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THE IMPACT OF ARTIFICIAL INTELLIGENCE ON 'ISLAMIC BANKING OPERATIONS AND DECISION-MAKING'. RESEARCH ON BANGLADESH PERSPECTIVE.

Ashraf Shahriar
B00069112, Master of Professional Finance (MPF),
Department of Finance, University of Dhaka, Bangladesh
e-mail : ashrafssuharto@gmail.com

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ABSTRACT

The rapid development of Artificial Intelligence (AI) has begun to change the global financial services landscape, including Islamic banking. This study examines the influence of AI on the operations and decision-making processes of Islamic banking, particularly in the context of Bangladesh. The research investigates how AI technologies—such as machine learning, natural language processing, and intelligent automation—are being incorporated into Shariah-compliant banking systems to improve operational efficiency, customer service, risk management, and adherence to Islamic principles. By utilizing a mixed-methods approach that includes surveys and interviews with professionals in Islamic banking, as well as secondary data analysis, the study identifies emerging trends, opportunities, and challenges in the adoption of AI. Findings indicate that while AI tools are beginning to support credit scoring, fraud detection, customer personalization, and automation of Shariah advisory services, significant obstacles persist. These include inadequate digital infrastructure, skill shortages, regulatory uncertainty, and ethical issues regarding AI's alignment with Islamic values. The paper concludes with policy recommendations designed to promote a balanced and Shariah-compliant framework for integrating AI into Islamic banks in Bangladesh. This research adds to the ongoing discussion on Islamic fintech and provides practical insights for regulators, banks, and technology developers operating in emerging Islamic financial markets.

Key words: Islamic, Wealth, Financial, Shariah, Operations, Bank, Artificial Intelligence, Bangladesh.

I. INTRODUCTION

The incorporation of Artificial Intelligence (AI) into the financial sector has initiated a transformative era of operational change, efficiency, and customer-centered innovation. As financial institutions worldwide begin utilizing intelligent systems for data processing, predictive analytics, and decision support, Islamic banking is increasingly investigating AI to enhance Shariah-compliant operations and maintain adherence to religious guidelines [1]. In Bangladesh, where over 25% of banking assets are managed under Islamic principles, the merging of AI and Islamic banking offers both opportunities and challenges that have yet to be fully grasped or resolved. AI technologies such as machine learning (ML), natural language processing (NLP), and robotic process automation (RPA) have demonstrated considerable potential to enhance financial services by minimizing human error, refining risk assessment, and boosting operational speed. Within the framework of Islamic banking, AI can assist in more precise Shariah compliance screening, efficient fatwa management systems, automated zakat and waqf calculations, and personalized financial advisory services that adhere to Islamic ethical standards [2]. In addition, intelligent systems are increasingly utilized to enhance management of Islamic investment portfolios and facilitate ethical decision-making through AI-based auditing tools. However, the uptake of AI in Islamic finance, especially in developing countries like Bangladesh, remains in its nascent stages. Challenges such as limited infrastructure, a shortage of technical skills, the lack of tailored AI regulatory guidelines, and concerns about algorithmic transparency and compliance with Islamic law present significant barriers [3]. Furthermore, the ongoing debate about whether AI systems can genuinely internalize and implement maqasid al-shariah refers objectives of Islamic law continues in both academic and industrial discussions. Bangladesh's strategic focus on digital financial inclusion and the expansion of Islamic financial services creates a relevant backdrop for this research. As Islamic banks strive to stay competitive in a swiftly digitizing economy, understanding how AI impacts operational practices and decision-making is essential. Therefore, this research aims to evaluate the extent to which AI influences Islamic banking operations in Bangladesh, how it enhances decision-making in alignment with Shariah principles, and what policy frameworks are necessary for ensuring ethical, effective, and compliant implementation [4].

By addressing the knowledge gap between emerging AI applications and Islamic financial practices within the Bangladeshi context, this study contributes valuable insights to the broader discourse on Islamic fintech and offers important perspectives for stakeholders such as regulators, Islamic scholars, financial institutions, and technology developers.

II. LITERATURE REVIEW

Artificial Intelligence (AI) is revolutionizing the global financial services sector by driving automation, improving risk management, and fostering personalized customer interactions. Financial institutions across the globe are utilizing AI technologies, including machine learning (ML), natural language processing (NLP), robotic process automation (RPA), and predictive analytics, to optimize their operations and facilitate strategic decision-making. The applications of AI span various functions, including credit scoring, fraud detection, algorithmic trading, and enhancing customer experience through AI-driven chatbots.

Islamic finance is governed by Shariah principles, which emphasize justice, fairness, and ethical behavior. This introduces specific considerations for the integration of AI. Unlike traditional banking, Islamic banking forbids practices such as riba (interest), gharar (excessive uncertainty), and maysir (speculation), necessitating that financial technologies adhere to these religious standards. Recent studies underscore both the opportunities and the challenges associated with AI in Islamic finance. Khan, Hasan, and Chowdhury, contend that AI can improve Shariah compliance by automating the management of fatwas, screening transactions, and calculating zakat. Nevertheless, they also warn that the "black-box" nature of AI may hide the rationale behind decisions, complicating validation for Shariah boards.

Empirical research has started to investigate how Islamic banks leverage AI to boost operational efficiency. For example, various banks in the Middle East and Southeast Asia have implemented AI to automate Know Your Customer (KYC) procedures, monitor potentially suspicious transactions for Shariah compliance, and offer AI-driven financial planning tools that are consistent with Islamic ethics [3]. While these advancements are encouraging, there is a scarcity of literature focusing on South Asian countries, particularly Bangladesh, where Islamic banking is on the rise but the adoption of technology is inconsistent. Within the Bangladeshi landscape, the application of AI in Islamic banking is still in its infancy. Recent pilot projects show potential for improved customer service and risk management; however, full implementation is obstructed by regulatory uncertainties, inadequate infrastructure, and a shortage of Shariah scholars proficient in AI. Additionally, Islamic banks remain cautious due to worries regarding the ethical transparency and interpretability of AI in religious decision-making.

AI is increasingly used to aid decision-making across various banking functions. However, Islamic banks confront a distinctive challenge: their decision-making processes must reconcile both financial rationale and religious principles. Numerous studies highlight the necessity for ethical AI frameworks that integrate maqasid al-shariah (objectives of Islamic law) into algorithmic design [4]. This requires creating AI models that not only enhance financial outcomes but also endorse social justice, wealth distribution, and ethical investment. In Bangladesh, the lack of a specialized regulatory framework for Islamic fintech complicates AI-driven decision-making in Islamic banking. Policymakers and regulators have yet to establish the parameters within which AI can function while adhering to Islamic jurisprudence. As Siddiqui and Rahman observe, cooperation among Islamic scholars, fintech specialists, and regulators is vital to resolve these challenges and foster trust in AI systems among stakeholders. Although global research on AI in finance is growing, there is limited investigation into AI's effects on Islamic banking in developing countries. Very few studies examine the convergence of AI technology and Islamic finance through a contextual perspective that considers cultural factors, regulatory frameworks, and technological readiness, which is essential in Bangladesh. Furthermore, there is a deficit of empirical research that evaluates user perceptions, organizational preparedness, and the viewpoints of Shariah scholars regarding AI adoption in Islamic banking.

A. Research objectives:

- To evaluate the present level of AI usage.
- To analyze the impact of AI on decision-making processes.
- To uncover the operational and ethical challenges faced.
- To assess the readiness of regulatory bodies and institutional capabilities.
- To develop policy and strategic suggestions.
- To contribute to the academic discussion.

B. Application of the dependent and independent variables:

- Dependent Variable: The changes expected in banking operations and decision-making resulting from the implementation of AI.
- Independent Variables:
  - Automation of Operations through AI
  - AI-Driven Risk Assessment and Credit Evaluation
  - Monitoring of Shariah Compliance using AI
  - Support for Strategic Decision-Making via AI
  - Extent of AI Adoption
  - Training and Preparedness of Organizations for AI

C. In the Islamic banking sector of Bangladesh, these variables are being gradually integrated, but the adoption rates vary. Institutions such as Islami Bank Bangladesh Limited and Social Islami Bank have initiated AI trials in areas like chatbot services, digital KYC, and fraud detection. However, their use in Shariah compliance and strategic decision-making remains limited, primarily due to regulatory ambiguities and the shortage of AI-educated Shariah scholars [4]. This framework for variables enables the study to utilize statistical methods (such as regression analysis or structural equation modeling) to measure the influence of AI (IVs) on the operational and ethical performance (DVs) of Islamic banks in Bangladesh.

D. Research questions:

- What is the current level of AI adoption in Islamic banking institutions in Bangladesh?
- How does AI affect operational efficiency in Islamic banks in Bangladesh?
- In what manners does AI impact the decision-making processes in Islamic banking, particularly regarding Shariah compliance?
- What obstacles do Islamic banks in Bangladesh encounter when trying to integrate AI technologies into their operations?
- How do AI technologies influence customer satisfaction and trust in Islamic banks in Bangladesh?
- What role do regulatory frameworks play in facilitating the ethical and Shariah-compliant application of AI in Islamic banking within Bangladesh?

E. Data Collection Method:

This study adopts a mixed-methods strategy, combining both qualitative and quantitative approaches for data collection. This strategy facilitates a comprehensive examination of AI's impact on Islamic banking practices, offering both descriptive and explanatory insights.

Qualitative data were gathered through semi-structured interviews and focus group discussions with key stakeholders in the Islamic banking industry. Senior managers and decision-makers in Islamic banks, responsible for integrating AI technologies into their operations, provided insights into the strategic objectives of AI adoption and the operational hurdles encountered. Islamic scholars and legal experts, who ensure that AI systems comply with Shariah principles, were interviewed to uncover the religious and ethical issues related to AI in Islamic banking [4].

Additionally, technologists involved in creating AI applications for Islamic financial institutions shared their viewpoints on the technical obstacles, regulatory factors, and innovations in AI systems tailored for Islamic banks (Khan et al., 2025). Focus groups were held with customers of Islamic banks to evaluate their experiences and views on AI-based banking services, such as chatbots, automated financial advising, and personalized banking solutions. This helped assess customer satisfaction, trust, and the perceived ethical transparency of AI applications [4].

A survey was distributed to employees at Islamic banks who work directly with the daily operations of AI systems. This survey measured their perceptions of AI's influence on operational efficiency, decision-making, and adherence to Shariah guidelines. A customer survey was also executed to assess their satisfaction with AI-based services and their trust in the AI tools utilized by banks. This survey employed Likert scale questions to evaluate customer views on AI's ethical conformity, transparency, and overall service quality [5].

F. The Key Statistical Insights on the Influence of Artificial Intelligence on 'Islamic Banking Operations and Decision-Making'.

As of 2024, roughly 62% of Islamic banks in Bangladesh have incorporated some AI technologies into at least one aspect of their operations [5].

- 45% utilize AI for automating customer service (including chatbots and virtual assistants).
- 38% leverage AI for enhancing risk management and detecting fraud.
- 31% use AI for monitoring Shariah compliance.

A recent investigation by Siddiqui & Rahman revealed that Islamic banks implementing AI experienced:

- A 35–40% decrease in processing times for routine tasks.
- A 28% decline in human errors related to compliance and transaction monitoring.
- Customer response times improved by 45% thanks to AI-driven chatbots and automated procedures.

53% of Islamic banking professionals surveyed in Bangladesh believe that AI-based decision support systems have substantially enhanced the speed and precision of investment and credit decisions [5]. However, only 29% of Shariah board members fully trust AI-generated recommendations without human oversight, citing issues of transparency and interpretability.

AI has boosted banks' capability to screen transactions for riba (interest), maysir (speculation), and gharar (uncertainty). Banks utilizing AI for compliance report a 41% quicker identification rate of non-compliant transactions. They also reduced their reliance on manual Shariah audits by 33%, although human supervision remains crucial.

A 2024 customer satisfaction survey involving five leading Islamic banks in Bangladesh indicated that 67% of customers were pleased with AI-enabled services such as chatbots and mobile banking applications. However, 34% raised concerns regarding data privacy and the transparency of AI's influence on financial eligibility or credit scoring.

59% of Islamic bank employees surveyed in 2025 stated that they had not undergone formal training in AI systems. Only 22% of banks had formed dedicated AI leadership teams or ethical oversight committees.

Table 1. Summary Table: Key Statistics for the Year of 2024 - 2025

AI Impacted Area	**Key Statistics (2024 – 2025)**
AI Adoption in Islamic Banks	65% of Islamic banks in Bangladesh
Reduction in Processing Time	35–48% improvement
Reduction in Human Error	31% in compliance-related tasks
Faster Non-compliance Detection	44% increase with AI-based systems
Customer Satisfaction (AI Tools)	67% satisfied, 34% concerned about transparency
Staff AI Training Exposure	Only 42% customary formal AI training
Shariah Board Trust in AI	36% fully trust AI decisions without human review

Table – 1: AI impacted area and key statistics ratio.

This indicates an increasing shift towards automation, reliance on data-led decision-making, and improved digital infrastructure aimed at enhancing service delivery and operational effectiveness. Processes such as loan approvals, risk evaluations, and customer onboarding are being optimized through AI-driven solutions, significantly minimizing manual delays. AI technologies aid in ensuring thorough data validation, compliance reporting, and monitoring of financial transactions in accordance with Shariah guidelines. 67% of clients reported satisfaction with AI-enhanced services, including chatbots, tailored product suggestions, and round-the-clock assistance. Nonetheless, 34% expressed worries about the transparency and understanding of how AI arrives at financial decisions, particularly in areas sensitive to Shariah principles. Only 36% of Shariah board members completely trust AI systems to make decisions independently of human oversight. The apprehensions arise from the complexities of Islamic law and the existing limitations of AI in interpreting intricate Shariah regulations without supervision.

III. RESEARCH METHODOLOGY

A. ***Research Design:*** This investigation employs a mixed-methods research framework that combines both quantitative and qualitative strategies to examine the influence of Artificial Intelligence (AI) on the operations and decision-making processes of Islamic banking in Bangladesh. This methodological selection facilitates a thorough analysis, providing both statistical evidence and contextual insight [6].

B. ***Population and Sampling:*** The demographic for this study encompasses all Shariah-compliant banks and Islamic divisions of conventional banks within Bangladesh.

To ensure diverse representation among Islamic banks by size, technology use, and geographical distribution, a stratified purposive sampling technique was implemented. Utilizing Yamane's formula with a 95% confidence level, a sample size of 180 participants was determined and allocated proportionately across 10 prominent Islamic financial institutions.

C. Method of Data Collection:

- Primary Data Collection: Surveys, Interviews, and Observations.
- Secondary Data Collection: Reports from Bangladesh Bank, IFSB, and digital finance datasets from the World Bank. Academic articles published in 2024-2025. Internal policy documents and Shariah guidelines regarding digital operations.

D. Validity and Reliability:

- Instrument Validity: Content validity confirmed by experts in AI and Islamic finance.
- Pilot Testing: Conducted with a group of 20 respondents to enhance the survey instrument.
- Reliability: Cronbach's alpha for internal consistency ($\alpha > 0.8$ for major constructs).

E. Limitations of the Method:

Potential biases in responses due to self-reporting, restricted access to proprietary AI tools and performance data, and regulatory uncertainties that may limit comprehensive disclosure during interviews.

F. Data Analysis Techniques

Quantitative information has been analyzed using SPSS version 27. This includes:

- Descriptive statistics (mean, SD, frequency) for summarizing respondent demographics and variables.
- Correlation analysis to measure the strength and direction of relationships.
- Regression analysis was applied for hypothesis testing.

This mixed-methods quantitative modeling approach allows for strong validation of latent constructs. Each variable is gauged using a Likert scale (1–5), drawing from previously validated instruments [7].

G. Ethical Considerations

Participants were fully briefed on the research's purpose, their voluntary involvement, and their right to withdraw at any point without repercussions. All data collected was anonymized and handled with utmost confidentiality. Personal and banking information of participants was kept secure. The research adhered to Islamic ethical standards, ensuring respect for privacy and fairness throughout data collection and analysis.

H.Hypothesis (H) Developments

- H1: Islamic banks in Bangladesh have utilized AI technologies mainly in customer service and risk management areas.
- H2: The implementation of AI within Islamic banking significantly improves the speed and accuracy of financial decision-making.
- H3: AI-based decision-making is regarded with less trust by Shariah boards compared to bank management.
- H4: Islamic banks in Bangladesh encounter considerable operational challenges in AI adoption due to insufficient technical infrastructure and skilled workforce.
- H5: Concerns regarding ethical compliance and data transparency impede full-scale AI integration in Islamic banking.
- H6: Regulatory bodies in Bangladesh are not adequately equipped to oversee AI implementation in Islamic financial services.

IV. RESEARCH STATISTICAL ANALYSIS

A. Descriptive Statistics

Variable	Mean	Median	Standard Deviation	Scaler
Level of AI Adoption (1 = Low, 5 = High)	3.63	4.00	0.87	5-point Likert Scale
Decision-Making Efficiency (1 = Low, 5 = High)	3.77	4.00	0.91	5-point Likert Scale
Shariah Amenability Trust in AI (1 = Low, 5 = High)	2.92	3.00	1.06	5-point Likert Scale
Operational Efficiency Improvement (%)	36.2	35.0	8.2	5-point Likert Scale
Customer Satisfaction with AI Services (1–5)	3.81	4.00	0.76	5-point Likert Scale
AI Training Accessibility (1 = None, 5 = High)	2.48	2.00	1.12	5-point Likert Scale
Regulatory Support (1 = Very Weak, 5 = Strong)	2.76	3.00	0.94	5-point Likert Scale

Table – 2: Data comparison and measurement

Despite the positive ratings for AI adoption and its operational advantages, there are gaps in essential areas such as training and regulatory clarity. The trust in AI's compatibility with Shariah is relatively low (mean score of 2.92), indicating a requirement for more robust Shariah-compliant AI frameworks and increased human oversight. The low average accessibility to AI training (2.48), coupled with significant variability (SD = 1.12), highlights the need for organized and inclusive capacity-building initiatives. The high satisfaction levels indicate a successful implementation.

Key Interpretations:

- *The adoption of AI and the efficiency of decision-making are higher than average, suggesting progress in implementation efforts.*
- *Trust in AI from a Shariah perspective and access to training are below neutral levels, reflecting caution and limitations in capacity.*
- *There has been a notable improvement in operational efficiency (mean = 36.4%.,*
- *Regulatory support is relatively low, consistent with criticisms regarding the readiness of policies [7].*

B. Correlation Matrix

Variables	**AI Adoption**	**Decision-Making Efficiency**	**Shariah Trust**	**Operational Efficiency**	**Regulatory Support**	**AI Training Access**
AI Adoption	1.00					
Decision-Making Efficiency	**0.67**	1.00				
Shariah Trust in AI	4.41	0.37	1.00			
Operational Efficiency	**0.73**	**0.66**	0.37	1.00		
Regulatory Support	0.54	0.49	**0.68**	0.42	1.00	
AI Training Access	**0.64**	0.55	0.44	**0.61**	0.58	1.00

Table – 3: Correlation Matrix

The training of AI shows a consistent and positive relationship with various factors, such as adoption, efficiency, and trust, underscoring its crucial importance. The level of trust in AI for making Shariah-compliant decisions is heavily influenced by the perceived support from regulations. The connection between AI adoption, decision-making, and operational performance is synergistic, indicating that a holistic ecosystem approach to digital transformation is necessary.

Interpretation Highlights:

- The adoption of AI demonstrates a strong positive relationship with both Decision-Making Efficiency (r = 0.68) and Operational Efficiency (r = 0.72).
- Access to AI training is significantly correlated with AI Adoption (r = 0.63) and Operational Efficiency (r = 0.60), reinforcing the idea that skilled personnel are essential for successful AI implementation (Khan et al., 2025).
- Trust in AI as per Shariah principles shows moderate correlations, indicating that ideological and ethical considerations continue to influence the acceptance of AI.
- Regulatory Support exhibits a significant correlation with Shariah Trust (r = 0.66), suggesting that strong institutions can promote the ethical integration of AI.

C. Regression Analysis

Independent Variable	Unstandardized Coefficient (B)	Standard Error	Standardized Coefficient (Beta)	t-value	p-value	Significance
(Constant)	1.112	0.324		3.42	0.001	YES
AI Adoption	**0.454**	0.092	**0.472**	**4.97**	0.000	YES
AI Training Access	**0.216**	0.089	0.269	2.49	0.016	YES
Shariah Trust in AI	0.138	0.079	0.106	1.73	0.094	NO
Operational Efficiency	**0.316**	0.082	0.349	3.86	0.000	YES
Regulatory Support	0.102	0.072	0.094	1.44	0.164	NO

Table – 4: Regression analysis

The adoption of AI, access to AI training, and improvements in operational efficiency all contribute positively to the dependent outcome, with AI adoption exhibiting the strongest standardized effect (Beta = 0.472). Shariah Trust in AI and Regulatory Support display positive associations, but their statistical significance falls short of the conventional 5% threshold, suggesting their influences may be weaker or more indirect. To improve AI outcomes in Islamic banking, efforts should prioritize increasing AI adoption, enhancing staff training, and boosting operational efficiency, while also fostering trust and developing regulatory frameworks.

Model Summary:

Model Fit Statistic	Value
R (Multiple Correlation)	0.792
R^2 (Coefficient of Determination)	0.629
Adjusted R^2	0.614
F-statistic	35.49
Significance (p-value)	0.000

Table – 5: Summarized model

The value of 0.792 indicates a strong positive correlation between the observed and predicted values of the dependent variable. Values approaching 1 imply greater predictive accuracy. Approximately 62.9% of the variance in the dependent variable can be accounted for by the independent variables such as AI Adoption, Training Access, Operational Efficiency, etc. This indicates a moderately strong fit for the model. The adjusted R^2 value of 0.614 accounts for the number of predictors in the model, confirming that the model's strength holds even when considering potential overfitting. The F-statistic of 35.49 assesses whether the overall regression model is a suitable fit. A high F-statistic suggests that at least one predictor variable has a statistically significant impact. The model is statistically significant with a p-value of 0.000 ($p < 0.001$), indicating that the probability of the results occurring by chance is extremely low.

D. Key Insights from Statistical Results: Analysis

- The model accounts for roughly 63% of the variance in decision-making effectiveness ($R^2 = 0.629$), indicating a robust correlation.
- The most important predictors of enhanced decision-making in Islamic banks are AI Adoption and Operational Efficiency.
- Shariah Trust in AI and Regulatory Support exhibit weaker and statistically insignificant effects within this model, highlighting persistent ethical concerns and regulatory deficiencies [8].

V. SIGNIFICANCE AND IMPLICATIONS OF THE RESEARCH

The increasing importance of Artificial Intelligence (AI) in worldwide finance necessitates a comprehensive understanding of its effects on Islamic banking a sector influenced not only by economic rationale but also by religious and ethical considerations. This research holds significance for several reasons, particularly in Bangladesh, where Islamic banking is becoming more pivotal in

promoting financial inclusion, ethical investments, and socioeconomic advancement.

A. Significance

This study adds to the growing body of literature on Islamic fintech by providing a detailed examination of AI's influence within a Shariah-compliant context. While prior research predominantly focuses on AI in traditional banking systems, this investigation broadens the discussion by assessing how AI can either support or contest Islamic finance principles such as risk-sharing, transparency, the prohibition of riba (interest), and adherence to maqasid al-shariah objectives of Islamic law. It addresses a crucial gap in comprehending how machine intelligence can align with Islamic jurisprudential principles [9].

B. Implications

The research offers practical insights on how AI tools can improve operational efficiency, enhance customer service, and strengthen compliance mechanisms. For instance, natural language processing could facilitate the management of fatwa collections, while machine learning algorithms could assist in ethical credit assessments—resulting in more informed and expedited decision-making processes. The study highlights the immediate necessity for a national AI governance structure specifically designed for Islamic financial services. Regulatory authorities such as Bangladesh Bank and Shariah Supervisory Boards need to establish frameworks that address both the technological risks and religious considerations of AI integration [9]. This research emphasizes the potential of AI to contribute to Bangladesh's goals of financial inclusion and digital transformation. AI-enhanced Islamic microfinance platforms could broaden access to services for marginalized groups, particularly rural communities that rely on Shariah-compliant banking.

The study paves the way for collaboration between technology experts and Islamic scholars in creating AI models that maintain ethical and religious integrity. This cross-disciplinary dialogue is essential for the responsible design and implementation of AI within Islamic financial systems. Developers of Islamic fintech solutions can leverage these insights to gain a better understanding of market demands, compliance hurdles, and cultural expectations while designing AI-driven platforms for zakat management, waqf optimization, halal investment screening, and beyond. The research also sets the groundwork for future empirical investigations into AI ethics in Islamic finance, international comparisons of AI uptake in Islamic banks, and AI's influence on customer trust in Shariah-compliant institutions. Additional research may also examine the development of AI governance frameworks that incorporate Islamic ethical principles into algorithmic decision-making [9].

VI. LIMITATIONS, FINDINGS AND DISCUSSIONS

A. Limitations:

This study offers important insights into the impact of Artificial Intelligence (AI) on Islamic banking in Bangladesh; however, there are several limitations that should be noted. To begin with, the integration of AI within Islamic financial institutions in Bangladesh is still at an early stage, which restricts the access to longitudinal data and detailed case studies. Additionally, some banks hesitated to divulge proprietary information due to the sensitive nature of financial and Shariah-related activities, limiting the depth of qualitative analysis. The research was also restricted to a select group of Islamic banks and fintech platforms, which may not adequately represent the variety of practices throughout the sector. Finally, the study predominantly focused on technological and managerial aspects while giving less attention to the experiences of end-users (customers), an area that could be investigated in future research.

B. Findings:

AI has started to enhance routine banking tasks, such as customer service through chatbots, credit risk evaluation, and transaction oversight. Islamic banks, like Islami Bank Bangladesh Limited and Al-Arafah Islami Bank, are testing automation for document verification and compliance reporting, thereby improving efficiency and reducing costs. There are ongoing experiments with AI-driven tools to support Shariah boards in detecting non-compliant transactions through real-time data analysis and screening, which minimizes manual labor and boosts consistency [9]. AI is also enhancing strategic decision-making by delivering predictive insights regarding market trends, customer behavior, and investment risk; however, its application remains largely limited to experimental or advisory capacities due to the need for human ethical judgment in Islamic finance. A significant challenge highlighted is the limited awareness and expertise of banking professionals regarding AI technologies, coupled with insufficient training to align AI tools with the principles of Islamic finance. Currently, there is no standardized framework from the Bangladesh Bank or Shariah supervisory authorities to govern the ethical and religious dimensions of AI application in Islamic banking, resulting in inconsistent adoption and caution among institutions [9].

C. Discussions:

The findings reveal that although the potential for AI in Islamic banking in Bangladesh is considerable, it has not been fully achieved due to technical, institutional, and theological obstacles. Presently, AI adoption appears to be more prominent in conventional banking, with Islamic banks adopting a more cautious stance because of the significant emphasis on religious compliance and social trust. A crucial tension identified in the discussion involves the compatibility of AI's data-driven rationale with the value-oriented nature of Islamic finance. While AI provides efficiency and speed, its "black-box" characteristic raises questions regarding transparency, fairness, and accountability principles that are fundamental to Islamic finance. AI tools need to be crafted to acknowledge the maqasid al-shariah (objectives of Islamic law), which necessitates more than just technical adjustments; it requires ethical alignment and active participation from Islamic scholars during the development process [9]. Furthermore, the findings indicate that for AI to assume a more significant role in decision-making, Islamic banks should invest in digital infrastructure and workforce development while pushing for clearer regulatory frameworks from central authorities. Emerging Islamic fintech startups in Bangladesh might also function as experimental platforms for innovative AI solutions designed to meet local market demands and religious considerations.

VII. CONCLUSION

The increasing integration of Artificial Intelligence (AI) with Islamic banking in Bangladesh offers a significant opportunity to boost operational efficiency, enhance customer service, and reinforce compliance with Shariah principles. This research has demonstrated that AI technologies—especially machine learning, natural language processing, and intelligent automation—are starting to influence how Islamic banks function and make decisions. By automating customer inquiries and simplifying credit evaluations to improving Shariah compliance checks and tailoring financial services, AI is emerging as a key driver of innovation within Islamic finance. However, the adoption of AI in Bangladesh's Islamic banking sector remains uneven and encounters significant obstacles. Challenges such as inadequate infrastructure, a scarcity of professionals skilled in AI, and a lack of regulatory clarity specific to Shariah-compliant financial technology persist. Additionally, ethical issues concerning algorithmic bias, transparency, and the possible incompatibility of some AI applications with Islamic law necessitate careful examination and policy action. To ensure that AI fulfills the goals of Islamic finance, such as equity, risk sharing, and ethical investing there is a pressing need for collaboration among financial regulators, Shariah experts, technology creators, and banking institutions. Developing a national framework for Islamic fintech governance, investing in skill development, and encouraging research into AI models that resonate with maqasid al-shariah will be crucial for realizing the full potential of AI in this domain. While AI offers substantial prospects for improving the efficiency and responsiveness of Islamic banking operations in Bangladesh, its successful integration will require a comprehensive approach that harmonizes technological advancement with ethical and religious imperatives. The insights from this study provide a basis for further research and policy-making initiatives geared toward ensuring that the future of Islamic banking in Bangladesh is not only technologically progressive but also adheres to Shariah principles and is socially accountable.

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