



*“You resort to oaths as instruments of mutual deceit, so that a person might take greater advantage than another; although, Allah puts you to the test through this. Surely, on the Day of Resurrection, He will make clear the truth concerning the matters over which you differed.”*

**[An-Nahl: 94]**



*“The most complete of the believers in faith, is the one with the best character among them. And the best of you are those who are best to your women.”*

**[Jami` at-Tirmidhi, Hadith No. 1162]**

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*“How errors of human judgment can infect even the smartest people, thanks to overconfidence, lack of attention to details, and excessive trust in the judgments of others, stemming from a failure to understand that others are not making independent judgments but are themselves following still others—the blind leading the blind.”*

***Robert J. Schiller, Irrational Exuberance***

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**Transforming the Pakistan Economy**  
**Prof. Dr. Tariqullah Khan**  
**Professor, INCEIF University Malaysia**  
**Recipient of ISB Prize in Islamic Economics**

Pakistan's economy is currently going through worst challenges in the country's history due to several interconnected costs. These costs will not allow the turning around of the economy on competitive grounds unless these are identified properly and addressed timely.

Foreign exchange earnings depend on competitiveness of the economy. Most of the media outlets frame a bleak picture of

the Pakistani economy as a result of mismanagement and short-termism due to political reasons. To correct the pathways of the economy, credible but low cost reforms are needed. In this note, we look at these reforms from the perspective of a) credible negotiation of foreign debt servicing and b) prudent management of domestic public debt.

## Credible Negotiation of Foreign Debt Servicing

It is inevitable for Pakistan to have an effective multilateral and bilateral dialogue about its economic challenges and negotiation of servicing of the external debt. As it is said that every adverse situation has an underlying equal or larger opportunity, we try to outline those hidden prospects for the economy.

The costs which the economy is facing are never systematically identified and mitigated. By identifying and addressing the pertinent costs faced by the economy, Pakistan can credibly negotiate with the international community, and it is possible for Pakistan's economy to recover and rebound within the medium term. These costs include:

- a) The cost of inefficiency and waste at all levels and the various sectors,
- b) The cost of high levels of emissions and pollution,
- c) The cost of foreign debt servicing,
- d) The cost of policy uncertainty, and delays in austerity measures, and
- e) The cost of using outdated technologies especially fossil fuel vehicles when the world is fast transitioning to electric vehicles.

Turn the cost of waste into opportunity: Waste is produced by a variety of activities, including food production, industrial processes, business operations, municipal services, and household

activities. However, it is often handled irresponsibly.

According to a write-up by the US International Trade Administration Office, titled "Pakistan Country Commercial Guide" and published on November 10, 2022, waste management in Pakistan is a highly profitable industry for US companies. The report states that 87,000 tons of solid waste are generated in major cities each week, with a 2.4% annual increase.

This waste is composed of a variety of materials, including ash, bricks, and dirt (18%), glass (6%), textile (2%), cardboard (7%), food waste (30%), leather (1%), paper (6%), plastic (9%), rubber (1%), metal (4%), wood (2%), and yard waste (14%). The economy of Pakistan is estimated to incur a cost of \$15 billion annually due to the loss of useful materials, missed opportunities, and health costs associated with polluted air and water.

Recognize and be proactive to minimize the cost of emissions: Carbon dioxide (CO<sub>2</sub>) emissions have significant environmental and health costs. Pakistan faced devastating floods in 2010 and recently in 2022. In addition to the cost in terms of loss of human lives, World Bank estimates that losses in 2022 amounted to US\$ 30 billion. In 2010, flood costs were estimated at that time by the UN to be US\$ 43 billion.

Global warming is a global phenomenon, but the costs are borne by countries like Pakistan. At the global level, CO<sub>2</sub>

emissions contribute to climate change, which can lead to sea level rise, more severe weather events, and changes in temperature and precipitation patterns.

These changes can have a variety of negative impacts on human health, such as increased air pollution, heat stress, and the spread of diseases through insects and pests. CO<sub>2</sub> emissions also have negative impacts on ecosystems, such as coral reef bleaching and the acidification of oceans.

When it comes to the sectors and activities that contribute the most to global CO<sub>2</sub> emissions, the primary culprit is the burning of fossil fuels for energy. The power sector, which includes electricity generation from coal, natural gas, and oil, is the largest source of CO<sub>2</sub> emissions, accounting for about 38% of total emissions.

The transportation sector, which includes cars, trucks, buses, and airplanes, is the second largest source, accounting for about 14% of emissions. Industry, which includes the production of goods such as steel, cement, and chemicals, is the third largest source, accounting for about 21% of emissions. Agriculture, forestry, and other land use also contribute to CO<sub>2</sub> emissions, accounting for about 24% of emissions.

In case of Pakistan, most of the emissions are caused by road transport as there is no regulatory enforcement and motor vehicles periodic inspection system for emissions. Indeed, high traffic of private

vehicles also adds to the cost of fuels import.

#### Overcome the cost of policy uncertainty:

High level of policy uncertainty has been caused by the frequent changes in finance ministers and policies over the past four years. This has had a significant negative impact on the economy, as businesses and investors struggle to predict the future direction of economic policy. This lack of predictability makes it difficult for companies to make long-term investments and plans, leading to a decrease in economic growth.

Additionally, policy uncertainty can lead to increased risk aversion among investors and lenders, making it more difficult for businesses and individuals to access credit. This can further stifle economic growth, as businesses are unable to expand and create jobs. Furthermore, policy uncertainty can also increase inflationary pressures and weaken the currency, which can lead to higher prices for goods and services, making it more difficult for low-income households to make ends meet. The cost of policy uncertainty in Pakistan can be significant, because of unreliable direction of austerity measures and negotiations with the IMF. It is important for the government to take steps to stabilize economic policy and reduce uncertainty to promote economic growth and stability.

Avoid the cost of being a junkyard: The import of face uplifted vehicles in Pakistan is a growing trend that is likely

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to increase in the coming years. In Malakand division, the number of vehicles on roads have increased manifold because of non-custom paid cars. Face uplifting of old vehicles has become a lucrative business in Pakistan.

As developed countries shift towards electric vehicles, the demand for fossil fuel vehicles will decrease, making them cheaper in international markets. This presents an opportunity for Pakistani importers to import these face up lifters at a lower cost. However, this trend also has significant economic and environmental costs.

The influx of older and used vehicles in Pakistan will lead to an increase in the number of “junk” vehicles on the road. These vehicles are more likely to break down and require costly repairs, which will put a strain on the country’s economy. Additionally, as these vehicles become obsolete, it will become more difficult to find replacement parts, further increasing the economic burden.

Furthermore, the emissions from these older vehicles will contribute to air pollution, which will have negative health effects on the population and increase the environmental costs. Therefore, it is important for the Pakistani government to consider the long-term economic and environmental costs of this trend before allowing the import of face uplifted fossil fuel vehicles.

*Be ready to negotiate the cost of foreign debt servicing:* The cost of foreign debt servicing in Pakistan is a significant issue that contributes to the country’s economic challenges. As of end-2022, Pakistan’s outstanding external debt and liabilities stood at over US\$ 126 billion, with a large portion of this debt being held by the government. If interest rates are 10%, this means that approximately US\$ 13 billion would be annual interest servicing.

The high level of foreign debt has led to a significant burden on the country’s economy, as a large portion of its annual budget is dedicated to servicing this debt. This has limited the government’s ability to invest in key areas such as infrastructure, education, and healthcare.

Furthermore, the cost of foreign debt servicing has also led to a decline in the value of the Pakistani rupee, which has further impacted the country’s economy. The devaluation of the rupee has led to an increase in the cost of imported goods, leading to inflation and a decline in the purchasing power of the population. Additionally, the high cost of debt servicing has led to a decline in the country’s credit rating, making it more difficult and expensive for Pakistan to borrow in the future. The cost of foreign debt servicing is a significant challenge for Pakistan’s economy and addressing it will be crucial for the country to recover in the medium term.

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## Domestic Public Debt and Its Prudent Management

Pakistan's ongoing attempts to replace the existing Riba (interest)-based financial system with an Islamic alternative, as a follow-up on the Federal Shariah Court Judgement against interest, and the incumbent government's commitment in this regard are watched widely and with interest.

The country's prevailing socio-economic scenario presents an important test case for the application of the Islamic financial alternative. The proponents of Islamic finance believe that the Islamic alternative can effectively overcome the difficulties faced by the country if it is faithfully implemented.

The most important challenge confronted by introduction of Islamic finance is in public debts. If interest is prohibited, what will happen to the existing debts and how the government will borrow in the future? It has been suggested that the government of Pakistan should convert its existing interest-based public debts into Ijarah-based public services certificates.

Future public financing can be arranged on Ijarah, Salam, and Istisna basis. It is argued that the conversion of Riba into Ijarah would enable the government to comply with the implementation of the Federal Shariah Court's Judgement against interest, within the 5-year deadline. The process of such a conversion will ensure policy certainty

and will not create any additional costs and risks for the economy.

On the other hand, a delay in the transformation will further create policy confusion and uncertainty about the direction, which the government wants to take regarding complying with the Judgement.

Such confusion can be the source of important risks confronted particularly, by foreign investors in Pakistan. Consequently, the country will face further liquidity problems and its economic policies will face a setback. The idea of transforming the interest-based public debts into Ijarah-based public services

certificates is simple and understandable by the common person. It offers a workable modality to "Islamise" (legalise) government finance and asset and liability management. To explain the simplicity and practicability of the idea, let us look at the balance sheet entries of the government.

On the assets' side of the government's balance sheet, there are roads, bridges, airports, seaports, dams, atomic reactors, composite assets (security, justice, health, education services, etc.), public enterprises, and government receivables etc.

Against these assets, the government's balance sheet has liabilities such as the principal amount of the public debt (national saving certificates, defence saving certificates, funds borrowed from banks and other sources, treasury bills, various types of foreign debts etc.),

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**Government of Pakistan should convert its existing interest-based public debts into Ijarah-based public services certificates.**

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interest payable on these and other payables. According to the Shari'ah Judgements, this government balance sheet structure is incompatible with the Shari'ah, because it is based on Riba (Interest) and needs to be legalised (Islamised) by the deadline. There is only one feasible method of legalising the balance sheet of the public sector, namely, rewriting the existing Riba-based contracts with the financiers based on Ijarah (renting).

To manage the domestic public debt, the government must introduce credible, prudent and Shari'ah compliant restructuring of these debts. This will require two steps to be taken by the government.

As a first step, the government shall sell its existing assets mentioned in the balance sheet to the owners of the public debt. For example, a person holding Rs 100,000 of national savings certificates and earning 15% interest per year will be offered a suitable portion of road (may be one kilometre of a rural road) for sale by the government.

As a second step, the new owner of this portion of road will lease it back to the government. As a result, the person will now hold a certificate of ownership of one kilo-metre of road and earn 15% rent on lease. The owner of the new asset can keep it and earn the 15% rent or can sell it worth Rs 100,000 or some other price subject to the market price for the asset.

Some readers may challenge the rationale of this new arrangement since it does not seem to be different from the existing interest-based system of public debts.

The most important difference between the two is that the new scheme will be completely compatible with the Shari'ah Court's Judgement and thus legal and

the old scheme will become illegal with the passing of the deadline. The merit of the new scheme lies in the similarity with the existing system. Due to this similarity, transforming the old system into the new system will not cause any major disruption and thus will not pose additional risks to the economy.

Economy-wide implementation of the proposed scheme requires large-scale securitisation. Accordingly, special purpose vehicles (SPVs) will be required to be established by the government on behalf of the investors for assets of different nature.

These SPVs may be established either based on Mudarabah or Wakalah. In either case, these will be mutual funds. Their function would be to intermediate between the owners of assets (the investors) and the user of the assets (the government and its departments).

The SPVs will be responsible for keeping the assets in good condition, collecting rents, and transferring these to the investors (owners) of the assets. The SPVs can render this function either for managerial fees (Wakalah concept) or based on sharing in the rent (Mudarabah concept).

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The new system apparently does not look different from the existing system. However, in the longer run, it is expected to bring several revolutionary changes in the evaluation and management of public sector assets and liabilities and thus their management.

First, the economic values of public sector assets are often taken for granted and never the need has been felt to assess their values systematically. Even roads in

remote villages have an economic value. Similar is the case with hospitals, schools and other services rendered by the government. The value of these rentable assets is never assessed properly. As a result, the national wealth is often underestimated.

The new system will eventually, lead to the proper valuation of all such assets and will introduce a market ingredient. This will pave the way for efficient management of these assets.

Secondly, each liability must be clearly identified against a known asset. In the longer run, this will introduce an economic discipline. Thus, wrongful diversion of public debts could be controlled to a great extent.

Thirdly, the proposed system will help in developing capital markets by systematic privatisation of almost all assets of the public sector. This will enable small and big investors to participate in the market on equal footing. Thus, transparency and

market discipline will improve. Since rent is stable income guaranteed by the government, confidence of investors in the capital markets can improve leading to systemic stability and increased savings.

Fourthly, the new scheme will lead to a genuine introduction of the Islamic financial system. The proposed scheme starts from the right premises, therefore there is a great scope for financial engineering covering various requirements of the modern economy. If the system is

faithfully implemented, Pakistan could be a hub of the emerging Islamic financial markets. Thus, substantial Muslim and ethical investors can be attracted.

Finally, the proposed system is clear, simple, and workable. Thus, it can be helpful in alleviating all fears about the unforeseen implications of implementing the Shari'ah Court Judgement. Once the proposed system is introduced, the resultant instruments can also be utilised for monetary management of the economy.

The introduction of the new system, however, requires several infrastructure-related support by the government. These include implementing proper banking and securitisation laws, encouraging investment banking, better co-ordination between the regulators and supervisors of various sectors, provision of opportunities of dialogue between persons and entities concerned, training of the required manpower and above all, popularisation of the related ideas and modalities.

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It seems that substantial progress is being made in some areas and genuine difficulties may be confronted in others. However, in some other areas, like training and popularisation of the basic concepts and modalities of Islamic finance, one feels that there is a need to move a bit faster.

In conclusion, the medium to long-term interconnected risks facing Pakistan, including those related to climate change, policy uncertainty, foreign exchange reserves, and government cash flows, present both challenges and opportunities. Of these, debt servicing is of paramount concern. By addressing these issues in a responsible and holistic

manner, through a national consensus strategy adopted by parliament, Pakistan may be able to negotiate favourable terms for debt relief in exchange for implementing climate-friendly policies.

For example, many countries are transitioning to circular economies, but Pakistan currently lacks such a strategy. To secure support from the international community, it is crucial that Pakistan's economic reform agenda addresses these five risks with a strong emphasis on responsibility and policy certainty. Specifically, the nation should make addressing these risks the basis for negotiations in the wake of recent devastating floods.

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## Women in Islam: A Snapshot

- ❖ Muslim women must educate themselves like men. Education is not only allowed, but it is also compulsory for women like for men (Source: Sunan Ibn-e-Majah, Book of Sunnah: Hadith No. 224).
- ❖ Women have the right to own property and engage in trade. The first wife of Holy Prophet (pbuh) was a businesswoman.
- ❖ Women have the right to choose their husbands.
- ❖ Married women are entitled to 'Mehr' (wealth at the start of marriage) as well as 'Wirsat' (prescribed share in wealth at the death of husband, children and parents).
- ❖ The mother must be respected three times more than the father according to a Hadith (Source: Sahih Al-Bukhari, Book of Manners, Hadith 5971).
- ❖ In another Hadith, it is said that 'paradise lies beneath mother's feet' as a symbolic representation to highlight the importance of how critical one's attitude towards mother really is for having eternal success in the life hereafter. (Source: Sunan Al-Nisai, Book of Jihad, Hadith No. 3106)



- ❖ As per a Hadith, best men are considered those who are best to their wives. (Source: Jam-et-Tirmizi, Chapters on Suckling, Hadith 1162)
- ❖ Women can choose an occupation and earn their livelihood. They are allowed to do that. But, they are not made responsible for it. Men are made responsible for it in the Islamic family system (An-Nisa: 4).
- ❖ No man is allowed to have extra-marital relationships with any other woman.
- ❖ Adultery and prostitution is a severe crime in Islam and rape crime can lead to capital punishment.

## Women in Muslim Societies

Salman Ahmed Shaikh

In this brief note, an analysis of social attitudes towards women is provided across a broad cross section of 64 countries. The survey respondents include

Muslims as well as non-Muslims. The data is taken from the World Values Survey for sixth wave (2010-14). Table below summarizes the findings.

### Social Attitudes towards Women

Social Attitudes towards Women	Percent of Muslim Respondents Who Agree	Percent of Non-Muslim Respondents Who Agree
Men to have more right to a job than women when jobs are limited.	60.73	32.54
When a wife earns more income than husband, it will certainly cause problems.	41.61	27.46
Having a job makes a woman an independent person in the best possible way.	51.30	57.36
Children of working women suffer since their mothers are able to spare less time for them.	24.83	13.95
Men are better political leaders than women.	39.72	18.16
Higher studies at university level are more vital for a boy as compared to a girl.	16.52	8.19
Men are better business leaders than women.	30.26	14.20
Being a housewife can have as much fulfillment as providing professional services for pay.	35.51	22.52

Source: Author's Work from World Values Survey Data 2010-14

Since Islamic social norms make it obligatory for males as fathers and husbands to earn living for the family and to spend on family, Muslims tend to generally opine that when jobs are limited, men must have more right to a job than women.

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**Historical participation of women in labour force in the last one century in Muslim societies has been on the lower side due to the agrarian structure of economies and manual nature of labour requiring physical exertion.**

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Nonetheless, around 40% of the Muslims disagree with this view. More importantly, the response has to be understood in the light of the directive that men are made exclusively accountable for earning income for their families and to spend on their families as a religious responsibility. Hence, it is due to this reason that 16% of the Muslims might feel that university education is more important for a boy than a girl. However, 84% of the Muslim respondents opine otherwise even to this statement.

For instance, in a country like Pakistan, subsidized education in engineering and medical schools is provided in public universities. If the person receiving that education does not become part of the labour force eventually, then it is the waste of public resources. Thus, these views do not necessarily emanate from any gender biases, but due to the effective and immediate outcomes people foresee in their societies of such a change in gender roles. Nonetheless, 84% of the Muslim respondents like the majority of non-Muslim respondents feel that higher studies at the university level are equally important for a boy and a girl.

Furthermore, while about 40% of the Muslims may opine that wife earning more than the husband might cause problems, 60% of the Muslims do not feel that it is a cause of concern. To

understand this result, it must be kept in mind that the historical participation of women in labor force in the last one century in Muslim societies has been on the lower side due to the agrarian structure of economies and manual nature of labour requiring physical exertion. Thus, social attitudes change gradually.

This figure might be very much the same in non-Muslim societies of the West before and during the industrial revolution. As a matter of fact, the property and voting rights to women in Western societies is a rather recent phenomenon.

More than half of the Muslim and non-Muslim respondents opine that having a job makes a woman an independent person in the best possible way. Note again that people who disagree with this statement might do it because of not necessarily having an inferior opinion about women, but for the want of more social freedoms and dignity for women to perform their role in society.

This role does not necessarily have to be serving customers at restaurants, hotels, airlines, shopping malls, banks, night clubs and casinos. Also, this role does not have to be using the physical appearance to attract customers or entertain men for their lavish spending. Performing these

roles at lower wages than men, while not being able to serve one's children and spouse might not be perceived as the best way to be an independent person.

After all, decent work opportunities which allow women to have freedom to have a private space and fulfill their role in family to raise and educate children might be more desirable as perceived by the Muslim respondents than having an outright freedom to provide all kinds of labour with binding restrictions at a wage lower than men in general.

Furthermore, the social attitude towards working mothers is similar among Muslims and non-Muslims. Here, the Muslim respondents feel more strongly about the children suffering since it is not just the physical nourishment, but moral and spiritual upbringing which is important to inculcate values which make children to become better human beings.

Daycare, packaged infant milk and processed food for children might fulfill the need for physical nourishment partially and inorganically. However, the function of character building requires strong bonding and attachment.

On the other hand, Muslims in general tend to opine that men are better political leaders and business executives than women. This response has to do with experience and economic structure than with any bias. As a matter of fact, there have been Muslim female heads of state in Pakistan, Bangladesh, Singapore, Turkey and Indonesia. Even United States of America is yet to elect a female as president. This is not necessarily due to any legal or social bias, but because of the different level and pace of social transformation in economic and political structures in various regions.

Finally, 35% of the Muslim respondents as against 22% non-Muslim respondents feel that being a housewife or homemaker can be having as much fulfillment for a woman as providing her services professionally for pay. The difference is discernible given the important social role women play in moral leadership and character building of future generations through the children they raise who require not only physical nourishment, but imparting values, ethics and morals.

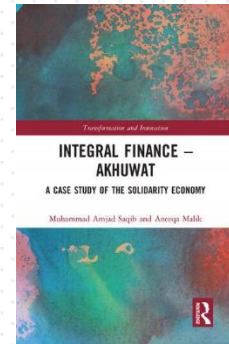


## Book Review

**Title:** Integral Finance - Akhuwat  
A Case Study of the  
Solidarity Economy

**Author:** Muhammad Amjad Saqib,  
Aneeqa Malik

**Publisher:** Routledge, 2019



This book provides an objective study of Akhuwat's model and the philosophy underpinning its operations.

Akhuwat has a very unique program of providing access to finance. It carries no interest whatsoever. Akhuwat sources donations from individual and institutional donors and then provides Qard-e-Hasan (interest free loans) to the clients.

In turn, the clients agree to pay back the Qard (loan) amount at a stipulated time in future. For documentation, administration and screening of the applications, a nominal fixed amount is charged which is not a function of the amount of the loan.

By getting rid of the price of capital, Akhuwat's Qard-e-Hasan becomes accessible to everyone without the exclusion criteria in traditional models which check creditworthiness and collaterals.

Nonetheless, Akhuwat also requires funds for carrying out its operations at a massive scale. These funds are mobilized through individual and institutional donations. The

beneficiaries are also encouraged to become the change agents.

Through providing successful and efficient application of its program with sound risk management, community engagement and social impact, Akhuwat was able to scale from humble beginnings to prove itself as the institution of choice for public private partnership model of social finance delivery.

Governments in Pakistan have also leveraged the presence, expertise, efficiency and outreach of Akhuwat to partially fund various programs.

Akhuwat started with a humble beginning. Dr. Amjad Saqib, the founder of Akhuwat started with a meagre donation given on individual basis. Then, it flourished into one of the largest microfinance institutions in the world. It now has more than 800 branches across Pakistan with 5.4 million beneficiaries. It has provided interest free loans of Rs. 180 billion. Through its more than 301 schools, it is providing education to around 50,000 students.



## **Service Delivery Based on Spirituality and Simplicity**

There are around 850 branches of Akhuwat all over the country. Each branch has three employees: two loan officers and one branch manager. Akhuwat has permanent staff in its every branch and also has volunteers in the head office. The furniture and work design in branch is simple. It is kept simple to reduce cost and give comfort to the clients that the staff and branch is accessible to them. Branch staff sits on floor with minimal stationary and required stamps, ledger and receipts.

Akhuwat is open to all. It provides interest free microcredit to Muslims as well as non-Muslims. It does not discriminate between men and women. It provides loan to a family unit.

## **Time Duration from Application to Loan Disbursement**

Time duration from application to loan disbursement is one month. If one comes individually, two other persons should give guarantee of that person and these two persons will not be able to receive loan. If they apply while being guarantor of someone in another loan, then their application will be rejected. They will not be eligible to receive Akhuwat loan during 12 to 15 months.

As an alternative, Akhuwat suggests individual loan applicants to find two other persons who need money for business. If one is unable to return the amount, then the group will be responsible. The members should not be involved in any crime or drugs. The group member should not be relative of another

member and their businesses should be different.

Borrowers are not forced to pay additional donation beyond the principal repayment. Akhuwat just recommends, but it does not force them. In practice, 20% do not pay and 80% pay additional donation. People give donations voluntarily. There is no fixed amount. Mostly, people give donation from Rs. 10 to Rs. 100.

## **Repeat of Loans**

Loan to the same person can be given ten times. This kind of repeated loans has a benefit as well as risk. The benefit is that it can help in achieving socio-economic mobility. The risk is that it may lead to habitual tendency to borrow. If a person repeats loan in dire circumstances, it may lead to further trouble. But, since Akhuwat does not charge any interest or mark-up, the benefit prevails over this potential risk. Emergency loans are also given. Sometimes as quickly as within 30 minutes.

## **Verification of Eligibility**

Firstly, the loan officer makes a first visit to the applicant's home and judge his/her business and socioeconomic status. After that, the branch manager visits again to determine the beneficiary's eligibility.

Branch staff checks the condition of home of beneficiaries. For example, total number of family members, total dependent family members, total independent family members, last electricity bill paid, kitchen expenditures, medical bills, and mode of transportation used. On visiting kitchen, loan officers judge their economic status

and also make verifications from neighbours.

### **Loan Recovery**

Branch staff performs office work in the first 10 days of the month and loan recovery while at branch. After 10th day of the month, branch staff starts visiting applicants' homes.

### **Verification of Use of Loan after Disbursement**

Branch staff does inspection by visiting home or business place after one week of disbursement to see whether the amount is utilized for the stated purpose or not. However, Akhuwat believes in trust and dignity. It does not ask for purchase slips. People can forge purchase slips as well. Akhuwat wants to build and keep trust with beneficiaries so that beneficiaries feel dignity and self-respect. This treatment encourages them to avoid misreporting and wilful delay in payment.

Akhuwat's activities are carried out in mosques. The spiritual link is also created

so that people regard receipt of the loan as a gift from their Creator and comply with repayment obligations.

### **Amount of Loan**

Amount of loan varies across clients. People take money according to their need. At maximum, Akhuwat gives Rs. 200,000 of loan for two years. In smaller loans, the repayment is between 12 to 15 months.

### **Disbursement Mode**

Earlier, cheques were used. However, now the beneficiaries receive messages from Allied Bank. They can get their payments from any branch of Allied Bank after having received the message. Akhuwat carries out all the activities through online platform. Even in Balochistan, it disburses funds online. Akhuwat receives 90% recovery in the office in the first 10 days of the month. If people are late, then the branch officer calls them, then they send money through someone.

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## **Research Paper in Focus**

**Paper Title:** Behavioral Assumptions of Islamic Economics Revisited

**Author:** Murat Çokgezen and Mohammed Seid Hussen

**Publisher:** Turkish Journal of Islamic Economics, 10(1), 2023, 85 - 112.

In this paper, authors opine that Islamic economics literature exclusively attributes pure altruism to Muslims. It contrasts homo economicus with homo-Islamicus. Authors try to show through

empirical evidence that giving behaviour is not much different among Muslims and non-Muslim in Europe.

However, few things need to be understood in right perspective. In Islamic economics literature, when homo-economicus is compared against homo-Islamicus, it is not necessarily a comparison of Muslims and non-Muslims. Some Muslim economists have erred in presenting it this way or leave such a perception in the minds of readers through their writing.

Secondly, authors through their empirical evidence cannot claim whether giving is pure or impure. Impure altruism is influenced by reasons like:

- a) Satisfying ego,
- b) Improving social image,
- c) Avoid the awkwardness of saying 'no' to a direct approach to contribute in a charitable cause,
- d) Showing off wealth in a socially image-enhancing way without any backlash,
- e) Helping in hope of reciprocity or avoidance from social harm,
- f) Peer pressure, and
- g) Finding warm glow or inner peace.

In contrast, pure altruism is not motivated by self-interest. It is purely a selfless act. What Islamic economics literature idealizes is pure altruism. Unless we know whether giving is motivated by pure altruism or impure altruism, not much can be said about giving across religious groups.

Secondly, authors admit that the data has limitation and it only records a binary response. It does not allow for measuring the amount of donations or time spent in volunteering. Magnitude in a way could also have been one way of assessing whether the high giving despite meagre resources is reflection of pure or impure altruism.

Thirdly, such data does not allow the measurement of elasticity. Elasticity differences even in the same direction could also have revealed much useful information.

Fourthly, since giving in charity and volunteering is only recorded as a binary response, they both turn out to be complementary. Intuition suggests substitution. Those with less money, but more time could help in volunteering to make it up. Studies in divine economics framework have collected meticulous customized datasets at micro level to study this substitution effect and provided evidence in favour of it.

Fifthly, religiosity measurement is critical and self-stated responses versus a neutral and objective evaluation make a huge difference. Studies in divine economics add third party verification to complement self-stated response with objective and neutral assessment by asking neighbours, relatives and peers. This approach could not be adopted in this study.

By and large, the results are very much what they should be even if data is improved. Islamic sources of knowledge explain that every human being is born with innate ability to differentiate right from wrong. Universal ethics emanates from that Fitrah and faculty of moral reasoning which is inbuilt into humans. Humans are morally conscious species.

Islamic economics shows that in the two-worldly deterministic justice model, Islamic worldview provides deterministic reward to morally conscious good acts. If this reflects in evidence, it implies that the believing Muslim is cognizant and self-

aware of this deterministic justice model. Else, it implies shortcoming on the part of the believing Muslim.

The results also indirectly provide justification for using integrative methodological framework in Islamic economics rather than trying to build a completely distinctive methodological framework in every aspect of choice and constraints.

The integrative framework takes a moderate stance. It criticizes mainstream economics and its narrow focus. Economics is, but a small part of life and a small problem of man. Mainstream economics has shown it as the only problem and the only dimension of man and life. The integrative approach makes a distinction between economic and non-economic choices. This approach confines economics to only the economic sphere of life.

It presents homo Islamicus as a human being who desires to live within the norms and rules of his faith. However, the integrative approach appreciates that this human being is not asked to detest life and resources. This human being has economic needs as well as spiritual needs. This approach incorporates pure altruism, pro-social allocation of resources and moral imperatives in the choice set as the governing framework. Thus, it allows analytical and descriptive studies using mainstream tools as far as they can be useful in analysing and describing economic behaviour.

The integrative framework is useful for descriptive studies about the economic behaviour of actual human beings making economic decisions in markets. This framework aptly separates economic and

non-economic decisions. This distinction does not necessarily depend on the type of resource, i.e. economic and non-economic, but on objective, i.e. economic versus non-economic (spiritual, pro-social, pure altruism, etc.).

However, in some cases, the allocation of resources could be driven by pure spiritual stimuli, i.e. spending on Hajj travel. However, to fulfil this spiritual need, some economic goods will be purchased from the markets. All else the same, one would prefer to economize on airfare, accommodation and food. For instance, if an online app delivers the same airline ticket, hotel room or food brand more cheaply than the other, then it would be chosen while one is undergoing the Hajj journey.

In some other cases, the allocation of resource driven by spiritual stimuli might not involve buying an economic good, such as a donation. In that case, avoiding such non-economic, but real and significant decisions outside of economics framework is a useful separation for analytical clarity and tractability.

Most definitely, if that framework is adopted in the Islamic economics framework, more constraints can be added to incorporate Islamic values and norms. For instance, in the production set, Haram goods will be excluded. In factor returns, fixed compensation to money capital in the form of Riba will be excluded. In the cost function, investable resources set aside for Zakat, Sadqat and Waqf will be deducted to have a measure of investible resources using which factors of production can be employed.

The integrative framework will not allow economics to suggest normative values.



The job of economics would be limited to explain the economic behaviour in the marketplace. In the integrative framework, self-less behaviour would not be treated as irrelevant, irrational or unreal.

At the same time, this integrative framework also does not model human economic behaviour by being

unnecessarily rigid about potential economic choices made by humans within the ethical limits. It avoids the other extreme view that humans will have no regard for their self-interest whatsoever. Islamic teachings discourage the unrestrained pursuit of self-interest. However, Islamic teachings allow flexibility within the Halal choice set.

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## Reflections

In simple words, science is knowledge established by observation and experimentation through an objective process.

Science tries to disentangle useful knowledge about the matter so that this knowledge can be put to effective use.

For the physical world, this effective use encompasses understanding the nature of physical phenomena and using that understanding in applications of matter in developing and advancing technology.

As far as understanding the properties of matter is concerned with the objective of making our lives useful, religion does not oppose science at all. There is no inherent conflict between science and religion if the scope of both science and faith are duly understood and acknowledged.

Faith based worldview does not oppose the use of various tools for obtaining useful knowledge and then using that knowledge for material ends both at an individual and at the societal level.

When one reads Qur'an, Allah is again and again inviting people to ponder over their creation, environment, ecology, design, variety and balance in the organization of matter in the universe in order to decipher the meaning of life amidst all these manifestations.

There is no restriction on planning or in using material resources provided to us by the Creator. In fact, Islam disapproves monasticism, encourages economic pursuits and asks us to choose the easier of available alternatives to provide comfort in our lives as well as for others. Both the intellect and the matter to which we apply our intellect are created by Allah.

The question of 'why we exist' is the focus of religion. The question of 'what exists and how' is the focus of science. The drive for mutual help, engendering compassion, respecting biodiversity, intergenerational resource equity and sustainability requires upholding values which are strengthened by religion.

### Market News

- ❖ Sukuk issuance to stabilise after 2-year decline: Moody's (The Malaysian Reserve, Mar 13).
- ❖ International digital Islamic bank, Nomo, launches multi-currency accounts and card (Zawya, Mar 13).
- ❖ Cagamas concludes RM 715 million worth of Sukuk (Zawya, Mar 13).
- ❖ GCC bank consolidation wave to continue as lenders eye expansion and boost revenue (N Business, Mar 12).
- ❖ Demand for Islamic finance to outpace conventional funding in 2023: Moody's (Pakistan Observer, Mar 10).
- ❖ QFC and HBKU collaborate to promote Islamic finance (The Peninsula, Mar 8).
- ❖ Egypt seeks to attract Islamic investors with debut Sukuk (Al-Monitor, Mar 7).
- ❖ The Islamic Development Bank Issues US\$ 2 billion Sukuk (ISDB, Mar 7).
- ❖ The Omani Islamic banking sector's market share is expected to rise steadily in 2023-2024 after reaching 16.4% of total sector assets at end-2022 (Fitch Ratings, Mar 6).
- ❖ Aafaq Islamic Finance and Rasmala partner to drive sustainable and innovative investment growth in UAE (Zawya, Mar 6).
- ❖ Indonesia Islamic finance assets hit Rp 2,375 trillion: OJK (Pakistan Observer, Feb 24).
- ❖ Govt borrows Rs 5.5 billion via Ijarah Sukuk (Business Recorder, Feb 18).
- ❖ Oman's Bank Nizwa drives Islamic banking sector expansion (Pakistan Observer, Feb 17).
- ❖ Wahed has bought True Wills and I Wills (Legal Futures, Feb 14).
- ❖ Baitulmal expects 5% increase in Sarawak's Zakat collection for 2023 (Borneo Post, Mar 13).
- ❖ Zakat beneficiaries will not receive cash for Eid in Pakistan (Express Tribune, Mar 6).
- ❖ UAE: Revenues of Zakat Fund reach \$68.23 million in 2022 (Zawya, Feb 16).
- ❖ Zakat funds reach OMR 14 million in Oman (Times of Oman, Mar 1).

## Economic and Financial Indicators

### Islamic Banking Statistics 2013-2022

Country	CAR	Gross NPF	ROA	ROE	Net Profit Margin	Cost to Income
Bahrain	18.7	10.8	1.0	7.8	25.6	71.1
Bangladesh	11.5	4.5	1.3	23.5	33.3	43.8
Brunei	20.2	5.0	1.6	12.1	52.0	45.1
Egypt	15.24	7.25	2.62	42.08	58.76	30.91
Indonesia	18.4	4.1	1.3	11.8	13.9	86.1
Jordan	22.3	2.8	1.8	18.3	49.3	50.7
Kuwait	17.8	2.5	1.2	11.0	22.1	32.5
Malaysia	16.7	1.4	1.0	15.0	38.9	39.7
Morocco	20.6	0.2	-3.7	-26.2	-252.8	349.7
Nigeria	30.2	4.3	1.1	12.1	10.5	82.0
Oman	28.5	0.7	-0.8	0.1	-29.6	113.9
Pakistan	15.0	5.0	1.5	24.7	32.2	65.5
Palestine	16.8	2.3	1.0	9.5	24.2	69.6
Qatar	18.0	1.3	1.1	11.0	40.8	13.3
Saudi Arabia	20.1	1.2	2.2	16.4	49.5	49.6
Sudan	15.3	5.1	2.8	41.8	55.9	40.8
Turkey	16.5	4.0	1.3	15.5	21.0	43.3
UAE	17.2	6.3	1.4	11.4	32.0	50.5

Source: IFSB Data

## Islamic Capital Market Investments

Measures / Groups	Annualized Return (%)			Annualized S.D (%)			Coefficient of Variation		
Stable Income Investments									
Sukuk	2013-22	2013-19	2020-22	2013-22	2013-19	2020-22	2013-22	2013-19	2020-22
S&P MENA Sukuk Index	2.67	3.96	0.69	1.94	1.63	2.45	0.73	0.41	3.55
S&P GCC Sukuk Index	2.96	4.45	-0.44	2.03	1.77	2.52	0.69	0.40	-5.70
Bond	2013-22	2013-19	2020-22	2013-22	2013-19	2020-22	2013-22	2013-19	2020-22
S&P MENA Bond Index	2.71	5.09	-2.79	3.89	2.48	5.97	1.43	0.49	-2.14
S&P GCC Bond Index	2.80	5.24	-2.76	3.97	2.52	6.09	1.42	0.48	-2.20
Equity Investments									
Islamic	2013-22	2013-19	2020-22	2013-22	2013-19	2020-22	2013-22	2013-19	2020-22
S&P 500 Shariah	12.04	12.30	11.35	18.03	13.27	26.75	1.50	1.08	2.36
S&P Europe 350 Shariah	7.26	8.83	3.18	15.38	13.60	19.27	2.12	1.54	6.07
S&P 500 ESG Shariah	11.92	11.50	13.00	18.15	13.15	27.22	1.52	1.14	2.09
Dow Jones Islamic GCC	4.25	2.07	10.13	12.82	12.44	13.79	3.02	6.00	1.36
Conventional	2013-22	2013-19	2020-22	2013-22	2013-19	2020-22	2013-22	2013-19	2020-22
S&P 500	11.16	11.98	9.00	17.30	12.83	25.56	1.55	1.07	2.84
S&P Europe 350	5.20	6.80	1.03	16.56	14.44	21.10	3.18	2.12	20.40
S&P 500 ESG	11.41	11.77	10.46	17.34	12.77	25.73	1.52	1.08	2.46
Dow Jones GCC	4.58	2.69	9.68	12.04	11.36	13.72	2.63	4.22	1.42

Source: SP Dow Jones / Working by Research Desk



**World Economic Outlook**  
Projections for Real GDP Growth for 2023 and 2024

Country	2023	2024
Argentina	2	2
Australia	1.6	1.7
Brazil	1.2	1.5
Canada	1.5	1.5
China	5.2	4.5
Egypt	4	5.3
France	0.7	1.6
Germany	0.1	1.4
India	6.1	6.8
Indonesia	4.8	5.1
Iran	2	2
Italy	0.6	0.9
Japan	1.8	0.9
Kazakhstan	4.3	4.4
Korea	1.7	2.6
Malaysia	4.4	4.9
Mexico	1.7	1.6
Netherlands	0.6	1.2
Nigeria	3.2	2.9
Pakistan	2	4.4
Philippines	5	6
Poland	0.3	2.4
Russia	0.3	2.1
Saudi Arabia	2.6	3.4
South Africa	1.2	1.3
Spain	1.1	2.4
Thailand	3.7	3.6
Türkiye	3	3
United Kingdom	-0.6	0.9
United States	1.4	1

Source: IMF World Economic Outlook, January 2023

## Call for Papers

Call for Papers: International Financial Ecosystem and Islamic Firms  
Emerald Managerial Finance

<https://www.emeraldgrouppublishing.com/calls-for-papers/international-financial-ecosystem-and-islamic-firms>

International ESG Conference from an Islamic Perspective 2023 (IECIP 1.0)

7th June 2023, Universiti Islam Pahang Sultan Ahmad Shah, Kuantan, Pahang, Malaysia

<https://submit.confbay.com/conf/iecip2023>

2nd International Conference on Muslim World Economy and Business (ICMWEB)

Muslim World Resilience in Anticipating the Global Economic Uncertainties, May 10-11

<https://feb.uiii.ac.id/icmweb2023/>

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## Other Resources on Islamic Economics Project Portal

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|-----------------------------------|---|
| ❖ Research Articles               | ❖ Book Reviews                              |
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| ❖ Islamic Finance Calculators     | ❖ Topical Bibliographies                    |
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| ❖ Data Resources Links            | ❖ Call for Papers                           |
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