

2-26-2023

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Md Isa, Maizura; Kareem, Mohamed Ariff Abdul; Eskandar Shah, Mohamed; and Shirazi, Nasim S. (2023) "Islamic Human Development Index (i-HDI) and Poverty Reduction in OIC Countries," *Journal of King Abdulaziz University: Islamic Economics*: Vol. 36: Iss. 1
DOI: <https://doi.org/10.4197/Islec.36-1.4>

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Islamic Human Development Index (*i*-HDI) and Poverty Reduction in OIC Countries

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Received: 05 April 2022; Revised: 01 August 2022, 05 November 2022; Accepted: 14 November 2022

Abstract. The fight against poverty requires a broader perspective than simply focusing on the issue of income insufficiency. Thus, adopting human development strategies is relevant to poverty alleviation because it provides an incentive to broaden the database on poverty by studying the deprivation of a human being's functioning and capabilities. The United Nations Development Program (UNDP) has developed the Human Development Index (HDI), considered the most comprehensive indicator. However, it is not fully compatible and sufficient to measure human development from the Islamic perspective. This study attempts to explore the Islamic Human Development Index (*i*-HDI) based on the five pillars of *Maqasid Shari'ah*; the preservation of *Ad-Din* (religion), *An-Nafs* (life), *Al-Aql* (intellect), *Al-Nasl* (progeny) and *Al-Mal* (wealth). It also tests the effects of (*i*-HDI) on poverty reduction using panel regression and index construction techniques. Our results show that the human development components from an Islamic perspective are significantly relevant for poverty alleviation and are a viable alternative to the HDI. Therefore, our research gives us more information about poverty alleviation problem, which helps us to propose better solutions and plans, especially for the OIC member countries.

Keywords: Poverty, Human development, *i*-HDI, Organization of Islamic countries, *Maqasid al-Shari'ah*

JEL Classification: I3, O1

KAUJIE Classification: N6, N7

1. Introduction

Poverty⁽¹⁾ remains a severe problem, adversely impacting all aspects of life⁽²⁾. The multiple factors of poverty are illustrated in a series of case studies in *Voices of the Poor* by the World Bank (Narayan D., 2000). The cases capture ill-being experiences, including material lack and want (food, housing, shelter, assets, and money), hunger, pain, discomfort, exhaustion, and poverty of time. Poverty is the consequence of the deprivation of basic capabilities, which leads to reduced life expectancy, health, participation, and the absence of real opportunities to lead a valuable and valued life (UNDP, 1997). Khadar, M.A. (2014) explains that poverty is also the result of inadequate access to land and capital, neglect of rural areas and favouring the urban regions, and too little access to basic amenities such as water and sanitation. Also, the ongoing destruction of natural resources and the fact that poor people don't take part in developing development programs make it harder to fight poverty.

The human development paradigm has become one of the dominant approaches in evaluating, understanding, and measuring poverty within the development sector, both in academic and policymaking circles. Hossein, M. *et al.* (2011) demonstrate that enhancing the components of human capital in the Muslim world would reduce poverty and move income distribution toward equality. Asaju, K (2012) concludes that investing in human capital through education is the best strategy for overcoming

developmental challenges, especially poverty reduction.

UNDP's Human Development Index (HDI), introduced in 1990, is considered a comprehensive indicator for measuring human development. It is a composite index consisting of three essential elements of human life, namely GNP per capita, life expectancy, and literacy level. These dimensions list the three choices of human substance; having a long and healthy life, acquiring knowledge, and accessing the resources needed for a decent standard of living (UNDP, 1990). The development of HDI has, however, not escaped criticism. For example, McGillivray M. (1991) questioned the composition and usefulness of the HDI as a development indicator or a measure for inter-country comparisons⁽³⁾.

In the context of the Muslim world, COMCEC (2019) reported that human development progress in OIC countries is highly uneven. The values of HDI range from 0.354 in Nigeria to 0.863 in UAE in 2018. Though the HDI of the world average has increased from 0.598 to 0.728 from 1990 to 2017, for the OIC members, its average only rose from 0.505 to 0.632 and remained significantly below the OECD and world average. OIC's HDI values are only higher than LDCs (0.346 to 0.524). There are two probable explanations: either some OIC countries are not doing enough to address low HDI, or HDI is incompatible with OIC policies and practices.

We conjecture that fighting poverty and improving economic development in the Muslim world might be conceptualized beyond a simplistic and materialistic framework through a holistic human development context. In contrast to the conventional perspective, the role of *Islamic*

(1) World Bank (1990) defined poverty as the inability to attain a minimum standard of living.

(2) In 2015, the United Nations adopted Resolution 70/1, entitled "Transforming Our World: the 2030 Agenda for Sustainable Development", to reduce poverty and hunger by 2030. Kanbur, Patel, & Stiglitz (2018) stated that the Sustainable Development Goals (SDGs) process put in motion by the UN system proposes several goals and targets going beyond GDP and applying it to all countries regardless of their level of development.

(3) These components are used to derive HDI as an alternative method and show the inadequacy of other indices such as GNP for measuring the relative socio-economic progress of the nations (UNDP 1995 and Noorbakhsh, 1998).

Human Development has not been adequately studied. A few studies have attempted to develop an index with religious and ethical views of the socio-economic development in Muslim and non-Muslim countries (Anto, 2011; Rehman & Askari, 2010; Ramli, R. M *et al.*, 2015). However, literature is scarce, and debate is still in its infancy. Therefore, the main objective of this paper is whether the core values of *Islamic* human development reduce poverty? We address the objective by developing an *Islamic* human development index (i-HDI) based on the five pillars of the *Maqasid Shari'ah* framework; preservation of *Ad-Din* (faith), preservation of *An-Nafs* (life), preservation of *Al-Aql*(intellect), preservation of *An-Nasl* (posterity), and preservation of *Al-Mal* (wealth). Also, we test the effects of (i-HDI) on poverty reduction by employing panel regression and index construction techniques.

Notwithstanding the studies that attempt to construct human development based on the principles of *Maqasid Shari'ah* (Ramli, R. M. *et al.*, 2015; Anto, 2011; and Rama & Yusuf, 2019), the uniqueness of this study is to construct the *Islamic* Human Development Index (i-HDI) and demonstrate the link in addressing the issue of poverty alleviation in OIC countries. We contend that poverty is more than just a lack of income and that multifaceted solutions are required. Although our approach is unique, we believe that the principles of *Maqasid* are comprehensive and reflect the core of human growth. Our results show that there are many ways to look at human development, especially in the Muslim world, where religion is a big part of how policies are made and carried out

The remainder of this paper is organized as follows. Section 2 reviews related literature, while Section 3 covers model estimation and technique. Finally, section 4 explains the findings, and Section 5 summarizes the study.

2. Literature Review

The human development model has fostered valuable studies that analyze different poverty signals rather than limiting ideas to monetary indicators such as economic growth and purchasing power parity (Arimah, 2004; Ikejiaku, 2009). For example, Ul Haq (1995) states that in many societies, Gross National Product (GNP) could increase while human lives shrivel and concludes that the actual end of development is in the axioms of human welfare. Thus, strategies must prioritize excellent education, healthcare, productive investment, efficient market behavior, and the rule of law (Mohieldin *et al.*, 2012).

Human well-being should be the goal and the means for development, not just a by-product (Sen, 1999). This is necessary to realize a complete set of capabilities that would enhance a person's choices and thus allow freedom (Laderchi *et al.*, 2003). Furthermore, the concept of human development focuses on how people can live whole, productive, satisfying, and worthwhile lives by increasing their income and improving other aspects of their standard of living, such as life expectancy, health, literacy, control over their destiny, personal liberty, and freedom, as necessary steps toward achieving human rights (Anand & Sen, 1997; Griffin, 1990; Anand & Sen, 1994; UNDP, 2000).

According to Chapra (2000), human fulfillment is manifested through economic requirements and material and non-material wants. Spiritual and non-material needs both need value judgment and are immeasurable. They are, nonetheless, significant and must not be overlooked. Kurshid Ahmad points out in his speech at the World Assembly of Muslim Youth that *Allah*, the Creator and Lord of the universe, has revealed mankind's direction in Islam. For the good development of human life, man requires two elements: (a) resources to sustain life and meet the material needs of the individual and society; and (b) knowledge of the principles of individual and

social behavior to allow a man to fulfill himself and maintain justice and tranquillity in human affairs. *Allah* has arranged for both of these in full measure. To cater to the material needs of man, he has put all of nature's resources at his disposal. To provide for his spiritual, social, and cultural needs, he has raised his prophets from among men and has revealed to them the code of life that can guide man's steps to the right path. *Islam teaches us that moral and material powers should work together so that spiritual salvation can be reached by using material resources*⁽⁴⁾. These elements make human development in *Islam* differ from the conventional perspective. *Allah* has made ample provision for both of these. He has made all of nature's resources available to meet man's material demands. He has elevated His prophets from among mankind to supply his spiritual, social, and cultural requirements, and He has revealed to them the code of life that can direct man's steps toward the right path. According to *Islam*, moral and material capabilities should be united so that spiritual redemption might be met via material resources. These characteristics distinguish human growth in *Islam* from the conventional viewpoint.

The advancement and well-being of mankind are key foundations in *Islam* and are laid on *Maqasid Shari'ah*. The ultimate goal of this *Maqasid* is to safeguard and promote all humanity's well-being and prevent harm (Ramli, R.M et al., 2015). Furthermore, Rama and Yusuf (2019) claimed that moral, spiritual, material, social, and economic factors should not be separated to fulfill socio-economic development goals.

Nonetheless, the current HDI, launched by UNDP in 1990, only addresses three aspects of human life: education, health, and income. The health element refers to the overall notion of living a long and healthy life and is measured by the life expectancy at birth,

while education represents the knowledge dimension. Education is measured using two indicators: the mean years of schooling for adults and the predicted years of schooling for children. The last component of HDI is income, which is defined by GNP per capita and indicates an adequate level of life. However, HDI does not claim that its model is broad enough to evaluate human well-being; rather, it is intended to supplement the strictly economic-centric approach (Kovacevic, M.2010). Then, in 2008, Chapra proposed a *Maqasid*-inspired model of human development⁽⁵⁾. As parts of social justice in *Islam*, these are some of the rights and responsibilities of the poor and vulnerable that the state and others must meet⁽⁶⁾.

This study focuses on the five elements discussed above to develop the *Islamic Human Development Index (i-HDI)* based on *Maqasid Shari'ah*. The *Islamic* approach to

(5) The individual components of *Maqasid al-Shariah* are either explicitly listed in the *Qur'an* and *Sunnah* or have been deduced directly or indirectly from these primary sources by jurists. The components have been classified as essential (*daruriyat*), complementary (*hajiyyat*), and embellishments (*tahsiniyat*) in descending orders of importance, and the five universal values or essential elements, comprising faith (*din*), life (*nafs*), intellect (*aql*), posterity (*nasl*), and wealth (*mal*).

(6) Thus, the specific objectives are derived from primary sources of *Islam*. *Al Qur'an* explicitly stated in verse 17:70 that the concept of development is centred on the innate understanding of dignity, which is bestowed on human beings. Regarding this verse, the *Qur'an* Commentator, Al-Alusi, stated that "everyone and all members of the human race, including the pious and the sinner, are endowed with dignity..." as quoted Mohiuddin, (2016). In *Islam*, any unfavourable action to the essential components of an individual's faith (*Ad-Din*), life (*An-Nafs*), intellect (*Al-Aql*), family (*Al-Nasl*) and economy (*Al-Mal*) is akin to violating their rights and dignity. This approach seems much broader than the concept implemented by UDHR, where the implementation of international human rights conventions is unacceptable even in the case of non-Muslim countries. This approach is more comprehensive than the concept implemented by UDHR, where the implementation of international human rights conventions is intolerable even in the case of western countries.

(4) World Muslim Youth Assembly: *Islam: Fundamental Principles and Characteristics*.

human development is based on the scope of receiving benefits and getting rid of harm with the hope of making life easy, meaningful, and prosperous. Notwithstanding, *Ad-Din* is the most disputed of the five aspects, as assessing the factors of religiosity can be extremely subjective. Nonetheless, some studies have produced indexes based on religious and ethical perspectives on socioeconomic development in Muslim and non-Muslim countries (Anto, 2011; Rehman & Askari, 2010; Md. Ramli R. et al., 2015; Hasan & Ali, 2018). Personal Wellbeing Index (PWI), is a popular index including religion as one of the many domains. PWI, which was developed in 2006, covers, in addition to religion/spirituality, standard of living, personal health, achievement in life, personal relationships, personal safety, community connectivity, and future security. Tiliouine, H. (2009) found that religiosity is acknowledged within a religion community with more or less pre-set practices and teaching, that religiosity/spirituality can offer guidance towards a fulfilling life, and that it stimulates the full use of humans' constructive capacities. As a result, it demonstrates that the aspect of religion is vital in developing an ethical framework and can also operate as a regulator in our daily lives.

This study emphasizes on constructing the alternative Islamic Human Development Index (i-HDI) to determine poverty alleviation in OIC countries. Fulfilling these five essential elements will be the pre-requisite for achieving welfare and a happy life in this world and the hereafter, or *falah*, signifying real success. *The Al-Qur'an* (87:16-17) and (9:38) declare: "*The welfare in this worldly life is temporary while the welfare in the hereafter is eternal and permanent.*" Thus, *falah* is a comprehensive and holistic concept of human welfare (*Al-Qur'an* 2:201, 28:77). Therefore, the i-HDI will gauge the human development of all Muslims from an *Islamic* perspective. Therefore, our new index on i-HDI will give more meaningful analytical insights relating

to poverty alleviation. Also, the set of indicators used to make the i-HDI is different from those used to make other indexes. This makes it possible to link an indicator to the dimension it measures.

3. METHODOLOGY

3.1 Sample and Data

This section describes the data, methodology, and variables employed to establish the relationship between Islamic human development and poverty alleviation. We collect the data from various sources like a World Bank's Development Indicator (WDI), United Nations Development Programme (UNDP), World Governance Index (WGI), Index of Economic Freedom, United Nations (UN), United Nations Office and Drugs Crime (UNODC), UNESCO Institute for Statistics and National Bureau of Economic Research (NBER). To recall, our primary purpose is to construct an index of *Islamic* human development. Thus, a decisive selection of countries' samples and variables is made based on the availability of the data from well-established data sources. Our final sample consists of 30 OIC countries from 2001-to 2016.

In this study, we applied two methods: the index construction method and the static panel regression method. Furthermore, all selected variables are backed by logical intuition based on the operational definition of human development in measuring the socio-economic development based on *Maqasid Shari'ah* and data availability. The variables could be divided into two categories, i.e., positive protection and preventive protection (negative indicator).

The rationale for choosing the dimension is discussed below and summarized in Table 3.1:

i) *Hifdh Ad-Din* (Faith)

The protection of *Ad-Din* should be achieved through observing ibadah which is people's intention to manage their relationship with *Allah*. Amin, R. M. et al., (2015) suggested

including performing prayers and paying zakat. However, not all OIC countries have the data on the said proxies. The data on the faith dimension is difficult to get by (Zailani, M. N., *et al*, 2022). For example, when the domain of religious/spirituality was included for PWI, it proved to be a more difficult indicator, causing debate over the wording of the inquiry (Van Beuningen, J., & De Jonge, T., 2011). As a result, religion in PWI can be employed if the purpose of a study is to explain disparities in wellbeing amongst people. Nonetheless, we include the element of religion in this study because it can influence the reaction to poverty by developing an attitude of willingness to practice charity and be part of the system actively advocating and participating in poverty alleviation (Beyers, J., 2014).

Furthermore, the relevance of Islamic Social Finance mechanisms such as *Zakat*, *Waqf*, and *Infraq* to alleviate poverty highlights the significance of religion. Religion and poverty have a long and eventful history, and are inextricably linked: on the one hand, there is a long heritage of religiously motivated poverty; on the other hand, donating to the poor is often considered as a religious duty (Schweiger, G., 2019).

Consequently, we move to the next dimension that embraces good moral standards, including corruption and crime rate. These indicators refer to the negative indicator for faith where people should abstain from sinful and immoral behaviors. In this study, we opt to use the corruption rate and the number of homicides as a dimension for criminals. The rationale behind this selection is that corruption may retard eliminating poverty. On the other hand, for the crime rate, the number of homicide cases is chosen based on the *Al-Qur'an* (17:31) and also the argument by Zulkarnain (2020), who explained that people who commit homicide or murder are among those who have less faith (*Ad-Din*) in their lives. The selection of variables also depends on the arguments of

WHO (2015). At the same time, not the most appropriate measures, corruption and homicide cases could serve as proxies. An *Islamic* society must stay away from the sins of corruption, deception, and any kind of misuse of powers. In *Islamic* law, the discussion on corruption relates to *ghulul* (abuse of power), *sariqah* (embezzlement), *khinayah* (treason), and *riswah* (bribery). In addition, corruption may lead to poverty through poor economic growth or bad governance, where corruption may encourage poor foreign investments and decrease tax revenues. So, low corruption and homicide rates can indicate positive signs of solid and unwavering faith.

ii) **Hifdh An-Nafs (Life)**

The reservation of *An-Nafs* in our study is based on fulfilling basic needs like health services. Here, we look at the health expenditure that consists of recurrent and capital spending by the government; thus, the higher the subsidy given, the lower the poverty. This proxy is suggested by Mili (2014) and Amin, R. M. *et al.* (2015). We also use the fulfillment of moral needs and protection from threats which comprises political freedom and political stability (Amin, R. M. *et al.*, 2015; Ramli, R. M *et al.*, 2015). Political freedom fulfills moral needs to which a country's citizens are free to choose their government and freedom of association. Similarly, political stability protects from threats from the human perspective in contrast to the perception of the likelihood of political instability. Therefore, as stated by Ramli, R. M. *et al.* (2015), political freedom is used as a proxy in a sustainable way to better human life.

iii) **Hifdh Al -Aql (Intellect)**

Preservation of intellect includes the right to get an education. Chapra (2008) stressed that intellectual is essential for the development and human wellbeing of the nation. This preservation is in sync with objective four of SDG, ensuring inclusive and equitable education to promote lifelong learning. In our

study, we use the enrolment rates of primary and secondary schools as suggested by Mili (2014). The motivation to determine these factors emanates from the objective of Millennium Development Goal 2, “Achieve Universal Primary Education,” which focused more on primary education during the period 2000-2016, as our study falls within this time frame, while in SDG it aims at providing equal access for all in both primary and secondary education.

iv) **Hifdh Al-Nasl (Posterity)**

This component relates to the protection of anything that would ensure the survival and progress of the family in all dimensions, including physical, material, spiritual, and development of the quality of future generations (Chapra, 2008; Çizakça, 2007). This study has two dimensions to progeny: developing the future generation and protecting the progeny. Our study selected birth rate and life expectancy at birth as the dimensions representing developing future generations. Anto (2011) considers these variables a positive approach to identifying the protection of posterity. In addition, the dimension for the protection of progeny, the child mortality rate, is chosen, representing the reverse side of the coin. Ramli, R. M. et al. (2015) have also used these variables in developing their M-Dex.

v) **Hifdh Al-Mal (Wealth)**

It is defined as protecting ownership and property from damage, harm, theft, exploitation, and injustice (Amin, R. M. et al., 2015). It also includes acquiring and developing wealth by making it available through circulation and equitable distribution. Many authors like Mili (2014) and Amin, R. M. et al. (2015) have proposed using the International Property Right and the Inclusive Wealth Index⁽⁷⁾. In this paper, we use the employability data that is more prevalent as a proxy to measure the dimension of the acquisition and development of wealth. In *Islam*, people who earn their livelihood through hard work are praised⁽⁸⁾. Therefore, the indicators used in the *Al-Mal* dimension are primarily adopted from Kasri & Ahmed (2015) on access and being able to earn income and sustain a living for the family, where they opined that employability would improve income and sustain a living. Next, we choose economic growth for the property protection dimension. It reflects the higher economic growth, which will increase society's welfare.

(7) Most of the data for the Least Developed Country of OIC's countries are unavailable.

(8) An *Islamic* perspective on human development. *Islamic Relief*. (2014)

Table 3:1: The dimension of each component of human development based on *Maqasid Sharī'ah*

Dimension	Category	Elements	Indicator	Description	Code
Preservation of faith (<i>Ad-Din</i>)	Preventive Protection	Protection of faith	i) Control of corruption ii) Crime	Reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption Intentional homicide victims, counts, and rates per 100,000 population	CORR CRI
Preservation of life (<i>Ar-Raḥīḥ</i>)	Positive Protection	Fulfillment of Basic Needs Fulfillment of Moral Needs Protection from threats	i) Health expenditure ii) Political stability iii) Political Freedom	Health expenditure, public (% of total health expenditure) Political stability and absence of violence Voice and accountability	HLTH PS PF
Preservation of intellect (<i>Al-ʿAql</i>)	Positive Protection	Developing the intellect	i) Primary School ii) Secondary School	The enrolment rate in primary education (both sexes) The enrolment rate in secondary education (both sexes)	EDUP EDUS
Preservation of progeny (<i>Ar-Riṣṣ</i>)	Positive Protection Preventive Protection	Development of future generations Protection of progeny	i) Birth Rate ii) Life Expectancy iii) Mortality Rate	Birth rate, crude (per 1,000 people) Life expectancy at birth, total (years) Mortality rate, under-5 (per 1,000)	BR LE MR
Preservation of wealth (<i>Al-Māl</i>)	Positive Protection	Protection of property	i) Economic Growth ii) Employment	Annual percentage growth rate of GDP at market prices based on constant local currency Employers, total (% of total employment)	GDP EMP

Source: Authors' Own

3.2 Index Construction Method

There are two steps in constructing the *i*-HDI⁽⁹⁾. First, normalizing the data of each dimension and then computing the geometric mean of the component indices. Implementing HDI calculation method, all the negative indicators or the preventive protection for instance, corruption rate, crime rate and mortality rate, is normalized with the formula $(100 - \text{CORR})/100$, where CORR is measured in percentage terms. If the corruption rate is not in percentage terms between zero and 100 but decimals, then the normalized CORR will become $1 - \text{CORR}$. Then, the minimum-maximum approach transforms the indicators into indices between 0 and 1. The formula is:

$$\text{Dimension Index} = \frac{\text{Actual Value} - \text{Minimum Value}}{\text{Maximum Value} - \text{Minimum value}} \quad (1)$$

where *Actual Value* represents the actual value of the dimension of a country, whereas the *Maximum* and *Minimum Value* is the value of the same dimension of the OIC countries.

After each indicator is defined in minimum-maximum terms, the next step is calculating the average values of the dimension indices. The formulas are as follows:

$$\text{Ad} - \text{Din index} = \frac{\text{CORR} + \text{CRI}}{2} \quad (2)$$

$$\text{An} - \text{Nafs index} = \frac{\text{HLTH} + \text{PS} + \text{PF}}{3} \quad (3)$$

$$\text{Al} - \text{Aql index} = \frac{\text{EDUP} + \text{EDUS}}{2} \quad (4)$$

$$\text{An} - \text{Nasl index} = \frac{\text{BR} + \text{LE} + \text{MR}}{3} \quad (5)$$

$$\text{Al} - \text{Mal index} = \frac{\text{GDP} + \text{EMP}}{2} \quad (6)$$

(9) To construct the *i*-HDI, we closely follow the work of Ramli, R. M., *et al.* (2015) that measures M-Dex. The methodology runs parallel to that of the UNDP-Human Development Index (HDI) computation.

After calculating all the average values of each dimension, we use the geometric mean in aggregating the sub-indices. This method allows us to produce lower index values for all countries, with the most significant changes occurring across dimensions in countries with uneven development. In addition, it considers the differences in achievements across dimensions (Gaye, A. 2011). Finally, the *i*-HDI is calculated based on aggregating the sub-indices introduced by HDI, as follows:

$$i - \text{HDI} = \left(\frac{\text{Din Index} \cdot \text{Nafs Index} \cdot \text{Aql Index} \cdot \text{Nasl Index} \cdot \text{Mal Index}}{5} \right)^{\frac{1}{5}} \quad (7)$$

3.3 Panel estimation technique

To identify the relationship between the *Islamic human development index (i-HDI)* and poverty in the OIC countries, the model estimation should be as below:

$$\text{POV}_{it} = \alpha + \beta_1 (i\text{-HDI}_{it}) + \mu_t; \quad (\text{Equation 1})$$

Pov is absolute poverty, and *i*-HDI is the Islamic human development index

4. ESTIMATION RESULT

4.1 The contribution of each dimension for *i*-HDI

It would be instructive to learn how each component of the *i*-HDI contributes to the entire. The topic is explored in Figures (4.1) through (4.5). Not surprisingly, the greatest Ad-Din index scores are seen in the wealthier Middle Eastern and Asian nations of Qatar and Brunei (faith). The corruption rate and criminal rate in Qatar is moderately low which contribute to good score for Ad-Din index. On the other hand, Ad-Din scores are lower in middle income nations like Nigeria and Pakistan.

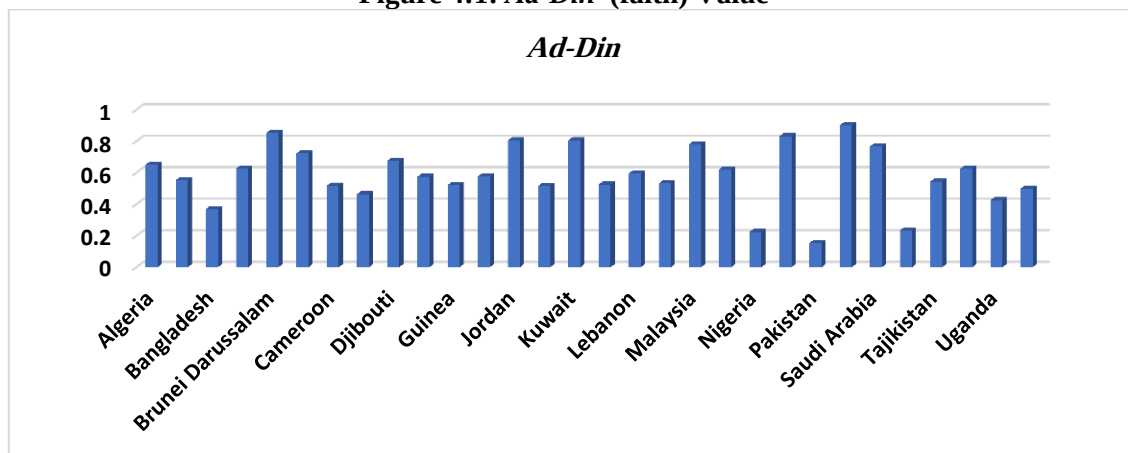
Figure (4.2) displays that Brunei ranks first in the world on the An-Nafs (life) index. As all political authority in Brunei is held by the royal family, the country has a reputation for having a fairly stable political system. The Al-Aql HDI's (intellect) component reveals promising findings in Figure (4.3). The majority of

nations have averages higher than 0.5. Scores near the middle of the range reflect that most OIC nations are making some effort to advance in the intellectual realm.

Average of birth rate, death rate, and life expectancy yields the Al-Nasl (progeny) index. This finding is in line with the i-HDI index, which ranks Qatar first in the world (Figure 4.4). With a 0.14 percent improvement from 2015 to 2016, Qatar's life expectancy and low infant mortality rate continue to impress. Yemen, on the other hand, has a worse record of keeping its youngsters alive. Their elderly population is totally reliant on humanitarian help, as they continue to struggle for basic necessities including food, medicine, and money.

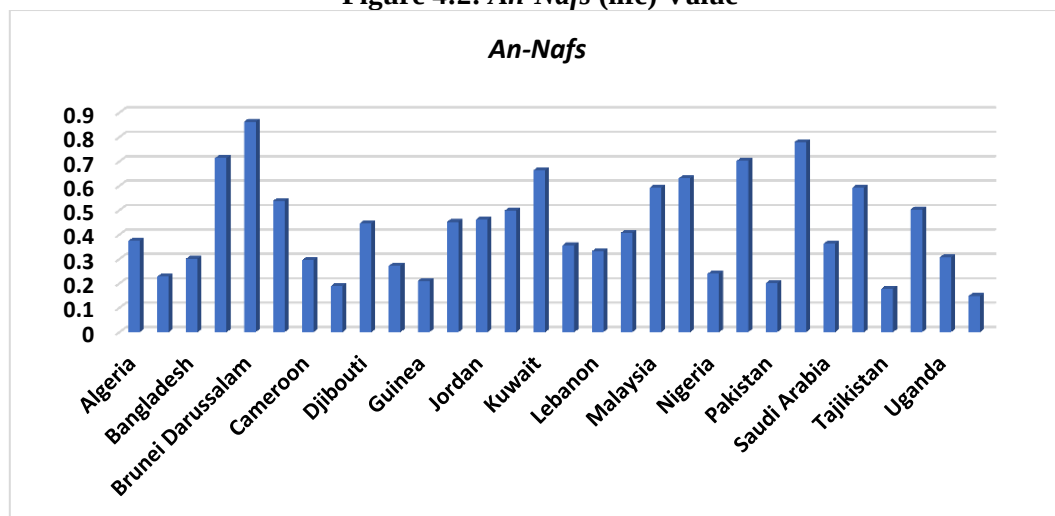
Last but not least, i-HDI takes into account how well a country is able to hold on to its riches, as was discussed previously (Al-Mal). As may be seen in Figure (4.5), Egypt, Lebanon, and Azerbaijan all do exceptionally well in this respect. Considering the abundance of natural resources in many nations, this is not unexpected. The unemployment rate in Azerbaijan is also lower than the national average. However, a nation like Chad, which has a lower per capita GDP, has trouble converting its natural resources into jobs due to a lack of trained labor and outdated technologies.

Figure 4:1: Ad-Din (faith) Value

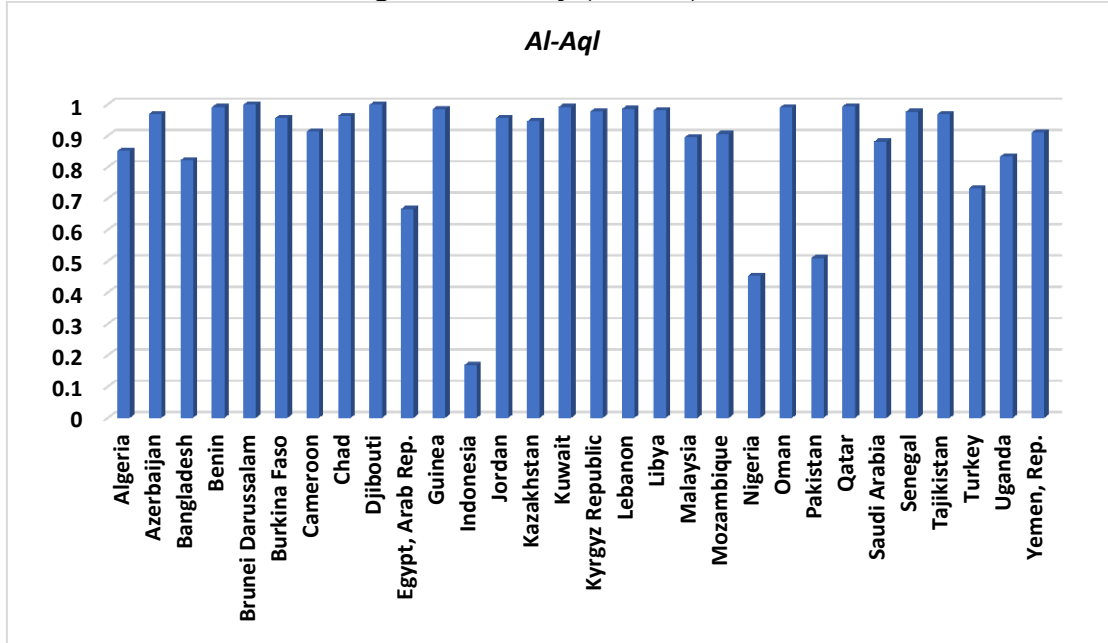


Source: Authors' Own

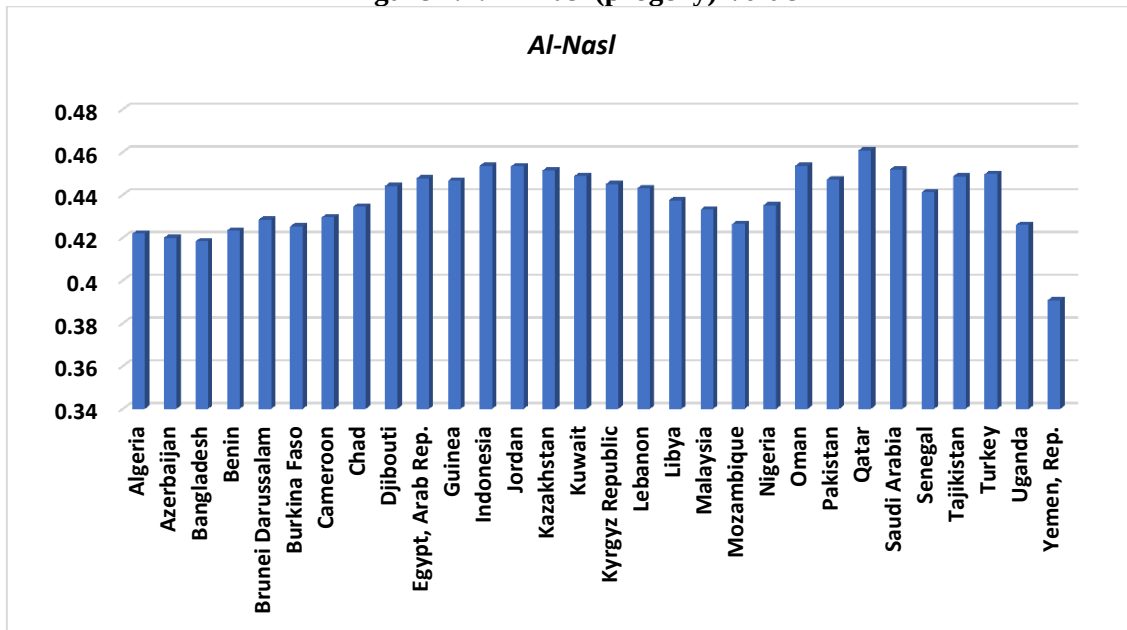
Figure 4:2: An-Nafs (life) Value



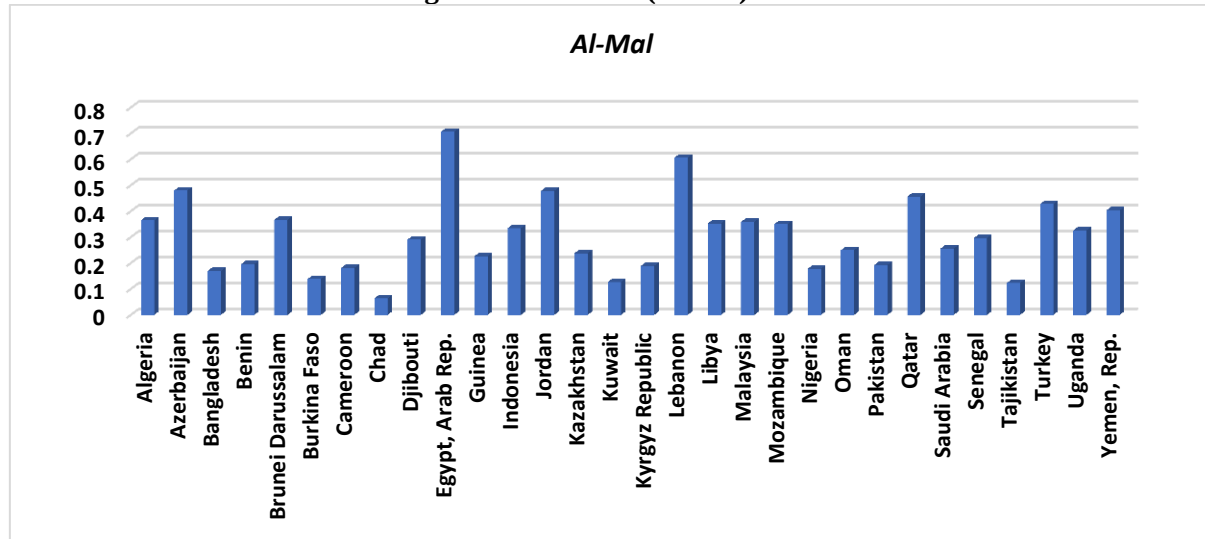
Source: Authors' Own

Figure 4:3: *Al-Aql* (intellect) Value

Source: Authors' Own

Figure 4:4: *Al-Nasl* (progeny) Value

Source: Authors' Own

Figure 4:5: *Al-Mal* (wealth) Value

Source: Authors' Own

Another exciting result is shown in Table (4.1), where it is shown that every index has a positive correlation with other indices. The table also indicates a statistically significant correlation between *i*-HDI and HDI, confirming that the concept and methodology for index calculation using *i*-HDI and HDI are almost identical. Nevertheless, the dimensionality of the index and its selected indicators are the main differences between

these two indices. HDI is more holistic and comprehensive than *i*-HDI as its dimensions reflect socio-economic development's faith and ethical value. On top of that, Table (4.1) shows the positive relationship between *i*-HDI and HDI, which means the higher the value of HDI, the higher the value of *i*-HDI will be, denoting that these two concepts are substitutable.

Table 4:1: Correlation Matrix

	<i>Ad-Din</i>	<i>An-Nafs</i>	<i>Al-Aql</i>	<i>An-Nasl</i>	<i>Al-Mal</i>	<i>i</i> -HDI	HDI
<i>Ad-Din</i>	1.00						
<i>An-Nafs</i>	0.6271*	1.00					
<i>Al-Aql</i>	0.4117*	0.2669	1.00				
<i>An-Nasl</i>	0.2276	0.2993	-0.1339	1.00			
<i>Al-Mal</i>	0.2525*	0.0579	-0.0566	0.2450	1.00		
<i>i</i> -HDI	0.8342*	0.2569	0.6984*	0.1892	0.5076*	1.00	
HDI	0.5526*	0.3912*	0.0426	0.4573*	0.3845*	0.4841*	1.00

Note: *Significant at five percent

Source: Authors' Own

4.2 The empirical result

Table (4.2) displays the panel regression estimation results between Islamic human development and poverty. The first facet of Islamic human growth, *Ad-Din*, in column (1), has a negative association with poverty. Though insignificant, it demonstrates the proper link: the higher the religion, the lower the poverty. Both crime and corruption are un-Islamic behaviors that will hurt nations. Nevertheless, the proxy for *Ad-Din* is a negative dimension of Islamic human

development. It also enters insignificantly when we add other dimensions in column (6), with the sign remaining constant. It shows that the different dimensions, for instance, *An-Nasl*, could help mitigate corruption and crime, which in turn helps reduce poverty.

Next, we explore the relationship between *An-Nafs* and poverty in column (2), where the *An-Nafs* index is negatively and insignificant to poverty. Yet, it meets the expectations of policymakers that an increase in *An-Nafs*

would help alleviate poverty. Good political stability and the absence of violence can enhance economic growth and thus reduce poverty. On the other hand, political instability harms economic growth, worsens income inequality, and increases poverty. Many studies have explained the damaging effect of political unrest on GDP growth as it passed the negative impact on human capital and physical capital (Baro, R.J. 1991; Aisen, A., & Veiga, F.J. 2013). Surprisingly, health expenses are not significant for poverty reduction. One plausible explanation is that most people cannot afford costly health-care services. Therefore, an increase in health expenditure relative to the resources available to the household may be considered a "catastrophic health expenditure" (CHE) that may disrupt the standard of living and weaken the poor (Atake, E. H., & Amendah, D. D. (2018)). See Appendix (A).

Column (3) presents some interesting insights into the relationship between *Al-Aql* (in Islamic human development) and poverty. *Al-Aql*, or the preservation of intellect, has a significant negative effect on poverty reduction. Appendix (A) suggests that primary education could hurt the poverty headcount ratio. This relationship is statistically significant at 5%. This result also supports the study by Self, S., & Grabowski, R. (2004), who found that primary education has a strong causal impact on growth, exceeding the effect of secondary education and leading to poverty reduction. So, it's safe to say that most parents in OIC countries know what their kids need most.

In the next column (4), we investigate the link between *Al-Nasl* (in Islamic human development) and poverty alleviation, wherein the *Al-Nasl* index is positive and statistically significant. It means that the greater the number of descendants, the greater the poverty. An increasing number of births in low-income households will lead to poverty as the parents must cater to their newborn baby's needs. Our findings are consistent with

those of Omotola (2008), who found a link between high poverty and high fertility.

The last indicator of Islamic human development is *Al-Mal*. In column (5) in Table (4.2), *Al-Mal* enters negatively and insignificantly for poverty reduction. *Al-Mal* could diminish poverty, but it has yet to reach the level where its impact could be meaningful. Although most OIC countries are blessed with enormous oil wealth, a large and diverse population, sea and river access, forests, and land, they have not translated these advantages into employment opportunities. The richness of resources alone cannot reduce poverty unless the people have the knowledge and skills to use them productively to generate income. Thus, our finding that resources do little to help people out of poverty is not surprising.

To test the powerful impact of *i-HDI* on poverty, we also run a test to assess the robustness of our regression results. Theoretically, this *i-HDI* variable can capture most of the information from the original dataset. We show the highlights of our findings in Table (4.2) and Column (7). We find the resulting change dramatically for *Ad-Din*, *An-Nafs*, and *Al-Mal*. As shown in column (1) and column (2), it shows unexpected signs of *Ad-Din* and *An-Nafs* towards poverty, while in column (5), *Al-Mal* shows insignificant results in poverty reduction. However, we find a negative and significant relationship between overall Islamic human developments, measured by *i-HDI*, and poverty reduction. The economic growth that includes the elements of *Al-Mal* may help reduce poverty as it may increase the welfare of the people. It is consistent with the conviction that, in the final analysis, people are at the core of all economic struggles (Sarvalingam, A. & Sivakumar, 2010). Consequently, we can safely say that the Islamic human development index (*i-HDI*) components are comprehensive tools to reduce poverty.

Table 4:2: Relationship between *Islamic* Human Development and Poverty

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Poverty						
<i>Ad-Din</i>	-0.0716 (-0.53)					-0.277 (-1.61)	
<i>An-Nafs</i>		-0.0461 (-0.56)				-0.268** (-2.48)	
<i>Al-Aql</i>			-0.1804*** (-2.92)			-0.2434** (-2.21)	
<i>Al-Nasl</i>				0.4591*** (2.66)		0.606*** (3.12)	
<i>Al-Mal</i>					-0.1091 (-0.93)	-0.2419* (-1.88)	
<i>i-HDI</i>							-0.5631*** (-3.06)
_cons	0.6771* (6.32)	0.6414 (15.42)*	-2.827*** (-3.50)	0.4388* (6.17)	-0.6541 (-16.5)***	0.813** (4.35)	0.776 (14.43)
<i>N</i>	390	390	390	390	390	390	390
	Diagnostic Test						
<i>F-Test</i>	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<i>LM-test</i>	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<i>Hausman</i>	0.030	0.2520	0.036	0.2010	0.1070	0.056	0.0040

Note:t-value in brackets. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Method: Random effect robust for heteroskedasticity and first autocorrelation Fixed effect robust for heteroskedasticity and first autocorrelation.

Source: Authors' Own

5. CONCLUSION

This study provides an alternative concept and model for measuring human development from an *Islamic* perspective. Enhancement of *Ad-Din* (faith), *An-Nafs* (life), *Al-Aql* (intellect), *Al-Nasl* (posterity) as well, and *Al-Mal* (wealth) is a pre-requisite for achieving holistic welfare for human beings. In line with Sustainable Development Goal (SDG 2030) goal number one, zero poverty, *Islamic* Human Development Index (*i-HDI*) shows that the development of human beings based on *Maqasid Shari'ah* could help reduce poverty overarching. In addition, the enhancement of these five dimensions constitutes the theoretical foundations in constructing the *Islamic* Human Development Index (*i-HDI*), which is more comprehensive than the HDI, especially in measuring the level of socio-economic development in the OIC countries. The single index regression analysis of *Islamic* human development yields mixed results. However, the results of the *i-*

HDI study show up negatively and significantly for poverty reduction. All this underscores the importance of human development based on *Maqasid Shari'ah* for poverty alleviation. The development index of *i-HDI* could help policymakers focus on the five dimensions to enhance human development performance in their country. The index takes into account both materials and non-materials aspects simultaneously.

Islamic Human Development Index (*i-HDI*) represents an analytical tool enabling understanding and focusing on faith's undisputable and divine source. This study provides a concise approach to explaining human development from the perspective of *Islam*. Each of the 12 human development indicators has been designed to be recognizable and measured using a combination of indicators from various public data sources. The indicators should be interpreted as a set of proxies for the

underlying policy concept as the trigger for a more fundamental analysis of the strengths and weaknesses of human development. We hope that the i-HDI will be viewed as an index for holistic development, which would help improve well-being, according to *Maqasid Sharī'ah*. Thus, providing policymakers with an alternative measure for socio-economic development in OIC and non-OIC countries.

Notwithstanding, we are cognizant that the development of the i-HDI is particularly difficult in terms of the religious factor. The majority of the data in this study was gathered at a macro level using readily available sources. Measuring the magnitude of conformity with Islamic instructions is difficult since the intangible elements required for the Islamic approach are quite complex. This can limit the number of variables or indicators that can be used to make the i-HDI, which can give a biased picture of the true human development status in Islamic countries. For example, we utilize Ad-Din as a proxy for corruption and criminality. These proxies are insufficient to assess Ad-influence Din's in society, but it is hoped that the higher the precocity level, the lower the corruption and criminal levels. Some metrics utilized, such as frequency of prayer, mosque attendance, number of pilgrims, number of zakat payers, quantity of zakat collected, total expenditure on religious education, and belief in God, are significant to Islamic beliefs. For future study, we recommend that the construction of an i-HDI should encompass both the macro and micro levels of a country's complete population. This endeavour may aid in the collection of more easily accessible data and the comparison of countries. Moreover, it may assist policymakers in examining the disparities in human development performance between countries.

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Appendix A

THE RELATIONSHIP BETWEEN ISLAMIC HUMAN DEVELOPMENT AND POVERTY						
		Poverty Headcount Ratio				
		(1)	(2)	(3)	(4)	(5)
Al-Din	CORR	0.0115 (-0.67)				
	CRI	0.007 (-0.37)				
	HLTH		-0.0271 (-1.08)			
An-Nafs	PS		-0.04** (-2.81)			
	PF		-0.0358 (-1.43)			
Al-Aql	EDUP			-0.07** (-3.05)		
	EDUS			0.0115 (1.21)		
	BR				0.088*** -10.77	
Al-Nasl	LE				0.0283 -0.33	
	MR				-0.097*** (-3.81)	
Al-Mal	GDP					-0.008 (-0.78)
	EMP					0.0254 (1.57)
cons		-0.49*** (-3.38)	-0.143 (-1.06)	0.270 (0.94)	-0.625 (-1.75)	-0.421*** (-6.35)
		390	390	390	390	390

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مؤشر التنمية البشرية الإسلامي والحد من الفقر في دول منظمة التعاون الإسلامي

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المستخلص. تتطلب مكافحة الفقر منظورًا أوسع من مجرد التركيز على قضية تدني مستويات الدخل. ولهذا فإن تبني استراتيجيات التنمية البشرية مهم جدًا للتخفيف من حدة الفقر لأنها تُوفر حافزًا مهمًا لتوسيع قاعدة البيانات الخاصة بالفقر من خلال دراسة عجز الإنسان عن أداء وظائفه بالشكل المطلوب وتحجيم وقدراته. طور برنامج الأمم المتحدة الإنمائي (UNDP) مؤشرًا للتنمية البشرية (HDI) وهو يعد بدوره المؤشر الأكثر شمولًا، إلا أنه يعتبر غير كافٍ وغير ملائم بشكل تام لقياس التنمية البشرية من منظور إسلامي. تحاول هذه الدراسة تطوير مؤشر التنمية البشرية الإسلامي (i-HDI) على أساس الركائز الخمس لمقاصد الشريعة الإسلامية وهي: حفظ الدِّين والنفس والعقل والنسل والمال. كما تقوم الدراسة أيضًا باختبار الآثار الناتجة عن اعتماد المؤشر الإسلامي للتنمية البشرية على التخفيف من حدة الفقر من خلال استخدام تقنيتي نظام السلاسل الزمنية المقطعي، ومؤشر البناء. تُشير نتائج الدراسة إلى أن عناصر التنمية البشرية من منظور إسلامي تُعد عناصر فعالة بشكل ملحوظ للتخفيف من حدة الفقر، كما أنها تعد بديلًا عمليًا لمؤشر التنمية البشرية. ومن ثم، تظهر أهمية هذا البحث الذي يُقدم فهمًا أفضل لمشكلة الفقر ومعلومات ضافية عنها، مما يُسهم بدوره في الوصول إلى حلول أفضل وخطط أكثر نجاعة للمستقبل لا سيما فيما يتعلق بالدول الأعضاء في منظمة التعاون الإسلامي.

الكلمات الدالة: الفقر، التنمية البشرية، منظمة التعاون الإسلامي، مؤشر التنمية الإسلامي للتنمية البشرية، مقاصد الشريعة الإسلامية

تصنيف JEL: I3, O1

تصنيف KAUJIE: N6, N7