Moral Reflections on Economics
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“Do not those who deny the truth see that the heavens and the earth were joined together and that We then split them asunder? And that We have made every living thing out of water? Will they still not believe? We set firm mountains upon the earth lest it should sway under them, and We placed therein passages for paths so that they might find their way. We have made the heaven a well secured canopy; yet still they turn away from Our signs. It is He who created the night and the day, and the sun and the moon, each gliding in its orbit.”

[Al-Qur’an, Al-Anbiya: 30-33]

Narrated Anas bin Malik (rta):

I heard Allah’s Messenger (ﷺ) saying:

“Whoever desires an expansion in his sustenance and age, should keep good relations with his Kith and kin.”

[Sahih Bukhari: 5986]

Inside This Issue

“The fallacy that dynamic processes must be modelled as if the system is in continuous equilibrium is probably the most important reason for the intellectual failure of neoclassical economics. Mathematics, science and engineering developed tools long ago to model outside of equilibrium processes. This dynamic approach to thinking about the economy should become second nature to economists.”

Prof. Steve Keen

Rethinking the Architecture of Ethical Banking

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Banks are no longer confined to their traditional roles of financial intermediation and risk management. Increasingly, they are being called upon to fulfill broader mandates encompassing sustainability, ethical finance, and social responsibility. These expectations—driven by policymakers, regulators, and advocates of the green economy—are reshaping the strategic and operational frameworks within which banks operate.

Yet, these evolving mandates are being superimposed onto institutional architectures that were not originally designed to support them. Without parallel reforms in regulatory frameworks, funding models, and competitive dynamics, the push toward ethical banking may inadvertently undermine the resilience and efficiency banks are expected to maintain. This policy brief argues for a recalibrated institutional approach—one that aligns banking architecture with the realities of contemporary expectations and competitive pressures.

Key Issues

1. Structural Constraints on Banking Performance

In many market economies, banks tend to exhibit lower risk-adjusted returns—such as Sharpe ratios—compared to non-financial firms. This pattern does not necessarily signal inefficiency but reflects the impact of prudential regulatory frameworks that tightly constrain risk-taking and compress profitability. For instance, in Malaysia, return on assets has remained around 1.2%, with net interest margins under persistent pressure. Similar dynamics are observed in other jurisdictions, such as the Gulf Cooperation Council (GCC) countries and several Southeast Asian economies, where capital adequacy requirements, liquidity rules, and supervisory expectations emphasize financial stability over profitability.

While such regulatory conservatism enhances systemic resilience, it also imposes trade-offs. Banks operating under these constraints often face limited strategic flexibility, especially when responding to new mandates such as environmental, social, and governance (ESG) integration, financial inclusion, and sustainable development goals. The mismatch between static regulatory frameworks and dynamic policy expectations creates structural frictions that hinder innovation and limit the scalability of ethical or purpose-driven banking models.

2. Intensifying Competition from Open Banking and Digital Finance

The competitive landscape is undergoing rapid transformation. Open banking frameworks and the proliferation of nonbank digital finance providers—such as fintechs and platform-based lenders—are eroding the traditional dominance of banks. These new entrants typically operate with greater agility and fewer regulatory constraints, offering data-driven, customer-centric services that outpace conventional banking offerings.

This regulatory asymmetry puts banks at a disadvantage. They are compelled to innovate within legacy compliance regimes, while competing against more flexible, less-regulated players. This dual pressure—modernization under constraint—complicates banks' efforts to advance ethical and sustainability goals within their current operational boundaries.

3. Asymmetric Integration of Ethical Principles

Although banks have made notable progress in embedding ESG and ethical goals on the asset side—via sustainable lending, green bonds, and impact investing—their liability structures remain largely conventional. Deposits, interbank borrowings, and wholesale funding continue to follow traditional risk-return dynamics, with minimal incorporation of ethical or risk-sharing instruments such as Sukuk, social bonds, or participatory finance mechanisms.

This disconnect between ethically aligned assets and conventional liabilities introduces a structural asymmetry that impairs the coherence and sustainability of ethical banking models. It hampers banks' ability to internalize ESG principles across the balance sheet, thereby exposing them to reputational and strategic risks. Moreover, the absence of innovation in liability instruments restricts the scalability of ethical finance by impeding efforts to match long-term, purpose-driven investments with commensurately aligned funding sources.

Regulatory frameworks and market conventions often exacerbate this problem. Capital adequacy requirements, liquidity rules, and accounting standards tend to favor standardized instruments over bespoke ethical products—thus discouraging innovation. Without deliberate regulatory support and targeted market development, this structural misalignment is likely to persist.

The urgency for reform is heightened by the pace of digitalization. Traditional models of bank intermediation are increasingly under threat. Decentralized finance (DeFi) offers an alternative characterized by greater transparency and flexibility. However, it also raises critical questions: can DeFi replicate the expertise, judgment, and trust traditionally associated with banks?

4. Expanding Mandates Without Institutional Reform

Banks are not typical commercial enterprises. They are stewards of systemic trust, charged with protecting depositors, maintaining financial stability, and allocating capital prudently. Banks play a pivotal role in transforming savings into productive credit by performing liquidity, maturity, and credit risk transformation—bridging short-term depositor funds with long-term lending needs while managing associated risks.

Imposing additional ethical and social responsibilities—without rethinking the institutional and regulatory architecture that governs them—risks undermining their core functions. Ethical banking cannot be achieved through mission statements alone; it demands structural alignment and systemic coherence.

Policy Recommendations

1. Reform Funding Structures to Support Ethical Mandates

Promote the development and uptake of ethical and risk-sharing instruments on the liability side of bank balance sheets. Aligning funding mechanisms with ESG objectives will address structural asymmetry and support sustainability goals.

2. Tailor Regulatory Frameworks to Enable Responsible Innovation

Regulators should adopt adaptive frameworks that allow for responsible innovation in ESG and sustainability domains, without compromising prudential oversight.

3. Prioritize Institutional Resilience Over Pure Profitability

Policymakers must acknowledge that banking efficiency extends beyond profitability. It encompasses risk prudence, regulatory compliance, and systemic trust. Evaluating ethical banking models through this broader lens is critical.

4. Foster Synergies Between Traditional and Digital Finance

As DeFi and open banking models mature, stakeholders should explore hybrid frameworks that combine the strengths of both—leveraging the flexibility of digital finance while retaining the reliability and judgment of traditional banking institutions.

Conclusion

The transition toward sustainability and ethical banking is both timely and necessary. However, its success depends on more than rhetoric or superficial commitments. Without substantive institutional and regulatory reform, the expectations imposed on banks may exceed their structural capacities—threatening financial stability and the long-term viability of ethical finance.

Reinstating the Family in ESG: A Tawhidic and Maqasidic Recalibration of Global Governance Frameworks

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The rising dominance of Environmental, Social, and Governance (ESG) frameworks in global corporate and public policy discourse has brought renewed attention to how sustainability and ethical governance are conceptualized and operationalized. While the ESG paradigm aspires to embed responsibility in decision-making beyond financial metrics, its foundations remain rooted in secular and often utilitarian frameworks.

One of the most glaring omissions in conventional ESG structures is the absence of the family—a foundational institution in all major civilizations, and particularly central in the Islamic worldview.

This essay argues, in line with the work of the late Professor Nejatullah Siddiqi and Professor Anas Zarqa, that ESG must be expanded to include the Family (F) dimension, anchored in the Maqasid al-Shari'ah and Tawhidic epistemology, to recover its ethical, civilizational, and spiritual coherence.

The Family as the Axis of Maqasid and Ethical Sustainability

The inclusion of the family in ESG discourse is not a cosmetic adjustment but a fundamental reorientation. Within the Islamic tradition, the family is more than a social unit; it is the primary site for the cultivation of faith (iman), intellect ('aql), dignity ('ird), lineage (nasl), and property (mal)—all five of which are preserved in the Maqasid al-Shari'ah. It is within the familial setting that adab (ethically informed conduct) is nurtured, a point extensively emphasized by Al-Ghazali in Ihya Ulum al-Din. He asserts that the collapse of moral order begins in the neglect of the household, which serves as the seedbed of societal virtue and cohesion.

Similarly, Al-Farabi, in his Al-Madina al-Fadilah, presents the family as the ontological foundation of the virtuous city. It is through the family that individuals acquire the disposition for justice, mutual aid, and the common good.

SMN Al-Attas, in his conceptualization of Islamisation of knowledge, also insists that the crisis of modernity is deeply connected to the erosion of adab, which begins with the fragmentation of familial structures. The call to embed Family (F) into ESG, as embodied in the proposed Mf-ESG model, is therefore not a novel invention but a restoration of an axiomatic truth that has been side-lined by technocratic paradigms of modern governance.

The Ontological Rift: ESG's Instrumentalism vs. Maqasid's Teleology

There exists a profound ontological tension between the instrumentalist ethos of contemporary ESG and the teleological vision of the Maqasid al-Shari'ah. While ESG seeks to regulate corporate behaviour in response to stakeholder demands and reputational risk, the Maqasid framework is inherently purposive and metaphysical, oriented towards the realization of al-Falah—holistic success in this world and the Hereafter.

Malik Bennabi's critique of post-colonial Muslim societies is instructive here. In his theory of al-Mu'allimat al-Qabliyah (pre-civilizational values), Bennabi argues that modern societies suffer from a "civilizational vacuum" when they adopt technological and economic instruments without anchoring them in a moral and spiritual worldview. ESG, when stripped of metaphysical anchoring, risks becoming an empty ritual of metrics. In the same vein, Ibn Khaldun's cyclical theory of civilizational rise and decline highlights how neglecting foundational institutions such as the family leads to the erosion of 'asabiyyah (social solidarity), which is the binding force of any sustainable polity.

Diversity without Anchoring: The Pitfall of Value-Neutral ESG

One of the celebrated pillars of ESG is diversity, often heralded as a marker of inclusivity and progress. However, as noted in contemporary critiques, this concept has devolved into a form of value-neutral pluralism, which paradoxically undermines shared moral foundations—especially regarding family, marriage, and gender identity. This secular commitment to neutral norms often renders ESG incoherent, unable to prioritize between competing value claims.

Seyyed Hossein Nasr, in his seminal work on environmental ethics, critiques this desacralization of both nature and society. He asserts that frameworks such as ESG must return to a metaphysical understanding of Tawhid to restore equilibrium between humanity and creation. Without this, ESG risks becoming mere ecological engineering, devoid of sacred purpose.

Ismail al-Faruqi similarly decries the West's "civilizational schizophrenia," whereby it advocates moral relativism and radical individualism, even as it laments the breakdown of social cohesion. Even secular thinkers like Francis Fukuyama and Samuel Huntington caution that institutions lose legitimacy when detached from moral and cultural foundations. Huntington's Clash of Civilizations becomes prophetic when ESG universalizes a liberal cosmopolitanism that marginalizes traditional values under the guise of global governance.

Tawhidic Realignment: The Mf-ESG Framework

The proposed Mf-ESG model seeks to realign the ESG framework through the lens of Tawhidic epistemology and Maqasidic ethics. It reframes the Environmental (E), Social (S), Governance (G), and newly proposed Family (F) dimensions through spiritually grounded principles:

- Environmental (E): Stewardship (khilafah), ethical resource use, and taqwa-driven conservation.
- Social (S): Zakah, waqf, ihsan, protection of worker dignity (karamah insaniyyah), and justice in supply chains.
- Governance (G): Shura (consultation), mas'uliyyah (accountability), transparency, and Maqasid-aligned policies.
- Family (F): Policies that protect and nurture the family as the cradle of ethical formation, encompassing parental leave, child education, and intergenerational care.

This model is not only more coherent within the Islamic civilizational paradigm but also offers universally resonant principles—for family, as both Siddiqi and Zarqa emphasized, remains a shared human institution across civilizations, despite being threatened by modernity's atomistic tendencies.

Beyond the Material: Sejahtera and the Circulation of Barakah

The integration of the Mf-ESG model with frameworks such as Sejahtera Sustainability and the Circular Economy further enhances its relevance. Sejahtera, as articulated by M. Kamal Hassan, is a holistic concept that harmonizes the material and spiritual dimensions of life. It calls for balance, modesty, and purposefulness—principles largely absent in ESG's growth-centric ethos.

While the circular economy emphasizes the recirculation of materials to reduce waste, Mf-ESG invites a deeper recirculation of values—a moral ecology rooted in barakah (divine blessings), ethical interdependence, and societal compassion. The objective is not merely to extend the life cycle of products but to reorient the life purpose of producers and consumers alike.

Conclusion: From Ethical Vision to Policy Transformation

The omission of the family from ESG frameworks is not a minor oversight—it is symptomatic of a deeper malaise within secular ethics and governance. As Professor Nejatullah Siddiqi once noted, "The preservation of family is not a cultural preference—it is a civilizational necessity." The Mf-ESG model, with its Tawhidic, Maqasidic, and civilizational foundations, offers a corrective to the ESG paradigm's moral myopia. It presents a model of sustainability not limited to compliance and metrics but inspired by meaning, purpose, and transcendence.

This model deserves further exploration and institutional support through high-level scholarly forums, international think tanks, policy summits, and academic curricula. It bridges theory and practice, faith and governance, offering not only a critique but a constructive framework for a just and flourishing civilization.

Towards Understanding Riba (Part II)

Hifzur Rab

This part intends to explain the core issues and to create better understanding about Riba. The misunderstood and neglected aspects are highlighted. We shall discuss issues that may help us to thoroughly comprehend the problem and its reality and assist us to arrive at the right perspective.

Islam has strictly prohibited Riba and it is considered as the most serious crime so much so that Islam has declared war against it. In part 1, we discussed Riba from Quran-e-Hakim and Sunnah Mubarakah and considered practices of Qarn-e-Awwal.

Riba was defined as a measured excess of quantity of commodity lent/due that is demanded to settle the dues. Even in case of Dinar and Dirham that our jurists hold to be Asmane Khalqi (natural money), Riba is excess of quantity of gold/silver demanded against loans or dues.

The emphasis is on weight as it is weight that defines quantity of wealth. 1 kg of wheat, 10 kg of rice, and a basket of 10 kg of wheat, 5 kg of rice, a kg of salt and a gm of gold are all known and defined quantities of wealth. Defined quantity of wealth means that both quantity and Jins (genus) is specified. Stability of value/purchasing power of various wealth forms mainly depend upon its nature, composition, natural characteristics, cost of preservation, storage and transport, supply and demand and these are interconnected. Value depends also on the quality. Gold and silver are pure chemical elements and thus in pure state, they have unique qualities.

Due to this and superior physical and chemical qualities of these and because Allah Subhanahu wa Taala has created human nature that cherishes these noble metals, unit quantity of gold and silver are better and more reliable measures of value than others.

Clarity on issue of Riba is so important in Shari'ah that while recognizing change in value due to change in quality, it does not force us to exchange different qualities in equal quantity and yet in case of Amwale Ribuwiah, it does not allow these to be directly exchanged with any excess of weight (quantity) on either side. As generally understood by our scholars, this restriction was essential to stop practice of Riba by hiding behind difference in quality.

This also clarifies that known quantity of Amwale Ribuwiah is considered defined quantity of wealth and may be used as a unit of account in an appropriate case. Further, unknown quantity is not a defined quantity of wealth and it cannot be used as a unit of account. Excess demanded against dues or loans is Riba but we must measure and account correctly. Our dealing cannot be free of Riba unless we measure and account correctly.

Accordingly, measurement and accounting for wealth is the central issue in our understanding of Riba. Masalaha and Mufasids are important considerations in Islamic decision making and therefore these issues are given due consideration.

Mamluk dynasty innovated use of copper coins and initially used it as change for dinar. They gradually tried to maximize their use and then used these as substitute for dinar and dirham. Circulation of dinar and dirham was seen to hamper implementation of the scheme and their availability was restricted. Foloos of account was created and its use as unit of account was mandated. However, it did not work.

Fatawi (edict) mandating use of Foloos of account had to be rescinded and dinar had to be restored as a unit of account. The period saw great scholars and their analysis of the problems faced while replacing copper coins with dinar and restoration of dinar and dirham as currency resolved the problems.

The problem was due to failure of copper coins to determine just and efficient prices due to significant instability of its price compared to gold and silver as well as other commodities. Great scholar of the time, Maqrizi (may Allah reward him) was instrumental in freeing the people from the harms they suffered when gold and silver was replaced with copper as base of measurement and accounting of wealth.

Foloos are first known example of symbolic money as these were accepted mainly as change for dinar and not as money in themselves and decision of Imam Yusuf (may Allah reward him) that required borrower to return as many Fils (plural of Foloos) that have same value in terms of Dinar that is, if the number of fils borrowed amounted to half a dinar, the amount required to clear the loan will be as many fils that amount to half dinar when loan is cleared. That amounted to accounting in terms of Dinar i.e., fixed quantity of gold. It was mainly an outcome of the process of improved understanding. It was decided on the basis of disregarding nominal terms.

In Around 1425, Egypt again faced massive problems. The great thinker of the time, Asadi found that back then, the copper coins were not detrimental to economy but debasement of coins, corruption of measurement and corruption in different levels were the most important causes of the problems. In that period, there was a massive price rise of some common food items such as bread despite abundant agricultural production and good economic growth.

Economy was growing and demand of copper was high. Therefore, copper coins were not depreciating. Thus the predominance of Foloos was not a problem. Rather, it was assisting trade and commerce by fulfilling increased monetary requirement. Failure of gold coins to set prices right when these were debased, corruption in measurement of quantity of goods or good performance of Foloos during the said period of economic growth does in no way dent the superior status of gold and silver coins as most stable single commodity based measure of value and accounting unit of wealth.

However, it does indicate that complementary currencies that show remarkable consistency in particular economic environment may be used as medium of exchange to supplement currency and to boost its stability in that environment. Historical evidence shows that highest level of stability of purchasing power of measure of value and unit of account of wealth has very profound effect on economic justice, welfare and growth.

Our discussion revolves around accounting correctly that is mandated by Shari'ah and scientifically, rationally and logically. It is well known that justice is not possible if accounting is incorrect and fraudulent. It may be noted that mainstream economists hide under the assumption that change of purchasing power of money is small and may be neglected and it may be used as a unit of account. Paul H. Walgenbach, Norman E. Dittrich and Ernest I. Hanson (1973) write:

"The Measuring Unit principle: The unit of measure in accounting shall be the base money unit of the most relevant currency. This principle also assumes that the unit of measure is stable; that is, changes in its general purchasing power are not considered sufficiently important to require adjustments to the basic financial statements".

We have significant proportion of economic and financial contracts that are spread over time span exceeding 10 years. For a transaction with time span of 10 years or more, change in purchasing power of fiat money X is normally above 50% and may even exceed 90% or even 95% in respect of many countries. How wrong it is to neglect 50% and even 90% and more, assuming it to be small. What can be more wrong than neglecting 90% based on false assumption that it is small and negligible. An example illustrates it further.

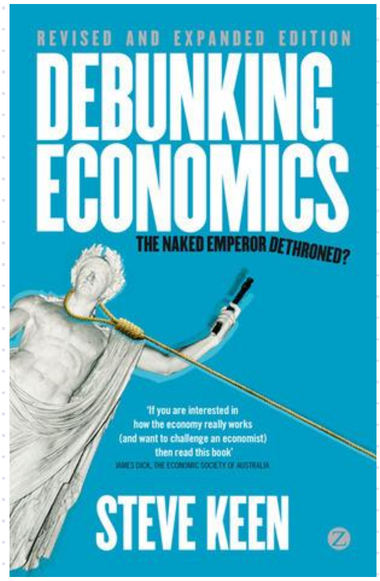
Let us consider a business with 10-year horizon where net investment in first 3 years is 10X, 8X and 6X respectively. There is no net investment in the fourth year and net gain in 5th. 6th, 7th, 8th, and 9th years is 1X, 3X, 6X, 10X and 9X respectively. Business is liquidated in 10th year with total yield of 12X. Profit according to existing practice (accounting in nominal terms) is total output (41X) less total investment (24X), that is 17X.

Let us assume 5% yearly inflation. If accounting is done in real terms, investments in the first 3 years will be 10, 7.6 and 5.4 respectively and gain in 5th. 6th, 7th, 8th, and 9th years will be 0.8X, 2.2X, 4.0X, 6.6X and 5.7X respectively. Return in 10th year will be 6.0X.

Thus, total investment in real terms is 23 and total return is 25.3. The overall profit is 2.3. Thus, we see that as a consequence of neglecting change in purchasing power on the basis of the false assumption that it is negligible, profit is accounted 7.4 times higher than the actual profit.

It is really ironic that most of our contemporary Muslim economists also subscribe to this view. It is important to account for the purchasing power in intertemporal exchange which is quite a significant issue in the current times as compared to the past.

Book Review



Title: Debunking Economics

Author: Prof. Steven Keen

Publisher: Zed Books, 2001

Debunking Economics is a critique on mainstream economics ideas and tools of analysis. The book is a critical analysis of mainstream economics, arguing that many of its core theories are flawed, internally inconsistent, and lack empirical support. Prof. Keen challenges fundamental concepts like supply and demand curves, the theory of the firm, and the efficient-market hypothesis, suggesting they oversimplify the complexities of the real world. It is an interesting read even for non-economists. Prof. Keen uses a clear presentation using simple and straightforward language.

Prof. Keen goes into the assumptions, methodology and contradictions of neoclassical economics in some detail, debunking key aspects of the dogma and showing not only when they contradict reality but also when they are logically inconsistent and contradictory.

The author challenges the fundamental assumptions of supply and demand curves.

He criticizes the unrealistic assumptions used to aggregate utility by going from individual preferences to social ones. The standard approach only works with a single consumer and one commodity, but traditional economics demonstrates their necessity and then continues unchecked.

On supply curves, Prof. Keen argues that rather than facing costs that increase with output, firms mostly face falling marginal costs. This means that there is no 'supply curve' as mainstream economists define it. This destroys the basis for calculations of output and employment. Prof. Keen points out that many core concepts in mainstream economics lack empirical support, citing examples like the demand curve and the theory of the firm.

As an example, he points to the theory of perfect competition which assumes that while the demand curve for the market as a whole is downward sloping, an individual firm in perfect competition is so small that it cannot affect the market price and, consequently, faces a horizontal demand curve. In other words, economics breaks the laws of mathematics.

Prof. Keen shows the unscientific nature of economics by looking at the notion of diminishing marginal costs required to produce a downward slopping supply curve. He presents a summary of the empirical evidence which contradicts this key assumption of economics. How has economics handled this consistent evidence accumulated over many decades? By ignoring it.

This speaks volumes for the way that economics handles contrary evidence to accepted beliefs. Not that this should come as a surprise, given that the notion was originally invented to ensure that neoclassical economics did not suggest that the economy would become dominated by big business (that this was precisely what was happening in the real economy at the time was considered irrelevant).

The book also analyses a mathematical flaw in the standard argument against monopolies (often used to justify opposition to large firms). The book questions the conventional theory of the firm, arguing that monopolies can play a beneficial role in the economy.

On production function, Prof. Keen explains that without energy, nothing can be produced, and yet energy is ignored in the 'production functions' used by mathematical modellers from all schools of economics—and not just the dominant Neoclassicals. Moreover, the noted author contends that labour is not just another commodity, and in particular that wages do not reflect contributions to productivity. On the marginal productivity of capital, the noted author thinks that there is no consistent relationship between factor productivity and factor incomes.

Many of the socio-economic concerns are hard to reflect in mainstream economic analysis even if economists could be bothered to include them as the assumptions and methodology exclude such concerns. Critics argue that rather than being a science, economics is little more than an ideology whose main aim is to justify and rationalise the existing system. Keen's book is a contribution to making economics "less of a religion and more of a science" by tearing up "the foundations of economics" and, as such, it should be essential reading for all.

Prof. Keen also thinks that much of the theory focuses on static analysis rather than dynamic analysis. Even though, the frontiers of the discipline have started using dynamic exposition and tools of analysis, they remain an extension rather than the original core. Prof. Keen argues for a fully dynamic economics, using tools such as differential equations and not just linear algebra. The noted author argues that the problem with economics is not mathematics but rather inappropriate mathematics.

As Prof. Keen argues, neoclassical economics is based on a "dynamically irrelevant and factually incorrect instantaneous static snap-shot" of the real capitalist economy. Equilibrium analysis simply presents an unreal picture of the real world. Economics treats a dynamic system as a static one, building models rooted in the concept of equilibrium when a non-equilibrium analysis makes obvious sense. It is not only the real world that has suffered, so has economics:

***"This obsession with equilibrium has imposed enormous costs on economics ... unreal assumptions are needed to maintain conditions under which there will be a unique, 'optimal' equilibrium ... If you believe you can use unreality to model reality, then eventually your grip on reality itself can become tenuous."** (p. 177)*

The book also emphasizes the role of debt and financial instability in economic crises, challenging the efficient-market hypothesis that assumes markets are inherently stable. Prof. Keen does not entertain the idea of deregulating financial markets by believing in Efficient Market Hypothesis. Prof. Keen writes that financial markets show endogenous instability, result in bad investment as well as reducing the overall level of investment as investors will not fund investments which are not predicted to have a sufficiently high rate of return. All of which has a large and negative impact on the real economy.

The author also explicates some of the alternatives to neoclassical economics: Austrian economics, Post-Keynesian economics, complexity theory, and evolutionary economics. Prof. Keen thinks that collectively, these approaches offer more nuanced and realistic approaches to understanding the economy.

Overall, 'Debunking Economics' provides a rigorous and accessible critique of mainstream economics, highlighting its flaws and offering alternative perspectives that may be more useful for understanding and addressing the challenges facing the global economy.

However, to be fair, exceptions to the law of demand have been duly acknowledged in the literature in the case of Giffen and Veblen goods. Furthermore, the literature has incorporated dynamic as well as stochastic analysis, albeit with limited success. However, the issue is to bring in complexity in aggregate analysis. Micro and partial equilibrium models may incorporate richness, but the problem comes in aggregation.

It is a general and common problem in mathematical modelling of complex reality. Some authors take the approach of only criticizing as bystanders. Prof. Keen, goes beyond criticism and offers some recommendations as well.

He had developed a software and tools of analysis to incorporate complexity in economic modelling. His approach is critical, yet constructive.

Rather than throwing baby with the bath tub, he offers a solution to move forward by taking stock of what we have and improving mathematics and analysis.

Research Paper in Focus

Paper Title: Behavioural and Islamic Economics Critique on Mainstream Views on Unemployment: A Joint Perspective

Author: Ekrem Yilmaz

Publisher: Journal of Islamic Accounting & Business Research, Vol. 16(4), 838 – 852

This study aims to discuss the joint criticisms of behavioural economics and Islamic economics against the conceptual and economic political view of the mainstream towards unemployment.

The author argues that although there are some differences, the recommendations and values of Islamic economics and behavioural economics in the context of unemployment are almost the same. More importantly, both approaches are similar in their emphasis on the ineffectiveness and distance from human values in the mainstream economic policies.

The author states that conventional economics often relies on oversimplified assumptions, assuming rational behaviour and perfect information among individuals. However, behavioural economics demonstrates that humans often exhibit irrational decision-making influenced by cognitive biases and social norms, leading to persistent unemployment as job seekers overlook suitable opportunities. By neglecting these behavioural aspects, mainstream policies fail to account for the human dimension of economic decisions, hindering their ability to effectively address unemployment challenges.

Moreover, conventional economics tends to overlook the influence of social and cultural factors on unemployment. By contrast, Islamic economics emphasizes the significance of social justice and welfare, attributing high levels of unemployment to income disparities and social inequalities exacerbated by mainstream economic policies. This critique highlights the importance of considering the social context and addressing income distribution to achieve more inclusive and sustainable employment outcomes.

Mainstream economic policies often prioritize short-term goals, such as inflation control and GDP growth, over addressing the root causes of unemployment. This short-sighted approach can lead to unemployment persistence, even during periods of apparent economic growth. By contrast, behavioural economics urges policymakers to adopt long-term and holistic strategies that prioritize social welfare and sustainable job creation, offering a more nuanced and comprehensive perspective on addressing unemployment.

Furthermore, conventional labour market interventions predominantly focus on supply-side measures, such as education and training, while neglecting demand-side factors.

By contrast, Islamic economics emphasizes the role of the state in fostering a conducive environment for investment and entrepreneurship, creating employment opportunities and fostering economic growth. Behavioural economics also advocates for active labour market policies that tackle information asymmetry, facilitating job seekers in finding suitable employment. By overlooking these demand-side considerations, mainstream policies may miss crucial opportunities to generate employment.

Another critical oversight of conventional economics is the disregard for the informal and undocumented labour market, particularly prevalent in developing countries. In many Islamic economies, a substantial portion of the labour force operates in the informal sector, lacking job security and social protection.

Behavioural economics urges policymakers to understand the motivations for individuals participating in the informal labour market and develop policies for promoting formalization while safeguarding workers' rights. Ignoring this aspect not only perpetuates labour market vulnerabilities, but also overlooks potential sources of employment generation.

Finally, mainstream economics often assumes labour markets to be efficient and self-correcting. However, persistent unemployment challenges this assumption, as evidenced by market failures like sticky wages and wage rigidity.

Islamic economics advocates for fair wages and ethical labour practices to ensure a more equitable distribution of income, promoting social justice in economic activities. Behavioural economics emphasizes the need for active labour market policies to reduce wage rigidity and foster job matching. These critiques of the efficiency assumption shed light on the complexities of labour markets and highlight the necessity for policies that prioritize equitable income distribution and job opportunities.

The joint perspective of Islamic economics and behavioural economics presents a compelling case against mainstream unemployment policies. The oversimplified assumptions, neglect of social and cultural factors, short-term focus, inadequate labour market interventions, ignorance of informal labour markets and the myth of efficient labour markets all contribute to the persistence of unemployment challenges.

By integrating the insights from Islamic and behavioural economics, policymakers can develop more comprehensive, inclusive and socially just policies to tackle unemployment effectively and work toward a more sustainable and equitable economic future.

However, the paper seems to compare the ideal potential of the Islamic versus the reality of the actual markets. It does not effectively separate the discussion of theoretical shortcomings with policies.

When it comes to the recent research in labour markets, the concepts of frictions, sticky wages, bargaining power of unions, efficiency wage, productivity and minimum wage have been incorporated along with the effect of structural and technological shocks.

On the policy front, there have been legislations on workplace safety rules, pensions, insurance, minimum wages, no discrimination, and fair pay, for instance.

The mandate of labour economics and management science sub-discipline of human resource management is different. On policies and issues regarding workplace safety, equal opportunities, socio-psychological support system etc., the field of human resource management has handled the concerns more directly and deeply.

Mainstream labour economics looks at the economics of labour decisions (labour supply side) and firms (labour demand side) and their outcome in the labour market and their effects in other markets and the macro economy.

The reality of the Muslim world in intra-OIC labour migration does not present an equally promising picture given the minimal rights, citizenship bans, and lack of independence from local agency. Therefore, the comparison needs to add these important details.

Furthermore, the paper also somewhat undersells the Islamic ideal state by showing its convergence with the critique of behavioural economics. Islamic approach is value-driven rather than just emphasizing on acknowledging complexity in real-world analysis. Islamic approach in contrast to the behavioural school wants to transform the reality in a holistic manner under the Tawhidic epistemology.

Reflections on Non-Contradiction Between Faith and Science

The universe is expanding and galaxies are moving away from each other. Future telescopes will rely on historical records to see the universe as we can see it today. Today is a special time when other planets and galaxies in the universe are visible to our telescopes. When these galaxies are moving away at an even faster rate, we will not be able to see anything in space with today's telescopes. Those pictures of the future will be modern but not necessarily a reflection of the reality that there is nothing but our galaxy in the space of the universe.

Many facts are clearer in history. History is a story to us. But to the past it is an observable reality. The Quran reminds the Arabs, Jews and Christians of their history and the historical records they have, which gives them a clear opportunity to verify and evaluate the truth. King Negus and Waraqa bin Naufal confirmed Muhammad by comparing their historical records with the Quranic statement. The natural curiosity that is naturally found in man requires him not to ignore his intellect, reliable historical heritage, the heritage of knowledge and esoteric facts. Just as a historian, anthropologist, archaeologist and physicist work, so too should a man study the Holy Quran impartially to understand the case of religion.

The Quran is not a book of science. But to present its basic message, it directs our attention to various facts. These facts are scattered throughout the universe and within. It is amazing that modern science has not found any error in the Quran's descriptive statements about nature.

Even fourteen centuries ago, the Quran does not say that the earth came into existence a few thousand years ago. In fact, the Quran states that the length of a day in different places in the universe can be very different from that of the Earth. When the Quran discusses the material world, its description is consistent with the facts established by modern science. In 650 AD, these things could not have been imagined, observed, or communicated to anyone today. The statement of these facts by a person who had received no formal scientific education shows that this knowledge is not heretical but inspired.

When Qur'an focuses our attention to nature, some of its clear and specific descriptive statements are verified by the established science. For instance:

- ❖ The state of early universe (Fussilat: 11)
- ❖ Movement of mountains and continents (An-Naml: 88)
- ❖ Human development in a mother's womb (Al-Mu'minun: 13-16)
- ❖ Non- mingling nature of seas (Ar-Rahman: 19-20)
- ❖ Rotation of planets, stars and celestial bodies (Az-Zumar: 5)
- ❖ Expansion of the universe (Adh-Dhariat: 47)
- ❖ Relative nature of time in the universe (As- Sajdah: 5)
- ❖ Shining of moon by reflected sunlight (Al-Furqan: 61)
- ❖ Determination of sex (An-Najm: 45-46)

These descriptions are not contradictory to what we now know through established scientific knowledge.

It is inconceivable to many modern scientists who have also studied Qur'an that how can a person without extensive travel, writing ability and attending modern universities of knowledge, could explain things about history, nature and make socio-political predictions that would appear perfectly correct afterwards.

Dr. Keith Moore, former President of the Canadian Association of Anatomists and of the American Association of Clinical Anatomists remarked at a conference in Cairo that details of human development as mentioned in Qur'an must have come to Muhammad from God, or Allah, because most of this knowledge was not discovered until many centuries later.

The historical accuracy of Qur'an's socio-political predictions, perfect transmission through ages of its text, the unique eloquent language it carries and its accurate description of humans and nature should compel one to give it a sincere reading and reflect on its basic message.

The basic message for us is that we are not created without any purpose. As per Islam, the purpose is to excel in our duties to Allah with a thankful attitude and be kind to all of His creations including humans, plants and animals we interact and live with.

If a religious text is transmitted generations after generations with perfect historical accuracy and consistency and whose descriptive statements about history and future are verified perfectly and whose descriptive statements about what we see across nature and within ourselves is accurate and verified by established discoveries of modern science, then it is certainly a very serious candidate for us to consult in exploring the question of why life and for what purpose? As a matter of fact, Qur'an is such a book which comes true on all the above mentioned characteristics.

Market News

- Binance launches Sharia Earn for $4 trillion Islamic finance market (AInvest, Jul 13).
- Turkish Airlines inks 1st Islamic Finance deal to buy Airbus A350s (Daily Sabah, Jul 30).
- Baghdadi's Tamwuil Capital launches Shari'ah-compliant fund (Global Trade Review, Jul 30).
- Dolmen Group and Meezan Bank partner to launch exclusive Shariah-Compliant home financing for grove residency (Pro Pakistani, Jul 30).
- Bank Islami and ZLK Islamic Financial Services join hands to promote Riba-Free banking and investment (Pro Pakistani, Jul 17).
- DIB strengthens global agri-financing with participation in landmark $1.85 billion facility for Olam Agri (ZAWYA, Jul 16).
- Dubai Court bans late payment charges by Islamic banks and Takaful firms (Gulf News, Jul 17).
- Central Bank of Oman to host the 17th IFSB Summit in Muscat, February 2026 (ZAWYA, Jul 30).
- Muzn Islamic Banking launches the Shari'ah-compliant Direct Debit E-Mandate (ZAWYA, Jul 27).
- Meezan Bank first in Pakistan to launch Visa eSIM (Mettis Global, Jul 29).
- Qatar Islamic Bank signs partnership pact with PayLater (ZAWYA, Jul 31).
- Indonesia launches 5-year US dollar Islamic bond, 10-year green Sukuk (ZAWYA, Jul 16).
- Saudi Arabia completes July Sukuk issuance with $1.33 billion allocation (ZAWYA, Jul 16).

- Samudera Indonesia raises $30.8 million through Islamic financing bond (Tradewinds News, Jul 11).
- Indonesia raises $2.2 billion from US dollar Islamic bonds (Trading View, Jul 17).
- Global Sukuk issuance to dip in Q3 after $ 1 trillion milestone (ZAWYA, Jul 14).
- Foreign currency Sukuk issuance projected to reach $80 billion in 2025 (Arab News, Jul 08).
- Sukuk issuances: AAOIFI unlikely to implement Standard 62 this year (ZAWYA, Jul 09).
- Global ESG Sukuk market to surpass $60 billion by end of 2026: Fitch (Finance Asia, Jul 30).
- UAE and Saudi Arabia cement Gulf's dominance in Global ESG Sukuk market in H1 (ZAWYA, Jul 30).
- Pakistan launches first agri-infrastructure Sukuk with Rs 2 billion funding (Profit by Pakistan Today, Jul 22).
- Sharjah developer Arada tightens price on $450 million Sukuk offering (ZAWYA, Jul 29).
- Maldives Sukuk hits 13-month high after Modi visit, credit pledge (Trading View, Jul 28).
- Sukuk and debt instruments in Saudi Arabia surge 20 percent to $176.7 billion in 2024 (Economy Middle East, Jul 31).
- 'Amar Bond' and 'Beximco Green Sukuk' scandal; financial penalty and ban on those involved." (The Business Standard, Jul 30).
- Takaful International pioneers surplus distribution, upholding the principle of mutual participation (News of Bahrain, Jul 31).
- KP Govt. signs agreement with Pak-Qatar Takaful as 13th fund manager under CPF Scheme (Associated Press of Pakistan, Jul 24).
- Salama ties up with Policybazaar.ae for its Life Takaful insurance (Arabian Business, Jul 17).
- Egypt's minister, FRA chief discuss fast-tracking Agricultural Takaful Fund to boost farmer protection (ZAWYA, Jul 10).
- OUCH! Unveils Digital Takaful Plan for Malaysian SME Workers (Fintech News Malaysia, Jul 15).

- Etiqa unveils ‘pioneering’ investment-linked Takaful plan for Maybank customers (NST Online, Jul 23).
- Waqf Board corruption case: Delhi court orders framing of charges against AAP MLA Amanatullah Khan, 10 others (The Indian Express, Jul 29).
- Interfaith gathering opposes Waqf, Bodh Gaya Temple Acts (The Times of India, Jul 21).
- Centre notifies rules on portal, database, audit of Waqf properties (The Hindu, Jul 05).
- Muslim Leaders offer Waqf Land for Eidgah, Hajj House in Amaravati (Deccan Chronicle, Jul 22).
- ED Returns ₹3.82 Crore assets to Karnataka Waqf Board in money laundering case (Deccan Herald, Jul 08).

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

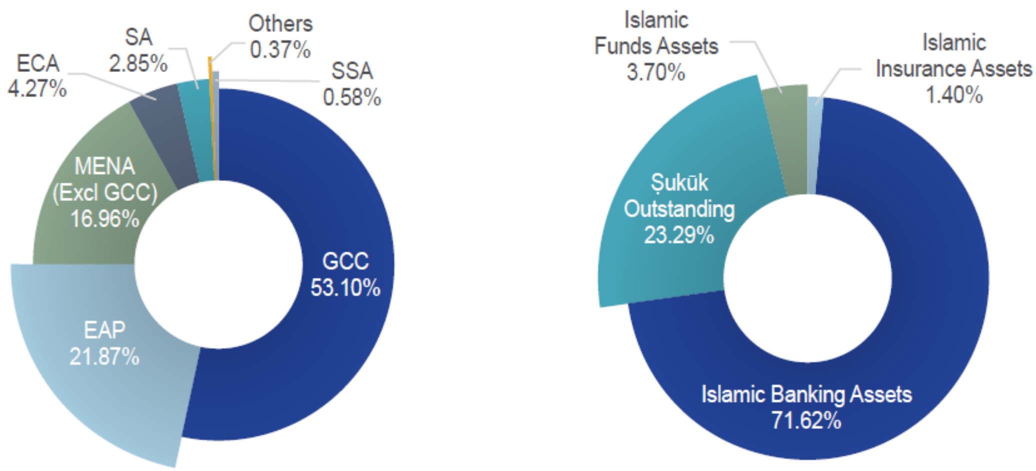


Chart 1.1: Global IFSI Total Asset Size (USD in Trillion) (2020 - 2024)

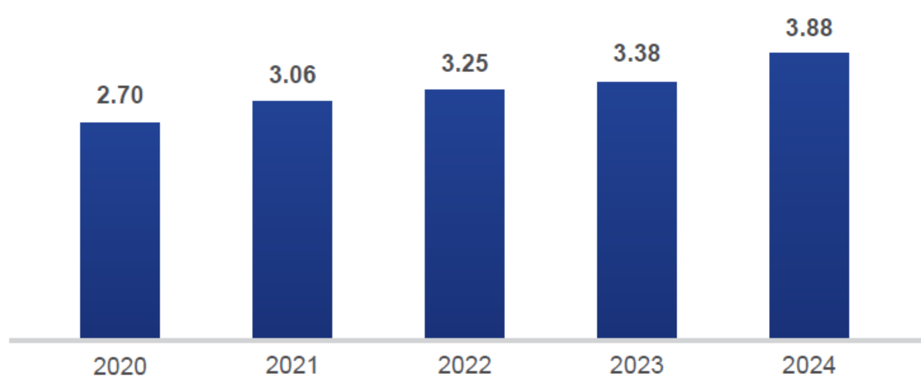
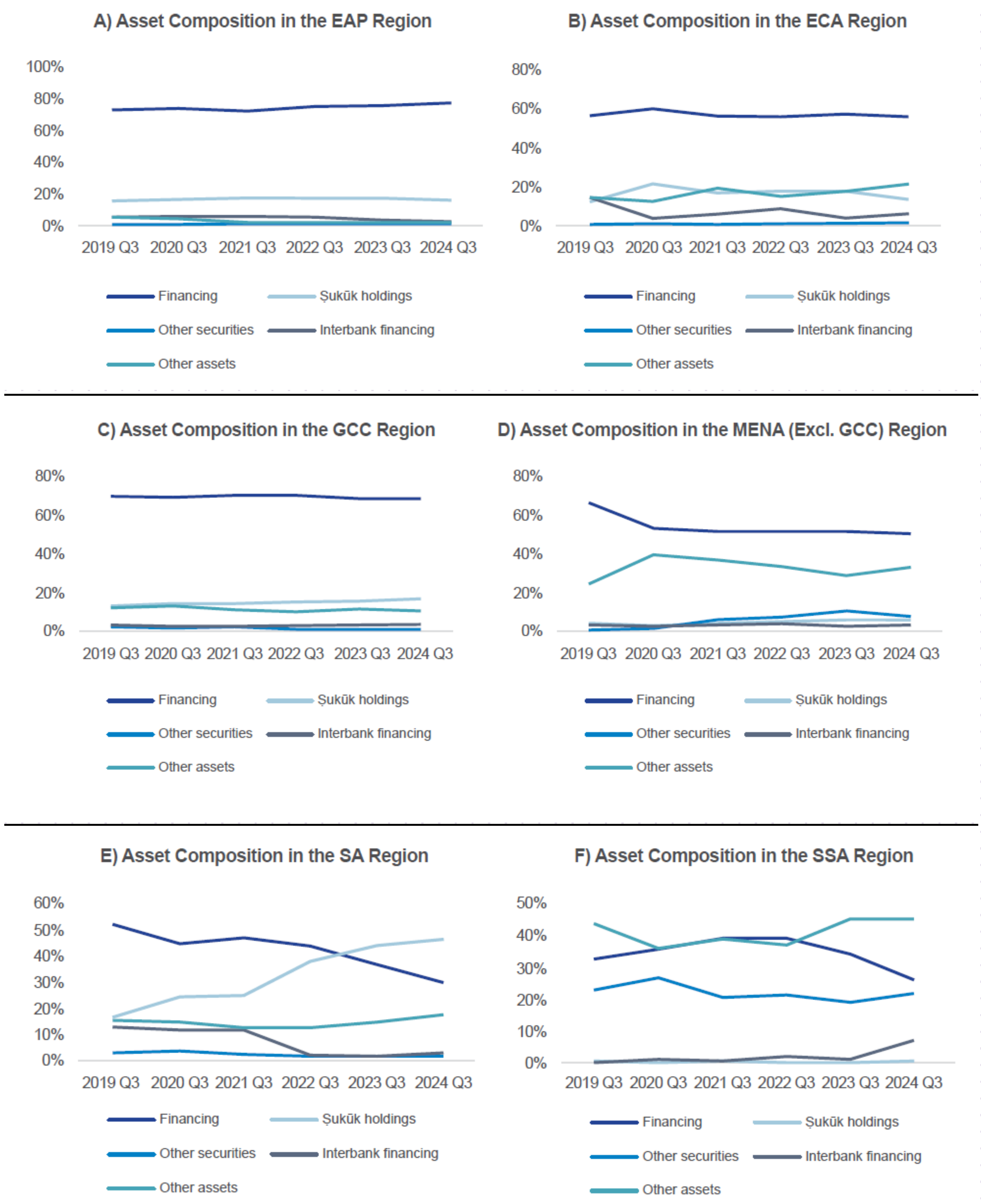
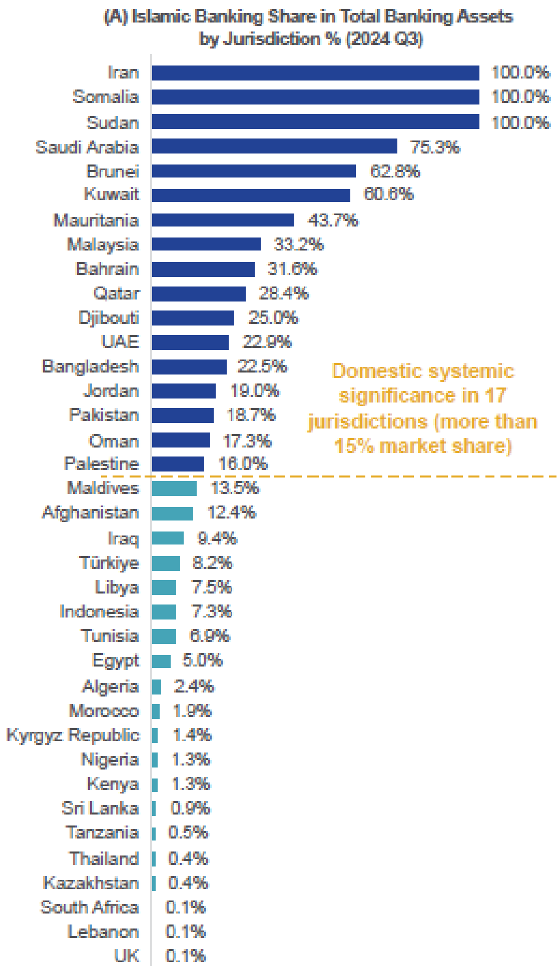
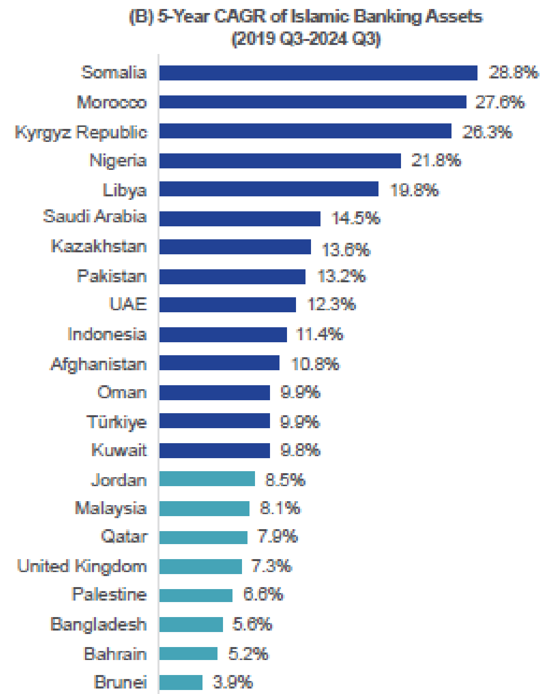
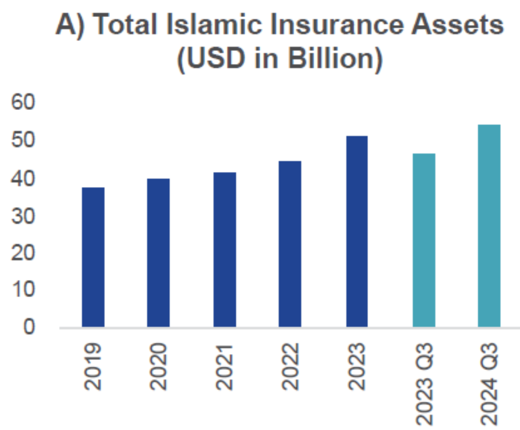


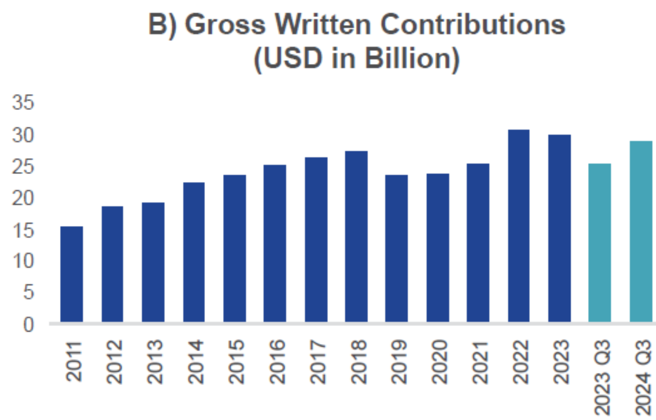
Chart 1.1.2: Regional Islamic Banks' Asset Composition

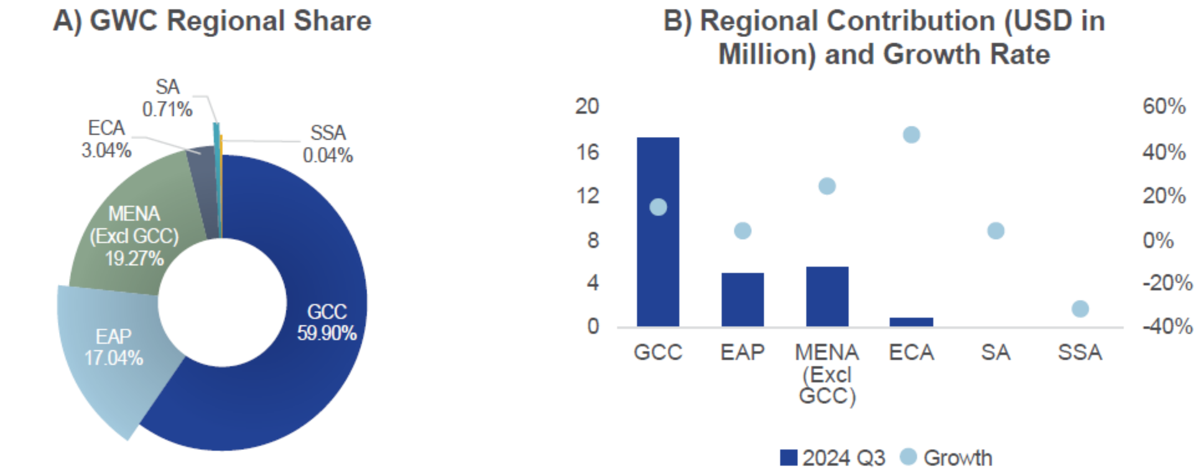



(A) Islamic Banking Share in Total Banking Assets by Jurisdiction % (2024 Q3)
Iran 100.0%
Somalia 100.0%
Sudan 100.0%
Saudi Arabia 75.3%
Brunei 62.8%
Kuwait 60.6%
Mauritania 43.7%
Malaysia 33.2%
Bahrain 31.6%
Qatar 28.4%
Djibouti 25.0%
UAE 22.9%
Bangladesh 22.5%
Jordan 19.0%
Pakistan 18.7%
Oman 17.3%
Palestine 16.0%
Maldives 13.5%
Afghanistan 12.4%
Iraq 9.4%
Türkiye 8.2%
Libya 7.5%
Indonesia 7.3%
Tunisia 6.9%
Egypt 5.0%
Algeria 2.4%
Morocco 1.9%
Kyrgyz Republic 1.4%
Nigeria 1.3%
Kenya 1.3%
Sri Lanka 0.9%
Tanzania 0.5%
Thailand 0.4%
Kazakhstan 0.4%
South Africa 0.1%
Lebanon 0.1%
UK 0.1%
Domestic systemic significance in 17 jurisdictions (more than 15% market share)

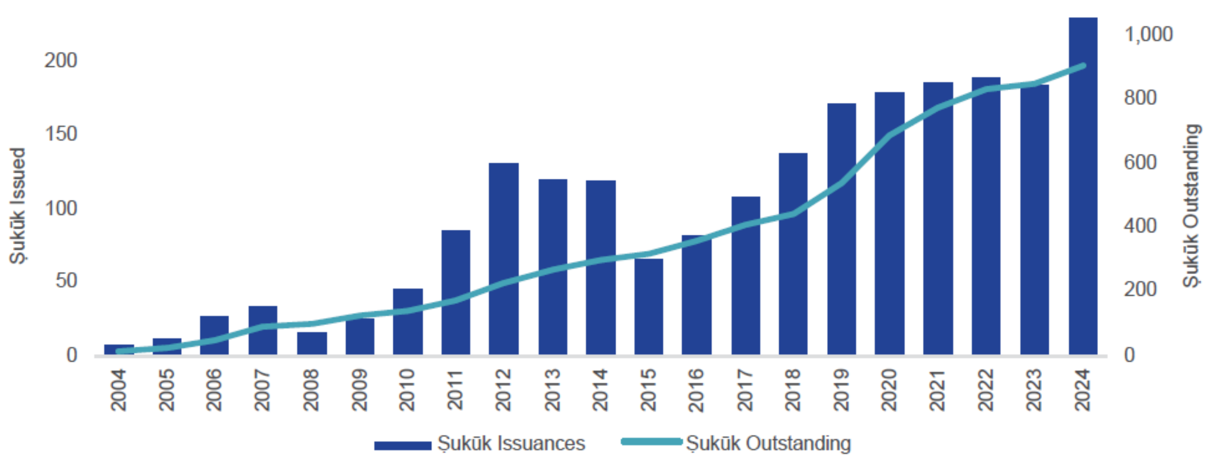

(B) 5-Year CAGR of Islamic Banking Assets (2019 Q3-2024 Q3)
Somalia 28.8%
Morocco 27.6%
Kyrgyz Republic 26.3%
Nigeria 21.8%
Libya 19.8%
Saudi Arabia 14.5%
Kazakhstan 13.6%
Pakistan 13.2%
UAE 12.3%
Indonesia 11.4%
Afghanistan 10.8%
Oman 9.9%
Türkiye 9.9%
Kuwait 9.8%
Jordan 8.5%
Malaysia 8.1%
Qatar 7.9%
United Kingdom 7.3%
Palestine 6.6%
Bangladesh 5.6%
Bahrain 5.2%
Brunei 3.9%

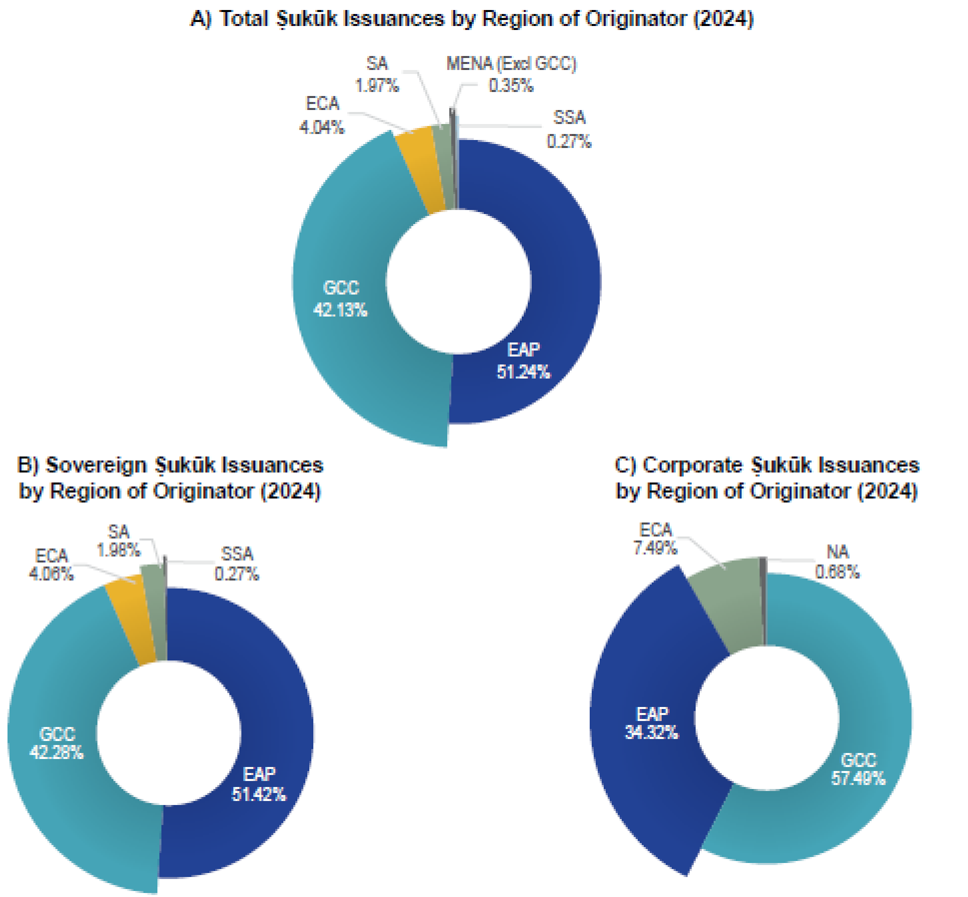

A) Total Islamic Insurance Assets (USD in Billion)
60
50
40
30
20
10
0
2019
2020
2021
2022
2023
2023 Q3
2024 Q3

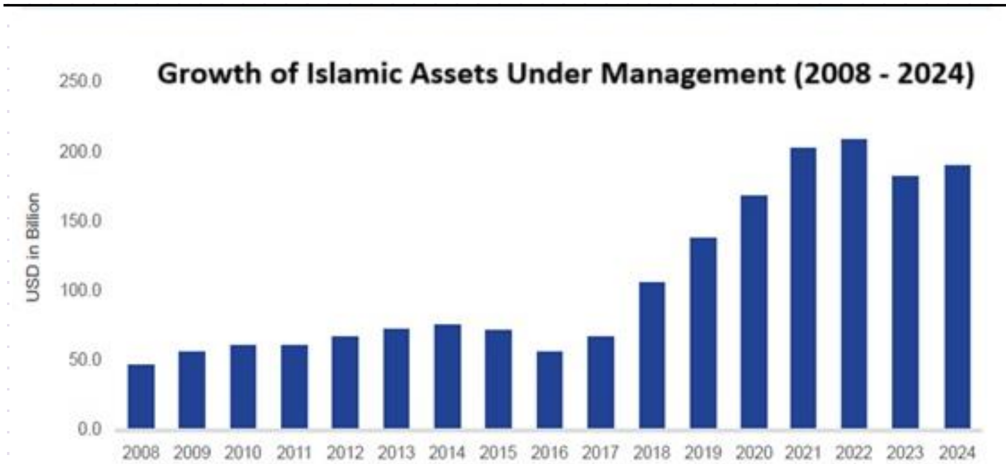

B) Gross Written Contributions (USD in Billion)
35
30
25
20
15
10
5
0
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2023 Q3
2024 Q3



(2004-2024) (USD in Billion)

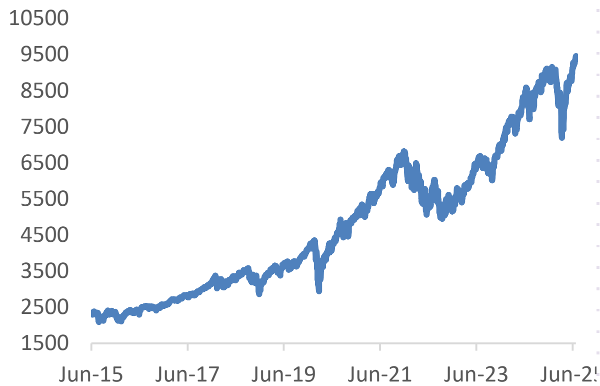



A) Total Şukūk Issuances by Region of Originator (2024)
SA 1.97%
MENA (Excl GCC) 0.35%
ECA 4.04%
SSA 0.27%
GCC 42.13%
EAP 51.24%
B) Sovereign Şukūk Issuances by Region of Originator (2024)
SA 1.98%
ECA 4.06%
SSA 0.27%
GCC 42.28%
EAP 51.42%
C) Corporate Şukūk Issuances by Region of Originator (2024)
ECA 7.49%
NA 0.68%
EAP 34.32%
GCC 57.49%

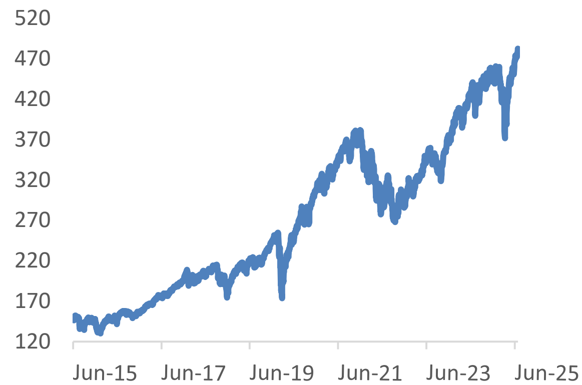

Growth of Islamic Assets Under Management (2008 - 2024)
USD in Billion
250.0
200.0
150.0
100.0
50.0
0.0
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

SUKUK Investments (Source: SP Dow Jones)

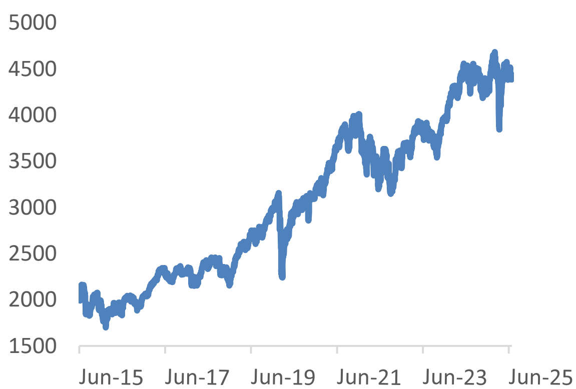
S&P 500 Shariah Index TR



S&P Developed BMI Shariah (USD) TR



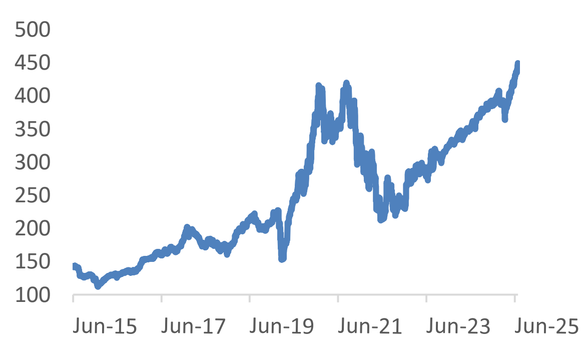
S&P Europe 350 Shariah Index TR



S&P GCC Composite Shariah (TR)

S&P Emerging BMI Shariah (USD) TR

S&P Frontier BMI Shariah (US Dollar) Gross Total Return



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

Conference on Digital Transformation for Social Impacts and ESG Performance
Journal of International Economics and Management
https://www.emeraldgrouppublishing.com/journal/jiem/conference-digital-transformation-social-impacts-and-esg-performance

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

Annual Conference of the British Association for Islamic Studies
Old Divinity School, St John's College, University of Cambridge
https://www.brais.ac.uk/conferences

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- Research Articles
- Research Presentations
- Islamic Finance Calculators
- Course Outlines
- Academic Resources
- Data Resources Links
- Islamic Economics Journals List
- Qur'an and Hadith on Economics
- Book Reviews
- Frequently Asked Questions
- Topical Bibliographies
- Islamic Finance Education Providers
- Researchers Database in Islamic Economics
- Call for Papers
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