



"It is He who has laid out the earth for you and traced routes in it and sent down water from the sky. We have brought forth every sort of plant with it, so eat and graze your cattle. In this, there are signs for men of understanding. From the earth, We have created you and We will return you to it, and from it We shall bring you forth a second time."

[Al-Qur'an, Taha: 53-55]



The Prophet (ﷺ) said: "Anybody who believes in Allah and the Last Day should not harm his neighbour, and anybody who believes in Allah and the Last Day should entertain his guest generously and anybody who believes in Allah and the Last Day should talk what is good or keep quiet."

[Sahih Bukhari: 6018]

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"Ignorance leads to fear, fear leads to hate, and hate leads to violence. This is the equation."

Ibn-e-Rushd

Islamic Banking: Looking Beyond Shariah Compliance

Dr. Abidullah

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The momentum of Islamic banking in Pakistan has increased following the Islamic financial inclusion efforts led by the State Bank of Pakistan (SBP). The program uses various methods to educate the public about Islamic banking and how it differs from mainstream banking.

Awareness seminars are conducted by the SBP, Islamic banks, and in partnership with academic institutions. Furthermore,

the SBP, in conjunction with the Higher Education Commission (HEC), has mandated universities to incorporate Islamic finance courses into their curricula and to establish distinct programs. These measures are well targeted, as evidenced by the substantial rise in the proportion of Islamic banks' assets within the wider banking sector, which currently accounts for 21.1%, with a year-over-year growth rate of 24.6%.

The proportions of deposits and financing are 24.4% and 30.5%, respectively.

The awareness sessions conducted by banks focus on the prohibition of Riba, justified by Qur'anic verses and Ahadith, and explain how Islamic banks avoid it in their operations. This fosters a sense of religious superiority among those who begin to assume that the inherent beauty of the faith renders Islamic banking nearly flawless.

Consequently, there is a growing belief that the employees of Islamic banks are more truthful, empathetic, and attentive to inquiries than those of mainstream banks. However, upon becoming customers of Islamic banks, they often observe that interactions with Islamic banking personnel at the front end are nearly identical to those with employees of conventional banks.

As a result of this experience, some dissatisfied consumers express their discontent via customer care portals and social media, emphasizing the deficiencies in customer management operations. Due to operational inadequacies at the front end, many of these clients misinterpret Shari'ah compliance.

Because of the enormous focus on Shari'ah compliance in the awareness programs, clients of Islamic banks begin to judge the bank's every move by this standard. In fact, a problem exists within the internal training programs of Shari'ah departments as well, which seem to focus more on ensuring technical Shari'ah compliance and less on coaching employees to behave in a way that reflects Islamic principles.

A number of consumer concerns regarding various Islamic banks were brought to attention recently on LinkedIn and Facebook. The majority of these issues demonstrated how the relevant staff were ill-equipped to handle client inquiries and how Shari'ah compliance was misunderstood. For a financial transaction to be considered compliant with Shari'ah law, it must be free of interest, ambiguity, and gambling or speculation.

Investments should also be made in halal avenues, and asset backing and risk sharing should be part of the deal. Since Shari'ah compliance often focuses solely on the procedure and ignores everything outside of it, values like Amanah (trust) and Ihsan (excellence) in dealing with customers are frequently disregarded.

In a LinkedIn article, Mufti Faraz Adam eloquently explains how Islamic banking must adhere to Shari'ah law while also upholding Islamic principles and ethics. The points he raised are important to note, as they serve as a standard for Islamic bankers. He emphasized the importance of Amanah (trust) and Ihsan (doing good) in the workplace. The true goal of Islamic banking will remain unfulfilled, regardless of how Shari'ah-compliant an Islamic bank appears to be, if its personnel do not embody these fundamental values.

A fundamental principle of Islamic ethics is the importance of being trustworthy, reliable, honest, and accountable in every interaction. It is mentioned in the Qur'an: "Indeed, Allah commands you to return trusts to their rightful owners; and when you judge between people, judge with fairness. What a noble commandment from Allah to you! Surely Allah is All-Hearing, All-Seeing." (Al-Quran 4:58)

The principle of Amanah and the ultimate objective of Islamic banking are not achieved if the sole focus is meeting monthly targets for customer acquisition or product sales. This results in the same capitalist concept of profit maximisation disguised in the colour of 'Shari'ah compliance'. The Amanah principle is violated when an employee of the bank interprets a customer's lack of product knowledge as an opportunity to present a desired image, rather than sharing the actual facts.

Similarly, Ihsan entails being genuine and striving for excellence in everything one does, particularly in worship and in social interactions. The Qur'an states:

**"Indeed, Allah orders justice and good conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded."
(Al-Qur'an 16:90)**

The above verse offers a thorough framework for social interaction. It encourages three actions, Adl (justice), Ihsan (good conduct), and Ita' al-Qurba (giving to relatives) while forbidding three others, Fahsha (immorality), Munkar (evil), and Bagh'y (oppression). Ihsan fosters compassion and warmth within the community, while Adl ensures the efficient and just functioning of society. The hallmark of a true Muslim is doing good to all. Regrettably, this quality is eroding in all segments of our society. Our

professional lives are no exception, whether as academics, businessmen, or members of other professions. We are compromising on this fundamental trait of a true believer.

Islamic bankers are not exempt from this accountability. They must be recognized for their trustworthiness, humility, and integrity. A true Islamic banker should demonstrate the ability to empathize with the suffering of others as if it were their own, provide transparency in customer interactions beyond the minimum required by rules, and offer excellent customer service at the outset, during the contractual period, and at the conclusion of the contract. Unfortunately, these attributes are diminishing due to the excessive pressure on branches to meet targets associated with the expansion of Islamic banking.

This situation necessitates that Islamic banks move beyond merely incorporating Shari'ah into the organizational structure and focusing solely on compliance with financial transactions. Islamic banks must also reform customer service practices in line with Adl, Ihsan, and Amanah. Decision-makers must give equal importance to Shari'ah compliance and customer service provision, guided by these principles, both in internal departmental trainings and in broader efforts to transform Islamic banking according to Islamic values.

Outline of an Islamic Fiscal Policy
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To run a country's economy, any government essentially relies on two fundamental economic policies: Monetary Policy and Fiscal (or Budgetary) Policy. The main objectives of these policies include controlling inflation and unemployment, boosting economic growth, and maintaining balance in external payments. In the current era, however, the role of monetary policy has been largely restricted to controlling inflation. As a result, fiscal policy has gained increased importance, becoming the primary tool for addressing poverty, and growth.

In light of this, the following lines aim to explore what the budgetary structure of an Islamic state should look like. A budget policy essentially outlines the expected revenues and expenditures of a government. When discussing sources of government income, taxes are a major component. In addition, governments often generate income through the sale of natural resources.

However, an Islamic government has access to additional revenue sources, such as Zakat, Ushr, and Khums. A unique feature of these sources is that they are voluntary in nature and do not harm the welfare/utility loss of the payer.

Regarding the use and sale of natural resources, it is important to remember that, from an Islamic viewpoint, land belongs to Allah, and humans are His vicegerents. As such, they are responsible for enforcing His commandments on earth. All Muslims are part of a single

Ummah and collectively share rights to the resources of the earth—these rights are not limited to the current generation but extend to future generations as well. In this context, Caliph Umar (RA)'s decision not to distribute conquered lands among the warriors (Mujahideen) as Ganimat is often cited as a significant precedent.

One key principle in modern economic policy is sustainability. From this perspective, Islamic principles support long-term sustainability and restrict the overexploitation of resources.

Regarding taxation, Islam has laid out clear guidelines: not only is excessive taxation sinful, but even when collecting taxes even from non-Muslims, there should be no element of hardship. For example, Urwah ibn Zubayr narrated that Hisham ibn Hakeem (RA) once saw a tax collector in Homs mistreating some Christian Copts by making them stand under the sun while collecting Jizya. He objected, citing the Prophet Muhammad (PBUH) who said: *"Allah will punish those who torment people in this world"* (Sunan Abi Dawood 3045).

Similarly, in Sahih Bukhari (Hadith 3700), Caliph Umar (RA) is reported to have strictly warned against overburdening landowners with taxes. When asked about the tax rate imposed on Iraqi lands, he inquired whether it was within the capacity of the land to produce. Upon being assured that the taxes were fair, he emphasized not to exceed the land's potential.

Such teachings clearly prohibit oppressive taxation and promote ease and fairness in tax collection.

After sources of income, the second component of fiscal policy is government expenditures. Major spending areas include interest payments on debt, defense, and salaries of public servants, along with spending on education, health, and social protection. These expenditures are typically divided into:

- Developmental Expenditures (e.g., infrastructure, public projects)
- Non-Developmental (Current) Expenditures (e.g., salaries, administration)

Islam does not prohibit government spending on these areas except for interest payments, which are strictly forbidden. Across all expenditures, Islam instructs that moderation should be maintained and extravagance (*israf*) avoided. *Israf* refers to unnecessary spending beyond one's needs, such as spending millions on clothing that can be acquired for much less.

Likewise, *tabzeer* (wastefulness)—spending on completely unnecessary things—is condemned. The Qur'an equates those who engage in *tabzeer* to the “brothers of Satan.”

In this light, luxurious perks for government officials—such as expensive cars with fuel allowances, inflated salaries, and lavish privileges—are considered *israf*. Even ministers, who claim to serve the public, sometimes become burdens on the nation. A worthy example is Caliph Abu Bakr (RA), who fixed his salary equivalent to that of an

ordinary labourer, reasoning that if a common citizen can survive on such an income, so can a leader.

In today's budgeting process, all government departments submit their projected expenditures (often extravagant) for the next fiscal year. The government then determines how to fund them—mainly through taxation. In practice, this leads to new taxes or increases in existing ones every year, burdening the general public.

Islam teaches: “Stretch your feet according to your blanket” and regards the giving hand superior to the receiving one. Based on this principle, a government should first assess how much income it can generate without imposing unjust taxes, and then prioritize expenditures, funding only the most necessary ones.

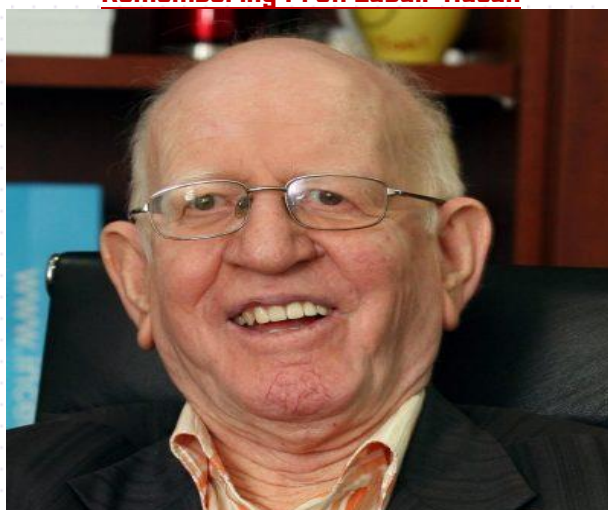
If, despite these measures, expenses exceed revenues, the government may resort to borrowing—although it's not ideal, it is permissible under Islamic principles, provided the loans are interest-free.

With the development of Islamic banking, interest-free loans have become feasible for governments. The burden of the loan can be reduced if developmental expenditures are funded through partnership-based financing, such as Public-Private Partnerships (PPP) or Islamic Sukuk (Sharia-compliant bonds). This ensures that projects are profitable and efficient, as the private sector will only invest in financially sound ventures. Profits can either be used to buy out private ownership or reinvested in other sectors.

However, if borrowed funds are used for non-developmental expenditures, it will inevitably lead to future tax burdens, which should be avoided for both

economic and moral development; as Islam teaches prudence and financial discipline.

Remembering Prof. Zubair Hasan



Prof. Zubair Hasan had died recently after a life full of academic contributions and excellence, especially in developing the field of Islamic Economics on analytical footings. One of the hallmarks of his works were his breadth of readings, perspectives, critical thinking, objective analysis and bold articulation.

Hasan did his undergraduate and PhD at Meerut College in Uttar Pradesh in (1973). He started his teaching career at Meerut College (1957) and retired as Professor Emeritus from INCEIF, The Global University of Islamic Finance Kuala Lumpur, Malaysia. He also worked for International Islamic University of Malaysia for a good part of two decades. His teaching stretched well over half a century.

Hasan was recipient of the IsDB Prize (Islamic Economics) in 2009. He also

received the OIC COMCEC AWARD in 2014 for contribution to Islamic economics and Finance.

He wrote extensively on Islamic microeconomics giving the Islamic perspective to the theory of consumer and producer behaviour. He would go beyond philosophical debates and narratives to also discuss the operationalization of the analysis of consumer and producer behaviour. He wrote several books, book chapters and research papers on Economics, Microeconomics, Development Economics, Essays on the issues in Islamic Economics and Islamic Banking.

In theorising Islamic Economics, he discussed the relevance and issues with integration of the concept of profit, rationality and profit maximisation in Islamic Economics. In Islamic banking, he

discussed the theoretical and practical issues in Islamic banking often providing critical insights and fresh perspectives on thinking over the process of Islamisation of the disciplines and the systems.

His contributions and especially the genuine engagement with issues in objective, critical and academic ways are a beacon of light for the current and prospective researchers in the field of Islamic Economics.

Highlights of Human Development Report 2025

Muhammad Hammad

Artificial intelligence (AI) is advancing at a rapid pace. Yet as AI surges forward, human development stalls. Decades of progress, reflected in the Human Development Index, have flatlined, with no clear recovery from the blows dealt by the Covid-19 pandemic and subsequent crises. We are at a crossroads: while AI promises to redefine our future, it also risks deepening the divides of a world already off balance. Are we on the verge of an AI-powered renaissance—or sleepwalking into a future ruled by inequality and eroded freedoms?

This year's Human Development report examines what distinguishes this new era of AI from previous digital transformations and what those differences could mean for human development (Chapter 1), including how AI can enhance or subvert human agency (Chapter 2). People are already interacting with AI in different ways at different stages of life, in effect scoping out possibilities, good and bad, and underscoring how context and choices can make all the difference (Chapter 3).

Human agency is the price when people buy into AI hype, which can exacerbate exclusion (Chapter 4) and harm sustainability. And, of course, who

produces AI and for what matter a lot for everyone (Chapter 5).

Empowering people to make artificial intelligence work for human development

As artificial intelligence (AI) races ahead, the chapter turns the focus to people, not just to those who build AI, but to how people everywhere can use it to improve their lives. This is the most relevant question from a human development perspective.

Used in the right way, AI offers an opportunity to expand human capabilities. The chapter challenges unhelpful myths about AI replicating humans and calls for reimagining the relationship between people and this powerful new technology. Despite all the things that AI can do, it cannot replace human judgment.

Thinking beyond replacing humans reveals opportunities for AI to augment human development and enhance the unique contributions of human intelligence, including expanding human scientific and expressive creativity.

The vocabulary around AI often misleads, starting with the term “intelligence.” While useful for describing AI abilities, intelligence should not imply that machines are acquiring human traits. AI is not able to frame problems or act on its behalf. Because AI can do some things so well, some people assume that humans will not be needed to do those things. It was predicted in 2016 that within a decade, advances in AI medical imaging would lead to the disappearance of radiologists. Extrapolations along the same lines continue to posit that artificial general intelligence will leave no work for people.

From tools to agents: Rewiring artificial intelligence to promote human development

To artificial intelligence (AI), decisions are merely tasks to automate. Yet to humans, choice is the currency of agency and the affordance of freedom. As AI becomes integrated into our world, it raises the possibility of automating tedious decisions alongside the specter of inadvertently ceding human agency.

The consequences of carelessly ceding agency will be felt not just by individuals in moments but through cumulative consequences for collectives and cultures. Averting loss of human agency to machines requires going beyond a quest for more agentic models and instead favoring the development of AI that expands, rather than contracts, human choice, agency, and freedoms.

The rapid growth in AI’s capabilities, development, and deployment results in a similarly dramatic increase in how AI directly and indirectly learns from, interacts with, and affects the physical

world. AI can be fed information from any internet-connected sensors monitoring and managing pandemics, as well as evaluating broader disease patterns. And the impact of AI in economic contexts is widespread.

Artificial intelligence across life stages: Insights from a people-centered perspective

People at each life stage use artificial intelligence (AI) with varying frequency and for different purposes, influenced largely by the institutions they are embedded in. Nearly half of students and a quarter of working people use AI-powered applications more than once a week, primarily for education and work. In contrast, only 15 percent of nonworking people and 9 percent of retired individuals do so, mostly for entertainment and health. These differences in frequency and purpose of use shape how AI affects people’s lives.

The life stage perspective reveals three policy imperatives—the “three I’s”—for advancing human development:

- ❖ Invest in universal access to electricity, internet, digital devices, and the skills needed to use them effectively.
- ❖ Inform people of the risks and opportunities of AI, enabling them to make informed choices about when and how to use it.
- ❖ Include people of all ages, genders, ethnicities, and backgrounds in AI design and development, and bring firms into inclusive policy conversations on how to make AI work for people.

Framing narratives to reimagine artificial intelligence to advance human development

As the impact of artificial intelligence (AI) on human development remains uncertain, narratives can play a crucial role in shaping our choices. Rather than a techno-determinist narrative that assumes that AI alone will either solve all our problems or threaten the future of humanity, AI's direction and deployment will be contingent on individual and collective choices.

Institutional and social choices can enable AI to expand people's capabilities and agency, as illustrated through AI's applications for people with disabilities, care systems, and gender equality, as well as in conceptualizing and mitigating AI bias. To do so, existing benchmarks to evaluate AI's progress and safety should be complemented with ones that assess the impact on advancing human development.

Power, influence, and choice in the Algorithmic Age

Much of this Report focuses on the demand side of artificial intelligence (AI). This chapter shifts the lens to the supply side, asking what kinds of AI tools are developed, for what purposes, and by whom.

The chapter examines “power over” people: how AI producers and sometimes AI itself can affect people's prospects (in positive and negative ways), alter their options (the choices they can exercise), or influence their beliefs and preferences (including what they value and have reason to value).

In this sense, algorithmic intermediaries are subtly shaping the fabric of society and influencing human relations and behavior in ways both profound and unseen. To examine in detail how AI “power over” is manifested, take the recommender systems widely deployed in web search and digital platforms. This type of AI is one of the most consequential ways that AI algorithms mediate and influence human relations, interacting with social, political, and economic processes, shaped by and shaping economic incentives, regulations, and social norms.

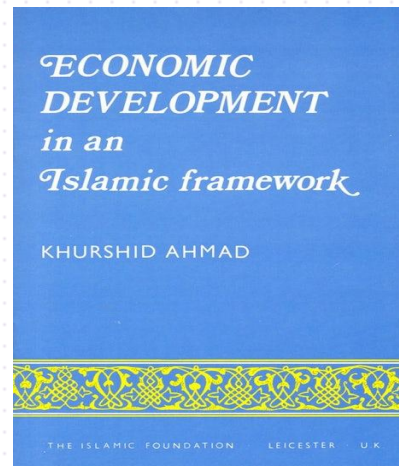


Book Review

Title: Economic Development in an Islamic Framework

Author: Khurshid Ahmad

Publisher: The Islamic Foundation



Prof. Khurshid Ahmad highlights that for Muslim majority countries; the challenge of economic development is to pursue the goal of achieving meaningful human-centric economic development that is consistent with Islamic principles and which fosters the use of policy instruments and design of Islamic economics. He acknowledges that Muslim countries grapple with widespread economic underdevelopment, characterized by the underutilization of human and physical resources, resulting in poverty, stagnation, and backwardness.

On the dilemma of whether to pursue economic development by emulating Western industrialized countries or to undertake a unique socio-economic reconstruction rooted in Islamic principles, Prof. Khurshid Ahmad argues that it is important to discern the essence of economic development within an Islamic framework rather than just playing catching up. The Western experience of economic development has not been able to address the growing inequalities. Prof. Khurshid Ahmad argues that the trickle-down effect is a

conjecture not proven by empirical evidence.

Prof. Khurshid Ahmad identifies the path to follow in order to achieve this objective. The first step is to identify the Islamic ideal of economic development and then assessing the gap between this ideal and the current state of the Muslim world. Then, the next step is to devise strategies to foster development within an Islamic framework.

Prof. Khurshid Ahmad laments the fact that development planning exists in many Muslim countries, yet it often mirrors Western growth prototypes, neglecting to integrate Islamic ideals and values into development strategies. According to him, this has led to developmental policies that are more or less Islam-neutral, failing to transform the economics of the Muslim world towards Islamic principles and often exacerbating existing inequalities.

Prof. Khurshid Ahmad argues that the Western model of development overemphasized industrialization, capital

formation, and technological transfer while neglecting social and cultural factors. This approach adopted as it is by the third world countries has led to negative consequences, including increased poverty, inequality, and dependence on foreign aid. He argues that Western development model promotes individualism, and materialism, which conflict with Islamic values. It also leads to social divisions, wasteful consumption, and moral decay.

Prof. Khurshid Ahmad emphasizes that the Islamic concept of development focuses on human development across moral, spiritual, and material dimensions. It encompasses the purification and growth of individuals and societies, striving for comprehensive well-being and prosperity in this world and the hereafter. He lists the goals of development policy within an Islamic framework which include human resource development, expansion of useful production, improvement in the quality of life, balanced development, evolution of new technology, and reduction of national dependency on the outside world.

To achieve these objectives, Prof. Khurshid Ahmad argues that it is imperative to move away from simplified aggregate growth models and adopt a multi-objective approach that addresses specific problem areas. This entails a more active role for governments and the establishment of new social institutions, alongside the encouragement of small and medium-scale private enterprises. Furthermore, it necessitates a renewed focus on research and planning to devise creative solutions and develop more realistic plans for the future.

Prof. Khurshid Ahmad highlights that Islamic concept of development will give due importance to social justice. Growth for the sake of growth is not ideal as there are limits to growth. Inequitable growth that does not result in employment creation and need fulfilment of all is not ideal. He thinks that humans should be put first.

Prof. Khurshid Ahmad emphasizes the role of Maslaha based production through existence of public sector in determining the product mix and pricing in socially important sectors. This can help in plugging the gap of unmet needs which is left vacant by profit maximizing firms in the market economy. Thus, the author cautions against joining the polar extremes of Western economic systems. Instead, the realities and the context of Muslim world shall be studied and development policy shall be home-grown, rooted in Islamic vision, flexible enough for adaptation, multi-dimensional and human-centric.

Prof. Khurshid Ahmad argues that Islam emphasizes integrated human development, encompassing moral, spiritual, and material dimensions. The author outlines the philosophical foundations of Islamic development, including:

- ❖ Tawhid (Oneness of God)
- ❖ Rububiyah (Divine sustenance)
- ❖ Khilafah (Vicegerency of human)
- ❖ Tazkiyah (Purification leading to growth)

Prof. Khurshid Ahmad outlines the goals of economic development which include human resource development, expansion of useful production, and ensuring equitable distribution of income and

wealth. In the process of development, he emphasizes the importance of moral orientation, cooperation, and social responsibility.

In development policy in Muslim majority countries, Prof. Khurshid Ahmad suggests that there is a need for greater cooperation and integration among Muslim countries to achieve economic development. He advocates for a shift away from aid-based development towards self-reliance. The author critiques the negative impacts of foreign aid, arguing that it has not produced the desired results and has led to dependence and indebtedness. Prof. Khurshid Ahmad argues that debt-based development strategy has led to increasing indebtedness for many Third World countries, with a net transfer of resources from the poor to the rich. He also argues that depreciation of petrodollars in exchange of oil is not fruitful in the long run. The real natural resource goes out

and the payment in fiat currency also remains parked in off-shore accounts and faces depreciation. It also hinders self-reliance, independence and diversification of investment, production and employment in other sectors. He maintains that globalization shall not become a “rubric of neo-colonialism”.

Prof. Khurshid Ahmad clarifies that self-reliance does not mean that we should cut ourselves from the rest of the world as in autarky. Instead of trying to be self-sufficient in everything, he favours self-reliance which implies having enough space to develop home-grown and context-specific policies which make use of Islamic economic teachings, institutions and operating principles.

Research Paper in Focus

Paper Title: ESG and Banking Performance in Emerging and Developing Countries: Do Islamic Banks Perform Better?

Author: Faaza Fakhrunnas, Turalay Kenc and Zhang Hengchao

Publisher: Journal of Islamic Monetary Economics and Finance, 11(1), 175-198

This paper investigates the effects of Environmental, Social, and Governance (ESG) implementation on banking performance in emerging and developing countries. Applying the Two-step System Generalized Method of Moments (System-GMM) to panel data of 179 banks across 29 countries spanning 2016-2022, the authors

claim that ESG implementation significantly enhances overall banking profitability. However, when they assess the implications of ESG on Islamic banks, they find that overall ESG commitment significantly reduces profitability. As for the individual ESG pillar, authors note the profit-enhancing effect of environmental

pillar on both Islamic and conventional bank profitability. Some evidence is also uncovered for the significant positive effect of social pillar on conventional bank profitability. Finally, the authors inform no significant influences from governance pillar.

These results highlight the divergent impacts of ESG implementation on Islamic and conventional banks. It is concluded that policymakers should exercise caution in designing and implementing ESG policies, ensuring they are tailored to promote optimal performance across different banking models.

The analysis also reveals significant differences between Islamic and conventional banks regarding the impact of ESG practices on banking performance. Islamic banks are found to be better when implementing environmental pillars. Conversely, taking into account the ESG framework as a whole and implementing it in Islamic banking operations creates an additional cost that lowers the return of Islamic banks.

From the results, the authors arrive at the following two main conclusions: (1) ESG practices are pivotal for banking performance in emerging and developing countries, and (2) Islamic banks possibly face trade-off between commitments to ESG practices and the Shari'ah-compliant framework. Nevertheless, Islamic banks obtain financial benefits when focusing on environmental pillar activities. As for a policy implication at the banking level, banks in emerging and developing countries need to integrate ESG practices into their banking operations.

The banks' ESG commitment can be in the form of adopting ESG framework in their

banking operation and business strategy, incorporating ESG in credit assessment, and integrating ESG commitment in their banking products. In the case of Islamic banks, incorporating the environmental pillar can be adopted in the form of promoting green financing and integrating environmental risks in the banking operation. At the policy level, the financial authority is required to have an ESG framework to be implemented in the banking industry.

A step-by-step implementation can be adopted on a voluntary basis, and sufficient incentives can be provided for banks that have ESG commitments. In addition, financial authorities must engage in ESG activities such as issuing green bonds/sukuk and having macro and micro-prudential policies based on the ESG framework. However, in the dual banking system, a tailor-made ESG framework needs to be adopted to recognize the uniqueness of Islamic banks, especially in the presence of the Shariah governance framework.

The tailor-made ESG framework is important to ensure the absence of potential overlap between incorporating ESG and implementing Shari'ah principles. Our study is confined to investigating the impact of ESG implementation on banking performance using profit-based measurement. Future studies probably need to elaborate on risk-based measures of performance while also extending not only ESG and its pillars but also the indicators in each pillar. Thus, the findings of the study can precisely capture the impact of ESG at the level of the indicators on banking performance.

In future researches, the authors must extend time span for the study to study the short run and long run influences. They missed an important control variable interest rate which must have been part of the banking performance model.

There is also a need for more careful analysis to check bi-directional causality. It could be that profitable banks have better leverage to engage in ESG practices which add cost and time. While facing trade-offs and cost, not so well performing banks may not engage in ESG practices more intently. Thus, it is important to check causality in both ways.

It is also important to study the relation through non-parametric tests and contingency tables. Regression based inferential analysis is good to establish statistical association, but the economic significance could also be gauged directly and clearly through descriptive analysis and by use of contingency tables and non-parametric tests.

Furthermore, it is important to distinguish between ESG reporting and ESG

performance. The issue of green washing implies that both are not necessarily the same. Talk and announcements are not the same as committed actions and resource allocations which are extraordinary.

Furthermore, the trade-offs between ESG and Shari'ah Compliance need to be discussed more clearly. The literature overwhelmingly shows affinity between ESG and Maqasid-e-Shari'ah as complements.

The authors need to discuss more comprehensively why they expect a trade-off between Shari'ah compliance and ESGs. Trade-offs may exist between ESG components. For instance, the long-run focus on environmental versus short-run disruptive effects on the social component. But the authors had not given this point much consideration.

Reflections on the Social and Cultural Importance of Hajj

Hajj is an important 'Ibadah' in Islam. It is compulsory for every Muslim (male and female) to perform Hajj once in a life if one can afford it and is able to travel to the place physically.

Below, we look at the social and cultural importance of Hajj and what implications it has at an individual level and how it shapes societal behaviour and actions.

Hajj is a special 'Ibadah' in Islam. It simultaneously contains an element of other important 'Ibadah' in Islam, like Jihad and fasting.

In Jihad, one is contributing with one's physical capabilities and money to fight against evil in the way of Allah. It involves a travel away from home and sacrifice of one's wealth and even life. In Hajj too, one travels away from family to meet

Allah and exhibits one's determination to surrender before Allah.

Just like in fasting, in Hajj too, one refrains from certain allowable activities for the time being in order to fulfil Allah's commands. By this resentment, one is reinvigorating the pledge with Allah to follow His commands consistently.

Some people argue that why Muslims go for Hajj even though, they could use the money for charity and social causes.

First, Hajj is a compulsory Ibadah once in life only on those who are physically fit to travel and who have the resources to make that journey from their own funds rather than the borrowed funds.

Major expenses include airline ticket, accommodation, and food and travel within the cities.

All of these services are provided by firms. The revenues they get from providing these services opens an income source to the labourers and other factors of production.

In national income accounting, income and expenditure are two sides of the same coin. Someone's expenditure is someone else's income.

When people spend on buying shoes and garments, it enables the workers to get wage, outlet owner to get rent, investors to get return and entrepreneur to get profit which he would either spend or reinvest. But there are other aspects of Hajj also in terms of fostering

cooperation, harmony and love among people.

From the social point of view, thousands of people come for Hajj from all over the world having different races, colour, belonging to different countries and speaking different languages. They all come to perform Hajj and follow the rituals in the same manner to exhibit that there is no difference in Islam between human beings on the basis of wealth, race, creed, language and region.

From the viewpoint of culture, Hajj brings together people of different cultures together. It brings increased understanding about different cultures and unites people by ensuring mutual respect and harmony.

It expands people's vision and makes them accommodate and leave their biases first at the holy place and then this mutual harmony is perpetuated after one experiences life away from worldly affairs, wearing un-stitched clothes, using no means of adornment and beautification and embracing one's true identity as the creature of Allah.

All the people, despite their diverse demographic attributes, wear the same un-stitched clothes, come together at one place, and follow the same rituals and exhibit unity and discipline.

This feeling and understanding compels people to leave their pride and biases. It makes them believe that they are servant of Allah just like everyone else.

Market News

- ❖ Pakistan signs \$4.5 billion Islamic Finance deal to clear power sector debt (Power Technology, Jun 23).
- ❖ Pakistani pioneer launches first Islamic blockchain (Daily Times, June 26).
- ❖ Qatar Islamic Finance assets reach \$187.63 billion in 2024 (ZAWYA, Jun 10).
- ❖ Bahrain's Islamic Finance industry projected to surpass \$100 billion in 3 to 5 years (Arab News, Jun 12).
- ❖ Turkcell subsidiary secures €100 million Islamic Financing to boost data center, cloud expansion (Insider Monkey, Jun 27).
- ❖ Emirates NBD and DIB announce a \$175 million Murabaha deal (ZAWYA, Jun 19).
- ❖ Meezan Bank reaches \$2 billion market capitalization milestone (Bloom Pakistan, June 28).
- ❖ Standard Bank launches southern Africa's first Shari'ah-Compliant overdraft (Daily Maverick, Jun 28).
- ❖ MCB Islamic Bank recognized for excellence in promoting Islamic banking (Business Recorder, Jun 14).
- ❖ Islamic banking in Egypt surges to EGP 1.08 trillion in March 2025 (Daily News Egypt, Jun 01).
- ❖ Dukhan Bank named 'Qatar's Best Bank for Consumers' at Euro money Awards for Excellence 2025 (Gulf Times, Jun 26).
- ❖ Qatar Islamic Bank successfully issues \$750 million Sukuk (ZAWYA, Jun 04).
- ❖ UAE raises \$300 million in June 2025 Islamic T-Sukuk auction, oversubscribed 5.6 times (Arabian Business, Jun 27).
- ❖ Pakistan signs five-year syndicate financing facility for \$1 billion (The Hindu, Jun 19).
- ❖ Egypt sells \$1 billion in 3-year Sukuk to Kuwait Finance House (ZAWYA, Jun 26).
- ❖ Saudi Dar Al-Arkan's \$750 million Sukuk priced (ZAWYA, Jun 26).
- ❖ IsDB mobilizes US\$1.2 billion from capital markets with second Public Sukuk issuance of 2025 (Islamic Development Bank, Jun 17).

- ❖ Morningstar: Sukuk market grows despite liquidity and concentration risk (The DESK, Jun 27).
- ❖ Saudi Arabia raises \$628 million in June Sukuk offering (Arab News, Jun 26).
- ❖ PSX releases term sheet for 10-year fixed rate GoP Ijarah Sukuk (Mettis Global, Jun 23).
- ❖ KE to offer Rs 3 billion Sukuk through public subscription (Business Recorder, Jun 18).
- ❖ Government purchases around Rs 29 billion Ijarah Sukuk on Bai Muijjal basis (Mettis Global, Jun 23).
- ❖ At-Tahur fulfills Rs750 million Sukuk obligation (Profit by Pakistan Today, Jun 04).
- ❖ Arada Sukuk extends consent fee deadline for \$500 million certificates (Investing.com, Jun 27).
- ❖ Nasdaq Dubai welcomes listing of \$500 million AT1 Sukuk by Sharjah Islamic Bank (ZAWYA, Jun 10).
- ❖ UOB Malaysia successfully prices Tier 2 Sukuk Wakalah (The Star, Jun 24).
- ❖ RHB issues RM 900 million Sukuk, RM 500 million Tier-2 notes (The Star, Jun 30).
- ❖ Takaful outpaces conventional insurers during 2020-24: QFC (ZAWYA, 24).
- ❖ Insurance industry's shift to Takaful: SECP maps out strategic transition plan (Business Recorder, Jun 07).
- ❖ Pak-Qatar Family Takaful wins fastest growing company award (Mettis Global, Jun 23).
- ❖ S&P upgrades Alkhaleej Takaful insurance credit rating to A- (ZAWYA, Jun 17).
- ❖ PQFTL named 'fastest growing family Takaful co' (Business Recorder, Jun 24).
- ❖ Zakat foundation empowers 136 widows across Nigeria, donates tools, cash in Ogun (Tribune Online, Jun 27).
- ❖ Islamic Fintech Offa bolsters staff to support UK growth (MPA Mag, Jun 30).
- ❖ Standard Chartered-backed Audax eyes opportunities in SE Asia & Gulf Nations' Islamic digital finance ecosystem [Q&A] (TN Global, Jun 16).

- ❖ Bank Muamalat launches its Islamic Digital Bank ATLAS Powered by Back base (Fintech News Malaysia, Jun 05).
- ❖ Qatar's Islamic Fintech market to reach QR 16.1 billion in volumes by 2028: QFC report (Gulf Times, Jun 13).
- ❖ Massive rally in Patna demands repeal of the amended Waqf Law (Clarion India, Jun 30).
- ❖ BJP slams Tejashwi Yadav's stand on Waqf Act, says his 'samajwaad' cover for 'namazwaad' (The Economic Times, Jun 30).
- ❖ Waqf Umeed portal tantamount to contempt of court, claims Muslim Board (The Hindu, Jun 04).
- ❖ Interfaith leaders Unite in Bengaluru to oppose Waqf amendment act (Shia Waves, Jun 28).
- ❖ Government asks states to adhere to timelines after launch of Waqf portal (Times of India, Jun 07).
- ❖ Owaisi slams Waqf amendment, warns BJP on Muslim land rights (The Economic Times, Jun 25).
- ❖ There is a gurdwara, let it be: Supreme Court rejects Delhi Waqf board's claim (India Today, Jun 04).
- ❖ Chhattisgarh Waqf Board caps Nikah Khutba charges at Rs 1,100; Muslim scholars question move (The New Indian Express, Jun 07).

Economic and Financial Indicators

Islamic Banking Statistics 2025

| Country | CAR | Gross NPF | ROA | ROE | Net Profit Margin | Cost to Income |
|--------------|-------|-----------|------|-------|-------------------|----------------|
| Bahrain | 19.5 | 0.8 | 0.8 | 10.2 | 37.3 | 54.1 |
| Bangladesh | 21.2 | 1.2 | 0.5 | 11.1 | 34.4 | 54.8 |
| Brunei | 19.1 | 1.8 | 2.0 | 15.3 | 69.7 | 30.3 |
| Egypt | 18.62 | 2.98 | 3.50 | 40.58 | 63.70 | 18.56 |
| Indonesia | 25.51 | 2.14 | 2.65 | 19.25 | 36.34 | 63.66 |
| Jordan | 19.4 | 2.0 | 1.5 | 16.9 | 51.4 | 48.6 |
| Kuwait | 17.7 | 1.9 | 1.6 | 11.9 | 56.3 | 41.3 |
| Malaysia | 17.7 | 1.5 | 1.1 | 14.3 | 38.9 | 41.2 |
| Morocco | 20.0 | 0.3 | -1.5 | -17.3 | -63.3 | 159.6 |
| Nigeria | 10.26 | 5.11 | 2.54 | 88.57 | 32.11 | 62.8 |
| Oman | 15.6 | 3.2 | 1.2 | 8.8 | 36.4 | 56.8 |
| Pakistan | 24.9 | 4.6 | 5.3 | 78.4 | 62.9 | 36.1 |
| Palestine | 15.2 | 6.3 | -0.1 | -0.7 | -1.4 | 68.4 |
| Qatar | 20.7 | 3.8 | 1.5 | 13.6 | 26.2 | 8.8 |
| Saudi Arabia | 19.6 | 0.9 | 2.39 | 18.0 | 62.6 | 37.4 |
| Sudan | 8.60 | 4.68 | 3.01 | 34.1 | 37.5 | 50.0 |
| Turkey | 18.5 | 9.8 | 3.4 | 42.9 | 41.6 | 42.6 |
| UAE | 18.3 | 4.9 | 2.4 | 18.7 | 39.7 | 56.8 |

Source: IFSB Data

Chart 1.2: Regional and Sectoral Distribution of Global IFSI Assets

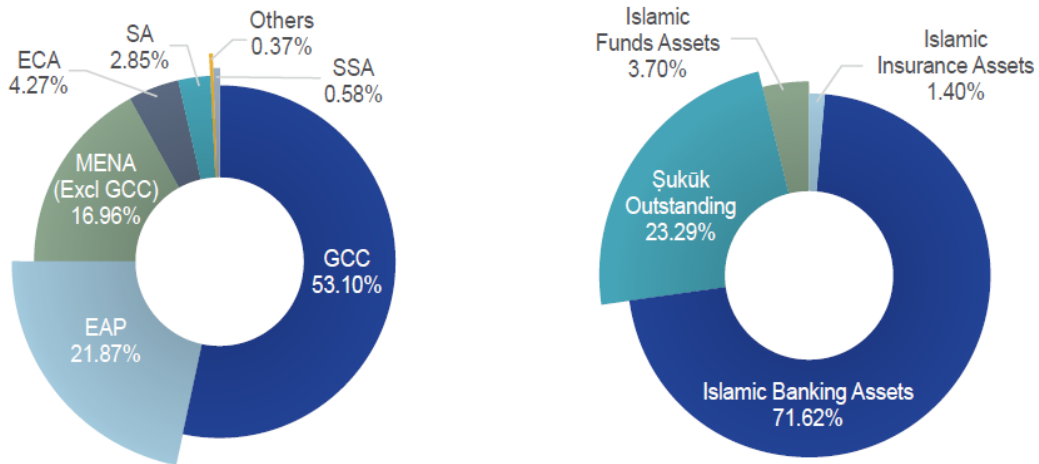


Chart 1.1: Global IFSI Total Asset Size (USD in Trillion) (2020 - 2024)

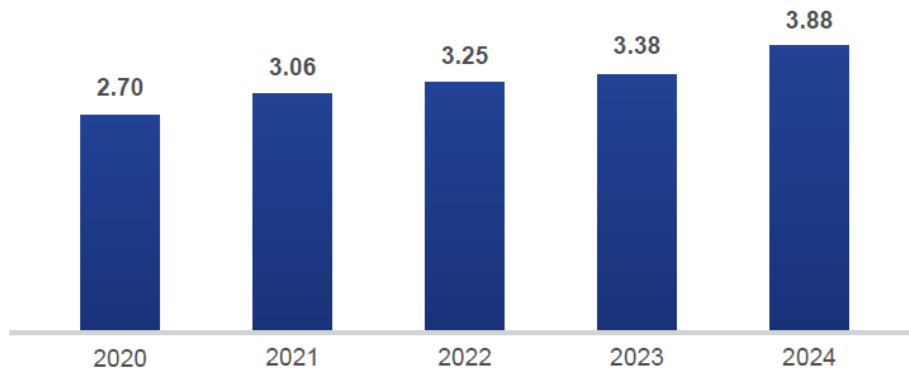
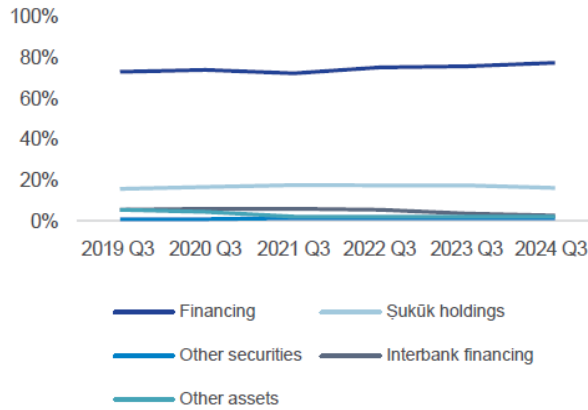
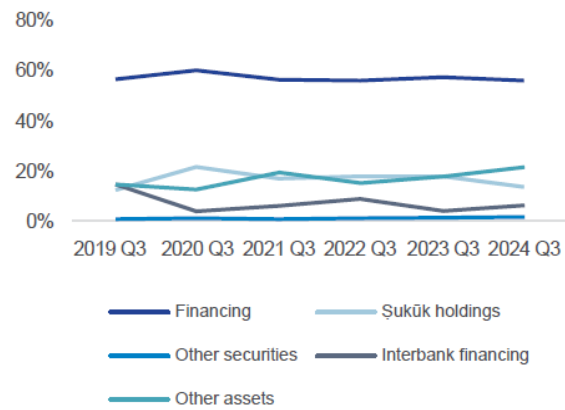


Chart 1.1.2: Regional Islamic Banks' Asset Composition

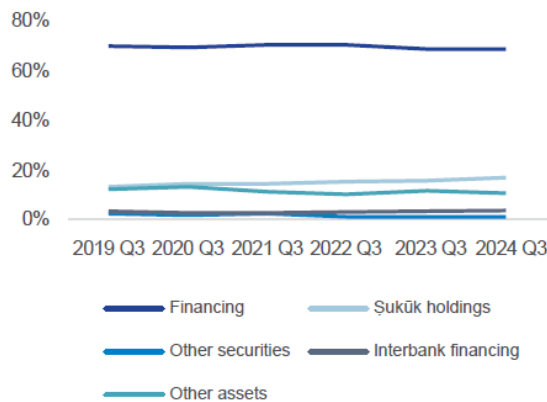
A) Asset Composition in the EAP Region



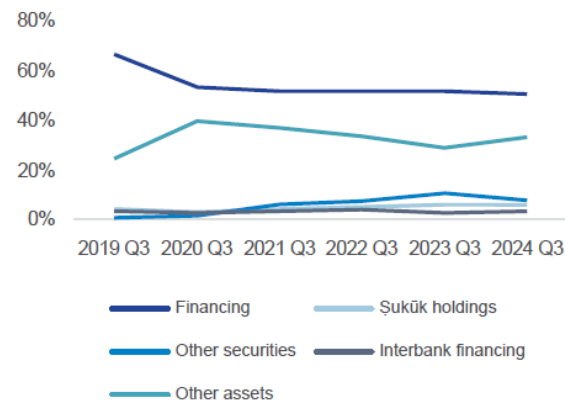
B) Asset Composition in the ECA Region



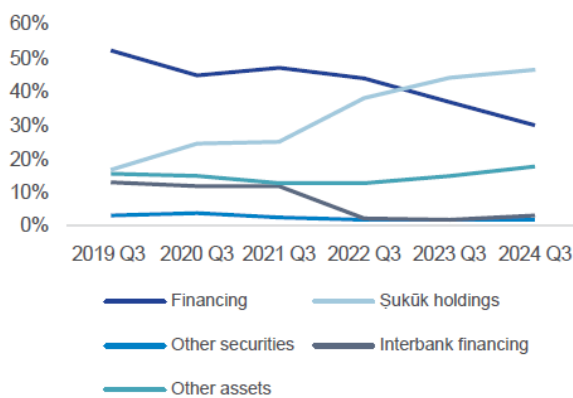
C) Asset Composition in the GCC Region



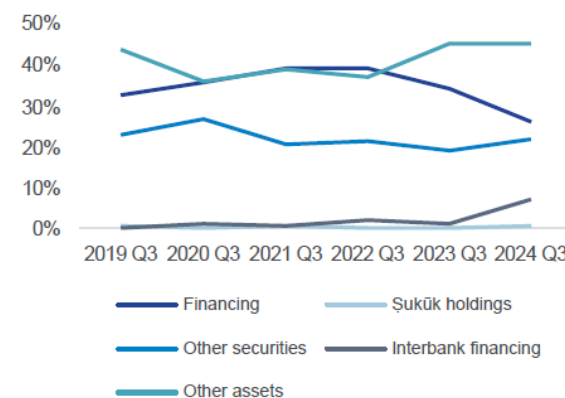
D) Asset Composition in the MENA (Excl. GCC) Region

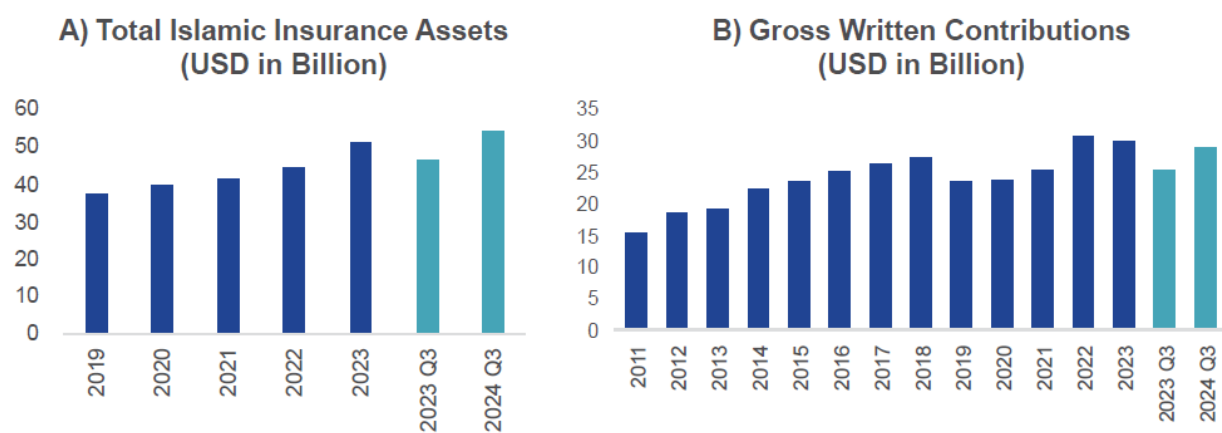
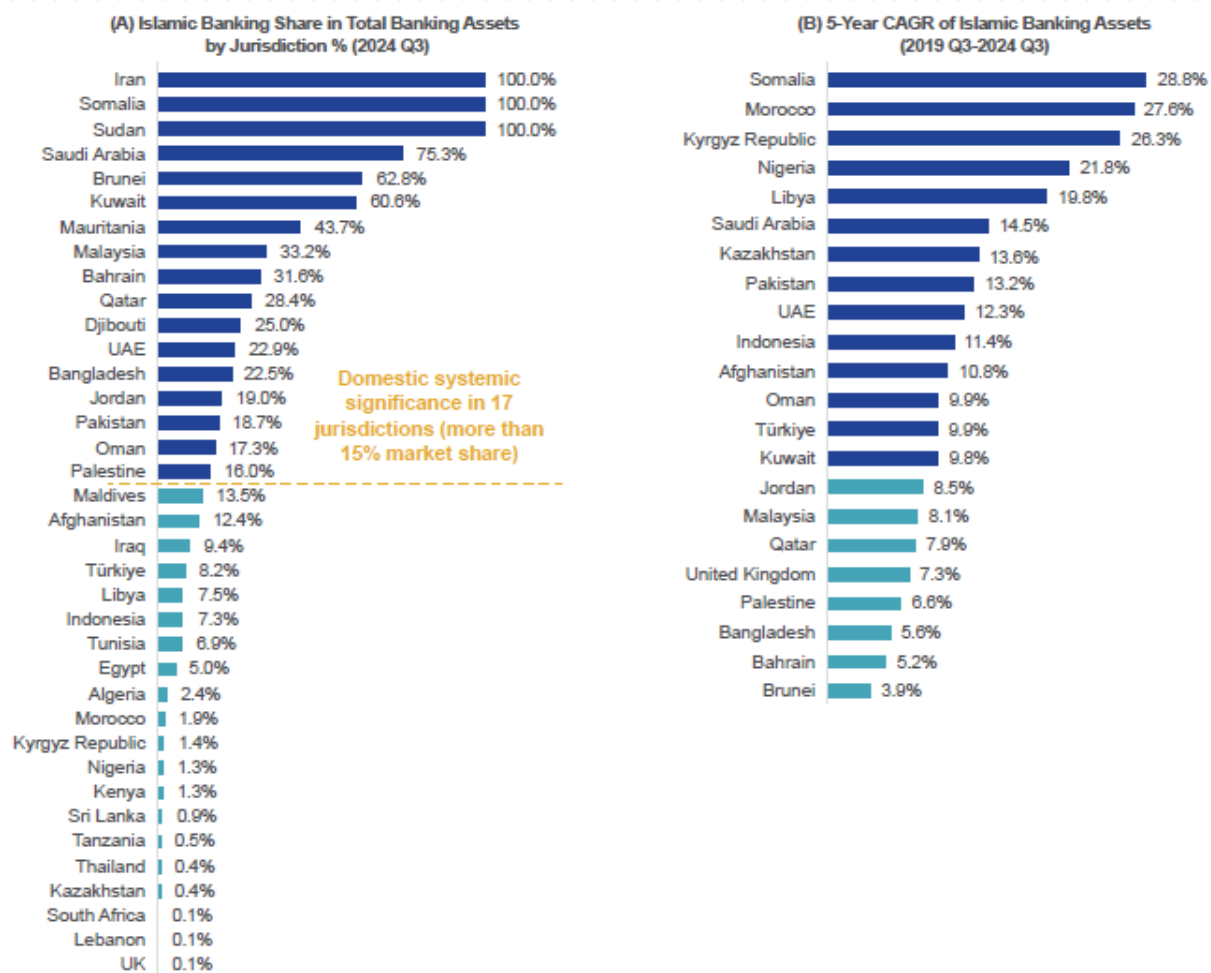


E) Asset Composition in the SA Region

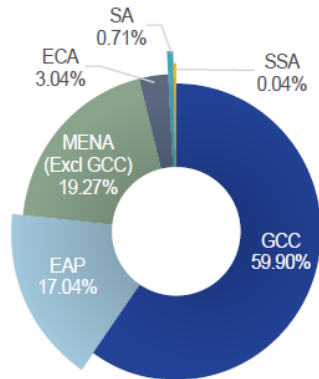


F) Asset Composition in the SSA Region

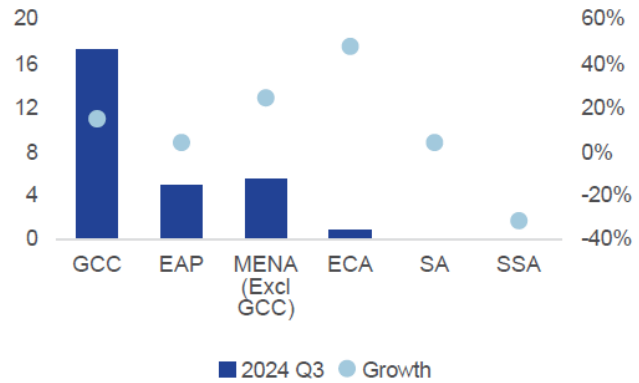




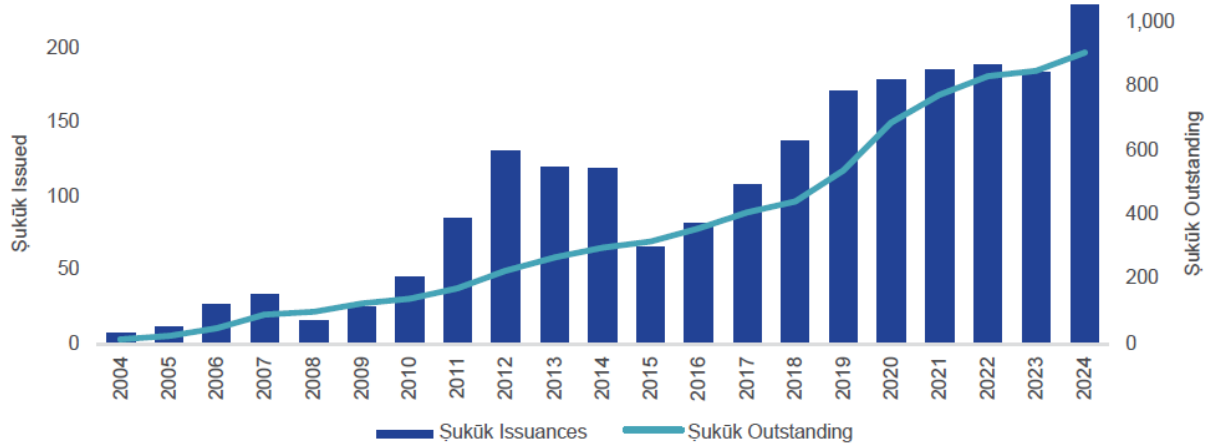
A) GWC Regional Share



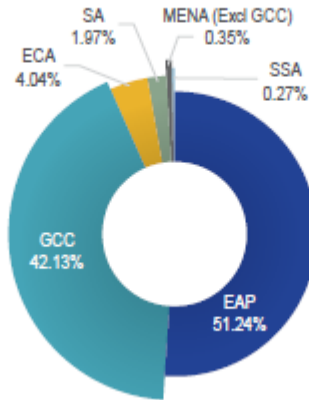
B) Regional Contribution (USD in Million) and Growth Rate



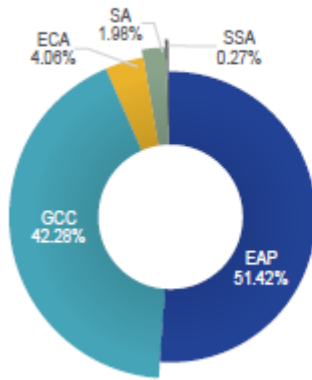
(2004-2024) (USD in Billion)



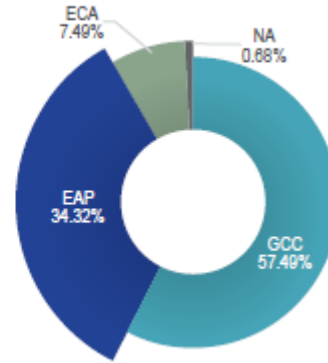
A) Total Şukūk Issuances by Region of Originator (2024)



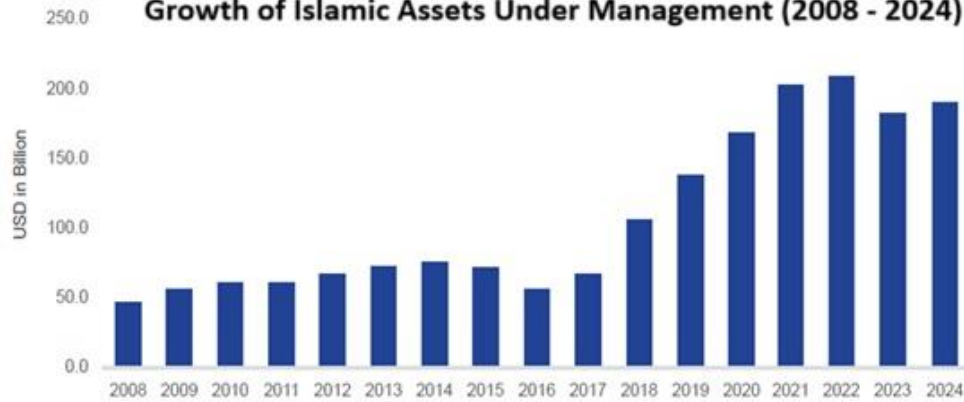
B) Sovereign Şukūk Issuances by Region of Originator (2024)



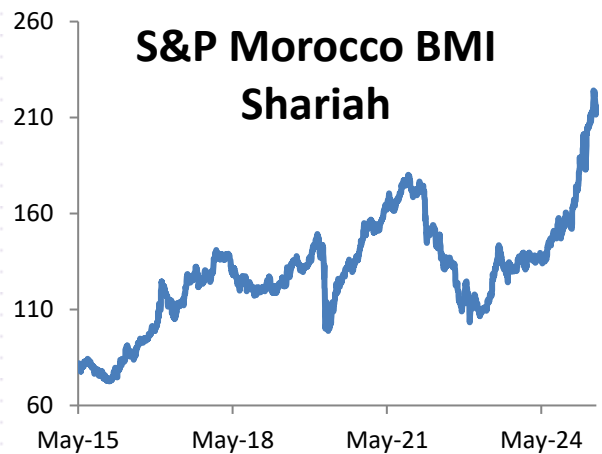
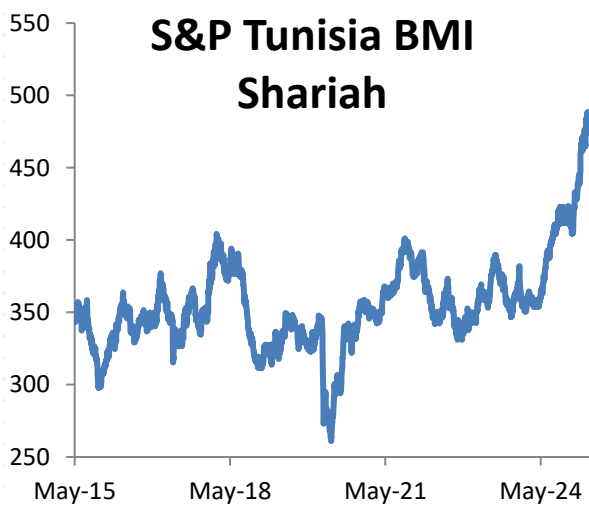
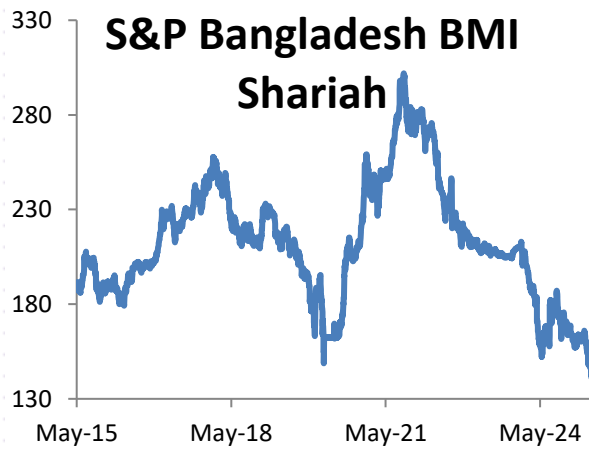
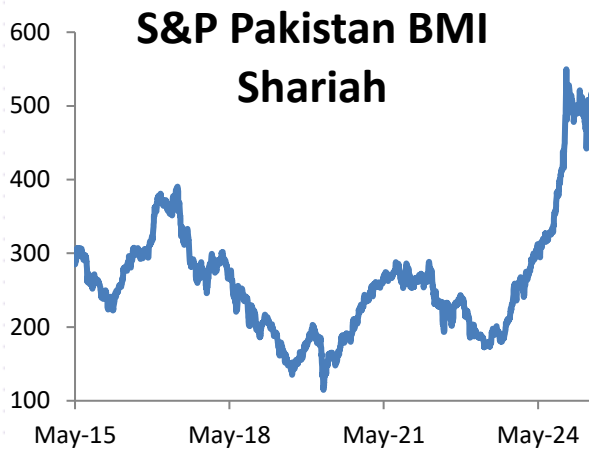
C) Corporate Şukūk Issuances by Region of Originator (2024)



Growth of Islamic Assets Under Management (2008 - 2024)



SUKUK Investments (Source: SP Dow Jones)



Global Economic Perspectives

| Projections of Growth in Selected Countries & Regions | | |
|---|------|------|
| | 2025 | 2026 |
| Egypt | 3.6 | 4.1 |
| India | 6.5 | 6.5 |
| Indonesia | 5.1 | 5.1 |
| Iran | 3.1 | 2.8 |
| Kazakhstan | 5.5 | 4.1 |
| Malaysia | 4.7 | 4.4 |
| Nigeria | 3.2 | 3.0 |
| Pakistan | 3.0 | 4.0 |
| Saudi Arabia | 3.3 | 4.1 |
| Turkiye | 2.6 | 3.2 |
| Advanced Economies | 1.9 | 1.8 |
| Emerging Market and Developing Economies | 4.2 | 4.3 |
| Middle East and Central Asia | 3.6 | 3.9 |
| Sub-Saharan Africa | 4.2 | 4.2 |
| European Union | 1.4 | 1.7 |

Source: World Bank Global Economic Perspectives, June 2024

Call for Papers

2nd JIMF Workshop of JIMF on The Digital Ummah by Bank Indonesia
August 7th - 8th, 2025, Bandung, Indonesia
<http://jimf-bi.org/index.php/JIMF/issue/archive>

3rd International Conference on Islamic and Halal Economic Studies (ICIHES 2025)
4 & 5 November 2025
Marriot Hotel, Yogyakarta, Indonesia

The 19th Bulletin of Monetary Economics and Banking (BMEB)
Jakarta, September 11, 2025, Jakarta, Indonesia
Registration & Submission: <https://submit.confbay.com/conf/bmeb2025>

Other Resources on Islamic Economics Project Portal

- | | |
|-----------------------------------|---|
| ❖ Research Articles | ❖ Book Reviews |
| ❖ Research Presentations | ❖ Frequently Asked Questions |
| ❖ Islamic Finance Calculators | ❖ Topical Bibliographies |
| ❖ Course Outlines | ❖ Islamic Finance Education Providers |
| ❖ Academic Resources | ❖ Researchers Database in Islamic Economics |
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