.

- **Zakat and charity** reduce poverty, protecting wealth and life.
- **Interest-free finance** prevents exploitation and promotes fairness.
- **Halal earnings** and ethical investment protect religion and integrity.
- **Prohibition of gambling and alcohol** protects intellect and family.
- **Fair trade and honest contracts** protect wealth and build trust.

For example, profit-sharing models like *mudharabah* encourage risk-sharing and ethical business — aligning with Maqasid goals.

In short, Islamic economics is not just about money; it is a **value-based system** that supports the real well-being of people, fulfilling the purpose of Shariah.

Q-20. What are the differences between interest & profit? (October-2021, May-2023, April-2024, October-2023).

Or, Distinguish among Riba, Rent, Profit and Wages. (nov-2025)

Basis of Difference	Riba (Interest)	Rent	Profit	Wages
Meaning	Riba is a fixed return charged on loaned money without sharing risk.	Rent is the payment made for the use of land or natural resources.	Profit is the reward earned by the entrepreneur for taking business risk.	Wages are the payment given to labor for physical or mental work.
Factor of Production	It is the reward for capital in conventional system.	It is the reward for land.	It is the reward for entrepreneurship.	It is the reward for labor.
Risk Involvement	The lender receives return without taking business risk.	The owner receives rent without business risk.	The entrepreneur bears risk and earns uncertain return.	The worker receives fixed payment without bearing business risk.

Nature of Return	It is fixed and predetermined.	It may be fixed or agreed amount.	It is uncertain and depends on business performance.	It is generally fixed and agreed before work.
Shari'ah Status	It is prohibited (Haram) in Islam.	It is permissible if lawful.	It is permissible if earned through Halal business.	It is permissible and lawful.

Q-21. What are the challenges of establishing an Islamic economy? Can Islamic economics function effectively on a global scale? (May-26)

An Islamic economy is based on the principles of justice, equity, prohibition of interest (Riba), risk-sharing, and social welfare. However, establishing a complete Islamic economic system faces several challenges.

Challenges of Establishing an Islamic Economy

- 1. Dominance of the Interest-Based System:** Most countries operate under conventional financial systems that rely heavily on interest, making the transition to an Islamic system difficult.
- 2. Lack of Legal and Regulatory Framework:** Many countries do not have adequate laws and regulations to support a fully Islamic economic system.
- 3. Limited Public Awareness:** A large number of people have insufficient knowledge about the principles and benefits of Islamic economics.
- 4. Shortage of Skilled Human Resources:** There is a lack of experts who possess both Shari'ah knowledge and modern economic expertise.
- 5. Global Integration Challenges:** International trade and financial markets are largely based on conventional economic principles, creating difficulties for Islamic institutions.
- 6. Political and Institutional Constraints:** Successful implementation requires strong political commitment and institutional support, which may not always be available.

Can Islamic Economics Function Effectively on a Global Scale?

Yes, Islamic economics can function effectively on a global scale. Islamic banking, Sukuk (Islamic bonds), Takaful (Islamic insurance), and Shari'ah-compliant investment products are now operating successfully in many countries. The principles of risk-sharing, ethical investment, social justice, and asset-backed financing contribute to economic stability and sustainable development. The growing global acceptance of Islamic finance demonstrates its potential as a viable alternative to conventional economic systems. However, effective global implementation requires international cooperation, supportive regulations, skilled professionals, and greater public awareness.

Q-22. Do you think that Islamic economic system can be one of the best alternative for solving contemporary economic problem? (May-26)

Yes, the Islamic economic system can be considered one of the best alternatives for addressing many contemporary economic problems. It is based on the principles of justice, equity, ethical behavior, and social welfare. Unlike the conventional system, Islamic economics prohibits **Riba (interest)**, excessive uncertainty (**Gharar**), and speculative activities, which are often responsible for financial instability and economic crises.

The Islamic economic system promotes **risk-sharing** instead of risk transfer, ensuring that both investors and entrepreneurs share profits and losses fairly. It also encourages productive investment through asset-backed financing, which helps reduce financial bubbles and excessive debt. Instruments such as **Zakat**, **Sadaqah**, and **Waqf** help redistribute wealth, reduce poverty, and improve social welfare.

Furthermore, Islamic economics emphasizes moral values, accountability, and social responsibility in economic activities. These principles can help reduce income inequality, unemployment, corruption, and

financial exploitation. The growing success of Islamic banking and finance in many countries demonstrates its practical viability.

However, effective implementation requires proper legal frameworks, public awareness, and institutional support. If applied correctly, the Islamic economic system can provide a sustainable and equitable solution to many modern economic challenges.

Short Note:

Q-01. Profit and interest. November-2024.

Profit is the extra money earned from business after covering all costs. It is uncertain and depends on how well the business performs. For example, if a shop spends Tk. 1,000 and sells goods for Tk. 1,500, the profit is Tk. 500. Profit is **halal (permissible)** in Islam as it comes from real effort and risk.

Interest (Riba) is the fixed return earned on money lent, no matter if the borrower earns profit or not. For example, if someone borrows Tk. 1,000 and agrees to pay Tk. 1,100, the extra Tk. 100 is interest. It is **haram (forbidden)** in Islam because it is earned without risk and often causes exploitation and injustice. In Islamic finance, profit-sharing is encouraged (e.g., mudarabah), while interest-based lending is avoided to promote fairness and social justice.

End of First Chapter

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