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EDITORIAL

# Revisiting the Mission of Islamic Finance Amid Rising Global Consumerism

**Syed Hassan Jamil***
Editor, Journal of Islamic Business and Management

A deepening culture of consumerism increasingly defines modern economic life; an ethos systematically engineered and sustained by capitalist financial structures and, more specifically, by the evolving business models of commercial banks. What began historically as an intermediary role for facilitating productive activity has shifted into an elaborate financial architecture that promotes relentless consumption, often at the cost of social stability, ethical values, and long-term shared well-being. Global data shows that household consumption makes up over sixty percent of a nation's GDP, with Pakistan ranking 13th, consuming 85.24% of its GDP in household consumption (TheGlobalEconomy.com, 2025)[1]. Furthermore, according to some, market estimates the total consumer spending in the world amounts to around USD 63.12 trillion in 2025[2]. This expansion reflects not only rising global incomes but also a manufactured dependence on credit-driven consumer behavior that capitalism has created worldwide. The structural consequences are visible: according to the International Monetary Fund (2024), global household debt amounts to about 54 percent of global GDP, rather than remaining reliably below disposable income, which nonetheless highlights how deeply consumption is now intertwined with borrowed future earnings[3]. It's despite the fact, however, that the global private debt fell during 2023 by 2.8 percentage points to 143 percent of GDP.

Commercial banking has played a central role in deepening this dependency. Over recent decades, banks have systematically redirected financing away from productive sectors to high-yield consumer products, such that 30–40% of retail banking assets in major markets are now tied to consumer loans (*McKinsey's Global Banking Annual Review 2025*). The global consumer lending market itself is forecast to reach USD 2.15 trillion by 2035[4]. This strategic trend reveals a fundamental reorientation of financial institutions toward profit maximization through the cultivation of consumption. Yet this model also reinforces socioeconomic anxieties, status-driven purchasing, and environmental degradation. Research on materialistic value systems links consumerism with declining well-being, rising stress, and the erosion of community life (Hayes, 2025). Environmental data warn that prevailing consumption trends require resources equivalent to nearly three

†Email: syed.hassanjamil@riphah.edu.pk; ORCID: 0000 0003 2877 3809

[1]TheGlobalEconomy.com. (2025). Household consumption - country rankings. TheGlobalEconomy.com. https://www.theglobaleconomy.com/rankings/household_consumption/

[2]Statista. (2025). Consumption indicators worldwide. Statista. https://www.statista.com/outlook/co/consumption-indicators/worldwide

[3]International Monetary Fund. (2024). Global debt monitor. IMF. https://www.imf.org/external/datamapper/GDD/2024%20Global%20Debt%20Monitor.pdf

[4]Business Research Insights. (2025). Consumer lending market report. Business Research Insights. https://www.businessresearchinsights.com/market-reports/consumer-lending-market-108366

planets to sustain projected population growth[5], underscoring the ecological cost of global consumer culture.

In the Muslim world, Islamic banking once held the promise of offering a principled alternative to this debt-driven, consumption-oriented order. Built on the prohibitions against ribā and *gharar,* and grounded in fairness, transparency, and real-asset linkage, Islamic finance was envisioned as a means to correct the distortions inherent in capitalist consumerism. Islamic finance has indeed experienced rapid expansion, with global Islamic financial assets reaching USD 3.38 trillion in 2023 and projected to grow to USD 6.67 trillion by 2027 (McKinsey & Company, 2025). Yet the critical question is whether Islamic banking, in practice, disrupts or reinforces consumerist dynamics.

The Islamic system of finance requires a significant change in mindset, and discouraging debt-based consumerism is one such requirement. According to a 2021 United Nations' report, powerful Pakistani elite groups, including feudal landlords, the corporate sector, and the political class, consumed more than $17 billion of the country's precious economy every year (UNDP, 2021). The lure of consumerism among the rich and upper middle class in countries like Pakistan is shifting entrepreneurs' attention from manufacturing to glamour-based services. It is also hurting value-added exports. Corporate consumerism pushes spending beyond means, deepening the social strife in the economy.

Evidence suggests that the industry has drifted toward functional convergence with conventional finance. Consumer financing now accounts for between 25% and 35% of Islamic banks' portfolios globally (IFSB, 2024), facilitated mainly by debt-like modes such as murābaḥah and ijārah. Although these structures meet the formal requirements of Sharīʿah compliance, they often lead to the economic substance of conventional loans. This tendency is not necessarily the product of doctrinal compromise but rather reflects competitive pressures and the institutional incentives of banking systems worldwide. Nevertheless, it raises critical questions about whether Islamic banking is transforming economic behavior or merely "Islamizing" conventional practices.

The case of Pakistan offers a particularly instructive example. According to the State Bank of Pakistan, consumer financing constitutes 6.6% of total advances in the predominantly conventional banking sector, while Islamic banks allocate 9.4% of their portfolios to consumer financing[6]. Islamic banks in Pakistan are therefore proportionally more engaged in consumer financing than their conventional counterparts. It leads to an imbalance in society by promoting a competitive culture of avoidable consumption, which may be termed as *isrāf* (extravagance) and *tabdhīr* (reckless squandering). This inversion challenges the widely held expectation that Islamic finance would restrain rather than amplify consumerism. Instead, Islamic banks appear to be participating in the expansion of consumer culture, potentially legitimizing it under the label of Sharīʿah compliance.

This development poses a substantial ethical and strategic dilemma. Islamic economics has historically emphasized justice, shared risk, community welfare, and equitable distribution of wealth. Yet the increasing dominance of debt-like instruments and the marginalization of equity-based modes such as muḍārabah and mushārakah undermine

[5]United Nations. (n.d.). Sustainable consumption and production. United Nations. https://www.un.org/sustainabledevelopment/sustainable-consumption-production/

[6]State Bank of Pakistan. (2023). Islamic banking bulletin - June 2023. SBP. https://www.sbp.org.pk/ibd/bulletin/2023/Islamic%20Banking%20Bulletin-June%202023.pdf

these objectives. Piketty (2014) warns that financial systems that rely heavily on debt tend to exacerbate inequality and concentrate wealth. If Islamic banking continues along this trajectory, it risks inadvertently contributing to the same structural inequities and moral tensions that characterize conventional finance.

Still, the potential for Islamic finance to serve as a transformative force remains intact. What is required is not a theoretical reassertion of Islamic principles but a structural realignment of incentives, governance frameworks, and financing priorities. Islamic banks must be encouraged (through policy measures, Sharīʿah governance reforms, and market incentives) to expand equity-based financing, invest in SMEs and commodity producing sectors, and integrate SDG 12 on responsible consumption directly into product development and risk management frameworks. Instruments rooted in waqf, zakāh, and social finance also hold untapped potential for reducing consumer debt dependency and promoting inclusive development.

Islamic banking, therefore, stands at a crossroads. It can either continue converging with conventional consumer finance, offering Sharīʿah-compliant forms without substantive transformation, or it can revive its foundational ethos by advancing financial practices that genuinely curb excessive consumption, strengthen communities, and promote sustainable development. Its future trajectory will determine whether Islamic banking serves merely as a parallel variant of conventional capitalism or emerges as a principled alternative capable of reshaping economic behavior, social well-being, and the ethical orientation of financial systems.

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