Moral Reflections on Economics
Vol 6, Issue 2, February 2026

"It is He who sends the winds as heralds of His mercy and We send down pure water from the sky, so that We may bring life to a dead land; and slake the thirst of Our creation; cattle and men, in great numbers."

[Al-Qur'an, Al-Furqan: 48-49]

Prophet Muhammad (pbuh) said, "The person who strives on behalf of the widows and poor is like those who strive in the way of Allah and like those who fast in the day and pray at night."

[Sahih Bukhari: 5353]

Inside This Issue

"To know how to put what knowledge in which place is wisdom (Hikmah). Otherwise, knowledge without order and seeking it without discipline does lead to confusion and hence to injustice to one's self."

Syed Muhammad Naquib al-Attas
Islam: The Concept of Religion and The Foundation of Ethics and Morality

Pricing Benchmark, Money Market Instruments and Monetary Policy

Salman Ahmed Shaikh

Islamic banks currently dominate the provision of finance in the overall Islamic finance architecture with limited role of private equity and capital markets. As much as 71% of the global Islamic financial assets are held by Islamic banks and conventional banks with Islamic banking windows (Thomson Reuters, 2018).

Furthermore, Islamic banks currently use the same interbank offered rate in pricing their products. By and large, they provide debt based financing rather than equity based modes of financing. Thus, the promise of egalitarian distribution and inclusivity remains unrealized in practice at the moment.

From a more pragmatic view to achieve the promise of Islamic economics, it is important to transform the way Islamic banking and finance is conducted in the contemporary monetary system.

One way to achieve that is to link the payoffs to the saving deficient and saving surplus units through real sector economic payoffs. This article gives a review of literature on this issue and the next section presents an alternate proposal to achieve the aim of having a distinct system of financial intermediation which is less reliant on debt based financing and which is closely aligned with the real sector of the economy.

In academic literature relevant to the role and functions of central bank and monetary management based on Islamic ideals, several proposals and concepts appear, such as: refinance ratio (Siddique, 1982), Qard-e-Hasan ratio (Khan, 1982), Mudarabah based lending between commercial and central banks and restricting high powered money by way of required reserve ratio than relying on open market operations (Chapra, 1983), Time Multiple Counter Loan (Mehmood, 1991), composite stock (Zangeneh & Salam, 1993) and central bank having equity stake in commercial banks (Uzair, 1982) to list a few.

In what follows, a brief review of these proposals is provided with an analytical discussion on their permissibility with regards to Islamic injunctions as well as their practical applicability.

In proposing the financing arrangement between central bank and the government, Kurrihara (1951) explained that since a central bank is the government's bank, if government sells securities to the central bank, interest paid by the government will eventually come back to the government without economic or payoff difference.

Responding to Kurrihara's viewpoint, it must be noted that interest is prohibited in absolute sense and it cannot be accommodated even if the same transaction is reversed over a period of time and thereby nullifying the economic impact.

There are some other suggested alternatives to price capital and to enable a central bank in an interest-free economy to carry out its functions. Chapra (1983) realizes that the two important instruments of monetary policy in the capitalist economy, i.e. discount rate and open market operations (OMO) in interest-bearing government securities will not be available in an Islamic economy. Based on this, he recommends more reliance on Qard-e-Hasan ratio for statutory reserve requirement.

For the conduct of monetary policy, Khan and Mirakhor (1994) also state that barring interest based policy options like buying and selling interest based T-bills, the monetary authority in Islamic framework can utilize policy tools like varying reserve requirements, credit targets and central bank's profit sharing ratio to achieve necessary changes in money supply, provision of credit and even controlling inflation.

Siddiqui (1982) supports the use of 'refinance ratio' i.e. central bank refinancing a part of the interest-free loans provided by the commercial banks to influence the volume of short term credit extended by the commercial banks.

On the other hand, Uzair (1982) proposes that a central bank can acquire equity stake in commercial banking by holding 25 percent of the capital stocks of the commercial banks to get a permanent source of income and play its role as a lender of the last resort. However, his proposal can bring conflict of interest between the regulator and the private banking institutions.

Shaikh (1990) introduces the TMCL (Time Multiple Counter Loan) model which is based on the basic idea that in a loan arrangement, both the amount of loan and time to maturity is important. Thus, if the amount of any loan is multiplied by the period of lending, the result would be a unit i.e. Loan Value (LV). Thus, Rs. 1,000 lent for one year, has the same loan value as Rs. 125 lent for eight years i.e. both sum up to the same loan value of Rs. 1,000.

Therefore, any combination of giving bilateral loans whereby the loan value remains the same is in conformity with Islamic principles as it will fall in the realm of Qard-e-Hasan. Therefore, if a borrower needs a loan of Rs. 1,000 for one year, he can give away a loan of Rs. 125 for eight years and get a loan of Rs. 1,000 for one year. According to the author, TMCL concept could be used in interbank lending and borrowing and between central banks and commercial banks.

Shaikh (2017) in reviewing this proposal highlights some issues. In Islamic jurisprudence, two contracts cannot be executed conditional to each other. Furthermore, time is not a commodity. A commodity can have different prices in different states of the time. However, time itself cannot be factored in price in monetary loans.

From the economic standpoint, Shaikh (2018) reviewing this proposal notes that saving surplus units and saving deficient units have different financial circumstances. The former has surplus money which they lend or invest. They do not require a monetary loan in reciprocation. By lending Rs 10,000 for one year and getting a loan of Rs 1,000 for 10 years, the values are not balanced even in an interest free economy with zero rate of interest.

Zangeneh and Salam (1993) present two alternatives for money management i.e. alternative of discount rate and OMO. They recommend that the central bank could charge the borrowing bank a weighted average rate of return in different sectors of the economy plus or minus a discretionary premium to discourage borrowing if the economy is facing inflation.

Secondly, they recommend that the central bank could perform its OMO in terms of a ‘composite stock’ representing the central bank’s ownership of all of the government and government agencies’ owned enterprises. By trading a ‘composite stock’ rather than individual private or public company’s stocks, the potential problem of exerting undue influences on the price of a company’s stocks is avoided.

Choudhry and Mirakhor (1997) propose equity-based government securities with rates of return based on budgetary surplus. Unfortunately, most Muslim majority countries are having budget deficit. Sometimes, these budget deficits are tolerated on the premise of socially important welfare spending.

This proposal will not allow deficit financing and will also bring disincentive to welfare spending as such spending will decrease return on government securities. Furthermore, the government would not have a compulsion to meet its ends within the budget since any deficit would negatively affect the investors in government securities, but not the government.

In another proposal on the use of equity financing instruments, Sarker (2016) recommends issuance of non-tradable ‘Central Bank Muḍarabah Sukuk’ (non-tradable CBMS) to the Islamic banks and non-bank Islamic financial institutions’ on weekly auction basis to facilitate open market operations. CBMS investor will be Rab-ul-mal and central bank will be Muḍarib.

However, in his proposal, the funds are to be invested in microfinance sector. This might be difficult to execute given the lack of documentation, lack of standardized reporting and small size of microfinance sector with high risk premium and high cost of monitoring in the microfinance sector.

Furthermore, if the Sukuk is non-tradable, then it will be difficult to achieve liquidity and to become an instrument in open market operations where sovereign securities are actively bought and sold to inject and mop up funds in the economy.

Also, if banks as active delegated monitors are reluctant to invest directly in small and medium enterprises, let alone microfinance sector, then they might be reluctant to finance microfinance sector indirectly through an intermediary where all loss is borne by them as Rab-ul-mal if there is default, but they have no discretion on monitoring the portfolio.

On the other hand, central bank would have a hard time monitoring small microfinance players. Even if the monitoring and credit disbursement would be performed by another microenterprise body, it is difficult to envisage practical application of this proposal in the current scenario.

Since Choudhry and Mirakhor (1997) put focus on budget surplus for the return on government securities while the non-asset creating activities in the budget spending lead to budget deficits, Haque and Mirakhor (1998) make a distinction between government's expenditures, i.e. asset creating and non-asset creating. Non-asset creating activities can be financed through tax revenues. But, in asset creating activities, equity modes of financing can be used whereby financing would be generated by way of an instrument. The instrument would take weighted returns on stock index, commercial participation papers and government investment projects.

In the same line of thought, Sari et al. (2017) propose replacing interest rate with return on equity. Also, Mirakhor (1996) contends that Tobin's q can be replaced as a cost of capital in the interest free economy.

However, in these proposals, if the instrument of finance is a loan transaction and the resultant rate from the index (as in Haque & Mirakhor, 1998), return on equity (as in Sari et al., 2017) and Tobin's q (as in Mirakhor, 1996) is stipulated ex-ante; then, it would be including opportunity cost of capital. To make this proposal free from interest, the instrument of finance shall be equity based mode of finance and the proceeds shall be invested in asset creating activities. Then, the actual return generated can be distributed as per the pre-agreed profit sharing ratio.

Finally, some scholars have proposed in the past to index financial loans in the inflationary periods with some inflation index. If this proposal is suggested at the macroeconomic level in financial intermediation, then it is not practicable in the financial system. Indexing loans with inflation will not yield any return for the intermediary in two-tier loan based banking.

In addition to that, inflation is measured by an index which has an urban bias as Consumer Price Index (CPI) inflation is calculated looking at only the prices in urban areas. It has a period bias as in indexing; the choice of base year makes the calculations very different. It also has a representative bias as inflation in urban areas is not a true representative of inflation in all areas if rural areas comprise two thirds of population in some developing countries.

Also, inflation is just an estimated measure and there are at least four varieties of inflation measure used globally, i.e. Consumer Price Index, Wholesale Price Index, Sensitive Price Index and Producer Price Index. The results depend on the methodology, the particular commodities in the index which change from time to time and not everyone has the same basket of goods relevant for them.

Finally, cost-push inflation is driven by supply shocks, such as increase in factor prices and decrease in the supply of factors of production and inputs. Therefore, deterioration in real purchasing power is caused by factors not in the control of the borrower. He cannot be held liable to compensate in a matter in which he was not responsible. The Fiqh Academy of the OIC has also ruled out indexation of a lent amount of money to the cost of living indicators.

To sum up, it can be seen that efforts have been made in the past to delineate a mechanism for managing money supply, instruments to be used in Islamic money market, managing liquidity in the financial sector and on the determination and delineation of functions of central bank in the Islamic economy.

But much of that academic research has not been translated into practice and limited attention has been paid to the issue of establishing the pricing benchmark for asset allocation in the Islamic monetary system which currently use debt based modes of financing intensively.

An Alternate Pricing Benchmark & Money Market Instrument

Time value of money is the basis of interest. As per Islamic principles, time value of money is the problem for the investor to avoid keeping his money idle and to avoid forgoing the use of money that may bring positive value to his investment.

However, it does not mean that the investor can demand an arbitrary increase as the cost of using money without taking the market and price risk of a productive enterprise. As per Islamic principles, the person who owns money has to undertake risk of productive enterprise by becoming self-entrepreneur or an investing entrepreneur as equity partner in others' businesses to have any justifiable compensation out of the production process.

In contemporary monetary system, interest based T-bills are not Islamic since they involve Riba, which is prohibited in Islam. Islamic principles prohibit a predetermined interest rate, but permit variable returns in undertakings based on equity participation, trade and other economic activities (Choudhry & Mirakhor, 1997).

As a substitute to T-bills, the governments can issue Treasury Sukuk Ijarah Bills to source funds. This instrument can also be used in open market operations. In place of reverse repo and repo, ready buy deferred sale can be used to inject and mop up funds. If the commercial banks want to deposit funds with the central bank, they will buy Treasury Sukuk Ijarah

Bills at a lower price on spot and sell at a higher price in future.

Likewise, if they want to access funds from the central bank, they will sell Treasury Sukuk Ijarah Bills at a lower price on spot and buy at a higher price in future. The difference in price will be the financial cost to the party that is obtaining funds and return to the counterparty that is providing funds.

The imputed rate of return will be higher on reverse repo than on repo. A unilateral undertaking will separate the two legs of the transaction. To ensure that it is not an outright buyback transaction, it is important to ensure proper identification of Ijarah asset, transfer of ownership, constructive possession and prior valid offer and acceptance to execute the sale of Ijarah assets.

In outright open market operations where the objective is to buy and hold the treasury securities till maturity, Murabaha Sukuk can also be used where there is no need for secondary market and for multiple sales between counterparties during the life of the security.

The question arises as to what should be the profit rate benchmark. To solve this issue, the government can setup a trading corporation that trades in commodities like food crops and petroleum products. In some countries, such a trading corporation already exists and the governments procure goods through these trading corporations to achieve the objective of smooth supply, exports of surplus and imports of shortage, protect the small growers and regulate prices.

In these trading operations, the government can set prices to reflect its target profit rate. This target profit rate can become a benchmark for issuing Treasury Sukuk Ijarah Bills and affect the other rates of returns in Islamic short term debt financing instruments.

Nonetheless, this instrument shall be used domestically in national currency and the investment shall not be open to foreign investors. It is because if national infrastructure is used as a subject matter in these Treasury Sukuk Ijarah Bills, any default might result in transfer of significant national wealth if the Treasury Sukuk Ijarah Bills are not denominated in national currency and are open to foreign investors.

Open market operations would involve injecting and mopping up funds. This will be achieved through purchasing and selling Treasury Sukuk Ijarah Bills. Credit controls can utilize Qard e Hasan ratio (for cash reserve ratio) and sovereign investment ratio (for statutory liquidity ratio) where investments are made in Treasury Sukuk Ijarah Bills or composite equity certificate as suggested by Zangeneh and Salam (1993).

Capital rationing is useful to avoid free-rider problem as long as an artificial and rigid scarcity of capital can be avoided. In pricing capital in intertemporal transfer of funds, Mannan (1982) recommends the use of accounting price of capital which will neither add to the cost of production nor form part of the profits; but, instead will be used to appraise projects.

In corporate finance, the weighted average profit rate in commodity trade operations of the government could be used in valuation models to provide a quantitative mechanism to rank investment alternatives. In project valuation, this benchmark rate could be used to find ‘estimated intrinsic value’ of cash flows.

From the perspective of rules governing Islamic finance, this proposal would be appropriate since it is using a real sector oriented profit rate benchmark rather than interest based benchmark. In equity based asset market in Islamic economy, saving deficient partner will not be obliged to provide the returns based on these valuations. However, the investor, i.e. saving surplus partner can use this indicative valuation to rank investment alternatives.

It will provide a quantitative mechanism to rank investment alternatives. In actual distribution of income between investors and firms using equity modes of financing, Profit Sharing Ratio (PSR) would be used and agreed upon at time (t) and applied to the actual operating profit earned in time period (t+1).

In ranking projects, a project with the highest net present value would be most preferable for investment. So, the investor could prefer to enter into that contract with even a slightly lower profit sharing ratio.

A project with the lowest net present value is least preferable for investment, so the investor could prefer to enter into that contract only with a slightly higher profit sharing ratio. Ranking would be facilitated by using profit rate as a benchmark in financial valuation models. This process of bargaining will lead to equilibrium in Islamic investible funds market.

Furthermore, the instrument ‘Treasury Sukuk Ijarah Bills’ will also enable effective conduct of monetary policy, liquidity management in Islamic interbank market and distinct pricing of Islamic banking financing products with a close link to the real economy.

Note: A more detailed account of this concept can be read in the chapter written by the author titled as “Economic Analysis of Islamic Monetary Framework and Instruments”. In Islamic Monetary Economics (pp. 60-76). Routledge.

References

Chapra, M. U. (1983). Monetary Policy in an Islamic Economy. Money and Banking in Islam. International Centre for Research in Islamic Economics, King Abdul Aziz University, Jeddah.

Choudhry, N., & Mirakhor, A. (1997). Indirect Instruments of Monetary Control in an Islamic Financial System, Islamic Economic Studies, 4(2), 27 – 65.

Haque, N. & Mirakhor, A. (1998). The Design of Instruments for Government Finance in an Islamic Economy. International Monetary Fund. IMF Working Paper, WP/98/54.

Khan, M. A. (1982). Inflation and the Islamic Economy – A Closed Economy Model. International Centre for Research in Islamic Economics. Jeddah: Kind Abdul Aziz University Press.

Khan, M. S., & Mirakhor, A. (1994). Monetary Management in an Islamic Economy, Journal of King Abdulaziz University: Islamic Economics, 6(1), 3 – 21.

Kurrihara, K. K. (1951). Monetary Theory and Public Policy. London: Allen and Elwin.

Mannan, A. M. (1982). Interest Free Islamic Economy – A Comparative Policy Approach. International Centre for Research in

Islamic Economics. Jeddah: Kind Abdul Aziz University Press.

Mirakhor, A. (1996). Cost of Capital and Investment in a Non-Interest Economy, Islamic Economic Studies, 4(1), 35 – 47.

Sari, N. M., Mirakhor, A., & Hafidzi, M. S. K. (2017). Replacing the Interest Rate Mechanism in Monetary Policy: Case of Malaysia. Conference Proceedings 'The 1st International Colloquium on Islamic Banking and Islamic finance', Tarbiat Modares University, Tehran, Iran.

Sarker, A. A. (2016). An Evaluation of Islamic Monetary Policy Instruments Introduced in Some Selected OIC Member Countries. Islamic Economic Studies, 24(1), 1 – 47.

Siddiqui, M. N. (1982). Monetary Policy – A Review. International Centre for Research in Islamic Economics. Jeddah: Kind Abdul Aziz University Press.

Shaikh, M. A. (1990). Towards Interest Free Banking. Lahore: Institute of Islamic Culture.

Shaikh, S. A. (2017). Analysis of Minor Proposals outside the Mainstream Islamic Finance in Pakistan, Journal of Islamic Banking and Finance, 34(3), 11 – 21.

Thomson Reuters (2018). Islamic Finance Development Report. Salaam Gateway.

Zangeneh, H., & Salam, A. (1993). Central Banking in an Interest Free Banking System. Journal of King Abdulaziz University: Islamic Economics, 5, 25 – 36.

Money and Inflation

Hifz ur Rab

The Moral Weight of Money and the Illusion of Inflation

Monetary manipulation is a foundational pillar that often sustains modern capitalist systems, yet its mechanics remain hidden from the average person. We can define monetary manipulation as the reduction in the actual quantity of what determines money's purchasing power. Essentially, it is a decrease in the substance of what money is or what it represents.

While we often hear the term 'inflation' to describe a general increase in prices, this rise is typically caused by one of two factors. First, it can occur due to a change in the purchasing power of what the money symbolizes, often triggered by a deliberate reduction in the quantity of wealth it represents. This is the essence of monetary manipulation. Second, prices may rise due to a fall in purchasing power without any change in the quantity of the money itself. For instance, if gold becomes naturally cheaper because of a new supply, an Islamic Dinar made of 4.25 grams of gold will naturally buy less.

In this context, a price rise can be 'real', as seen in the second case, or it can be a mere 'illusion', as seen in the first. In an illusionary price rise, money is simply being reduced to a smaller quantity of wealth, thus buying fewer goods and services. If a price rise is real, it does not necessarily require compensation.

However, if the rise is the result of monetary manipulation, it must be corrected and compensated for to maintain fairness. It is arguably due to a period of intellectual stagnation that many have failed to realize that divine revelations regarding the 'Balance of Justice' apply to all forms of measurement, including the measurement of wealth.

The Quranic command to establish weight with justice and fall not short in the balance strictly prohibits anything that leads to faulty measurement. By extension, the manipulation of a common medium of exchange the market uses to determine just prices is strictly prohibited. Shari'ah requires that currency be a well-defined and reliable measure of wealth with a stable purchasing power. Consequently, a system of freely floating fiat money, which lacks this stability, finds little accommodating place in an ethical Islamic framework.

The Mechanics of Fiat Money and the Shrinking Basket of Value

The prevailing paper currency we use today is known as freely floating fiat money. These notes are essentially transferable warrants for a quantity of purchasing power determined by the market.

Despite the fact that this money consistently loses its value, people continue to use it because government mandates require its acceptance for all payments.

While these currencies were initially linked to gold-backed systems, that link has been completely destroyed. Today, the only reality of fiat money is the 'basket' of national products it can buy. The 'weight' of this money falls whenever the money supply is increased beyond the actual requirements of the economy. Secular governments generally do not recognize that a specific amount of money today should be equivalent to the same amount from five years ago. However, economic reality—as confirmed by scientific standards and practiced in real-term accounting worldwide—suggests that an equivalent amount must be calculated based on constant prices or a constant quantity of the national product basket.

To illustrate this, imagine an economy where only food, clothing, shelter, and gold are traded for currency. The market determines the price of these items based on supply and demand. If we define a unit of currency by the specific ratio of these goods it can buy—perhaps four packets of food, three of cloth, two of shelter, and one of gold—that basket becomes the only true reality of that money.

If the government prints more money and that same unit now only buys 90 grams of that basket instead of 100 grams, the 'reality' of the money has fallen by nearly 10 percent. Economists call this the rate of inflation, but it is effectively a manifestation of monetary manipulation. Because fiat money has no intrinsic value and its future purchasing power is unknown, using it as a fixed unit for credit or deferred transactions introduces a major element of uncertainty, known as Gharar.

Just as selling ten pieces of gold without specifying their weight would be prohibited due to lack of definition, conducting business using a currency that has no fixed weight of value creates an environment of instability and potential fraud.

Restoring Justice in Islamic Finance and Accounting

Research has shown that preferred Islamic modes of finance, such as Qard Hasan (interest-free loans), Mudarabah, and Musharakah (profit-sharing partnerships), become unjust and impractical when accounting is done in nominal terms—meaning, when no correction is made for the loss of money's value. These systems are highly efficient and just, provided that the accounting is corrected to reflect monetary manipulation.

We must recognize that fiat money is essentially just a name; the real money is the equivalent national product basket it represents. If the weight of that basket is reduced by half, the money buys half as much. There is a strict similarity between a debased gold coin, where the gold content is reduced, and modern fiat money that loses its purchasing power. Therefore, a strict analogy applies. Shari'ah relies on realities rather than names. Since fiat money is continuously manipulated, the correct alternative is to use a fixed weight of its reality—the basket of goods—as the unit of account.

The stability of fiat money may seem acceptable over a week or a month, but over decades, it is a poor store of value, often losing more than 99 percent of its power over a century. This failure to maintain value leads to systemic corruption and acts as a nuisance to honest trade. If we treat money as the national product basket it represents, the accounting unit becomes a fixed quantity of that basket.

For example, to clear a loan today when the basket's value has been halved, a borrower would need to return twice the nominal amount of currency to ensure the lender receives the same weight of wealth back. This approach aligns with the Shari'ah requirement for equality in weight between what is borrowed and what is returned. Ignoring this reality and relying on nominal paper values leads to widespread inefficiency and social disaster. By establishing currency as a defined and stable quantity of wealth, we fulfil an essential condition for justice and sustained economic growth.

Feature	Gold/Silver Currency (Naqdain)	Freely Floating Fiat Money (FFFM)
Intrinsic Value	High (based on metal weight)	None (government mandate only)
Stability of Measure	Naturally stable and well-defined	Highly variable and prone to manipulation
Economic Reality	Fixed weight of a specific commodity	Variable basket of national products
Shari'ah Perspective	A reliable measure of justice	Requires correction for reality to be just

Highlights of Resisting the Rule of the Rich

Muhammad Hammad

The number of billionaires has surpassed 3,000, with Elon Musk becoming the first person to hold over half a trillion dollars in wealth. However, this extreme wealth concentration is happening amidst widespread hunger, with one in four people globally facing food insecurity.

The issue isn't just the lavish spending of billionaires, but how they use their wealth to influence politics, governments, and media, undermining democracy and fairness. As US Supreme Court Justice Louis Brandeis said, 'We must make our choice. Either we can have extreme wealth in the hands of the few, or we can have democracy. We cannot have both'. This report is about that choice.

1. The Great Inequality Divides and the Rule of the Rich

A Good Decade for Billionaires

The number of billionaires has surpassed 3,000, with their wealth reaching a record $18.3 trillion in November 2025, an 81% increase since March 2020. This concentration of wealth is exacerbating global inequality, with the 10 richest billionaires holding over $2.4 trillion.

The super-rich are profiting from crises like trade tensions, wars, and climate change, while over 2 billion people face food insecurity. The richest 1% own 43.8% of global wealth, while the poorest half hold just 0.52%. This inequality is undermining democracy and perpetuating poverty.

Meanwhile, Billions Face Poverty and Hunger

Billions face poverty, hunger, and preventable diseases due to systemic inequality. The richest 1% own 43.8% of global wealth, while the poorest half hold just 0.52%.

This disparity is fuelled by stagnant wages, rising costs, and tax policies favouring the wealthy. Women, racialized communities, and marginalized groups bear the brunt of this inequality. Redistribution of just 65% of billionaires' wealth gained in 2025 could end global poverty. Taxing the super-rich is a popular solution, with support across the political spectrum.

Economic Inequality Leads to Political Inequality

The growing wealth gap is fuelling a dangerous political inequality, where billionaires wield disproportionate influence over governments, economies, and societies, undermining democracy and eroding rights.

This concentration of power allows the super-rich to shape policies, suppress dissent, and silence marginalized voices. As a result, democratic institutions are being captured, and authoritarianism is on the rise, with nearly three-quarters of the world's population living under autocratic rule.

2. Political Inequality at the Top

Buying into Politics

In the US, just 100 billionaire families spent a record $2.6 billion on federal elections in

2024, and the 10 richest men's companies spent $88 million lobbying, more than all trade unions combined. This leads to policy outcomes that reflect upper-income preferences, exacerbating economic inequality. The 'revolving door' between government and corporate roles further blurs lines, allowing elites to shape policies in their favour.

Elite Ownership and Control of the Media

The concentration of media ownership among billionaires is a pressing concern, threatening political freedom and the role of media in holding power accountable. Seven out of the world's 10 largest media companies are owned by billionaires, who can influence public debate and shape narratives to suit their interests.

This concentration of power allows a few individuals to control the flow of information, undermining the quality of public debate and accountability. The rise of generative AI and misinformation further exacerbates this issue, posing risks to political freedoms.

Billionaires Taking a Seat at the Table

Billionaires are increasingly holding political office and influencing policy decisions globally. Over 11% of the world's billionaires have held or sought political office, with Oxfam estimating they are 4,000 times more likely to hold office than ordinary people.

Examples include Najib Mikati, Lebanon's former prime minister, and Julius Maada Bio, Sierra Leone's president, who significantly increased their wealth while in office. Billionaires also shape policy through business advisory councils and lobbying, with one in four billionaires attending UN COP28 made their riches from polluting industries.

3. Political Inequality at the Bottom

Economic inequality leads to significant political inequality, where the wealthy influence policy and decision-making, while marginalized groups face barriers to participation. In low-income countries, 45% of the least wealthy quintile lack ID, with women facing greater challenges. This perpetuates a cycle where the rich shape policies to their advantage, further marginalizing the poor.

For example, voters in Black neighbourhoods in the US waited 29% longer to vote than those in white neighbourhoods during the 2016 presidential elections. Women and racial minorities are underrepresented in politics, with only 4.3% of EU MEPs from minority backgrounds and 16% of elected councillors in Brazil being women.

Protests Against Inequality and Austerity Crushed

Globally, over 142 significant anti-government protests erupted in the last twelve months, driven by failures of political representation, economic inequality, and austerity measures. The debt crisis and super-rich private creditors are exacerbating unrest. Governments face a choice: redistribute or repress.

Instead of meaningful change, governments often respond with repression, as seen in Colombia (2021), Kenya (2024), and Argentina (2025), where protests against austerity measures and inequality were met with force, resulting in deaths, arrests, and militarization.

Targeting of Environmental and Human Rights Advocates

Environmental and human rights defenders, trade unions, and marginalized communities are fighting against inequality, land grabs, and corporate power, often at great personal risk. Over the past decade, 89% of attacks on human rights defenders targeted climate, land, and environment defenders, with Indigenous peoples disproportionately affected.

In 2023, at least 196 people were murdered for defending their land and environment. Governments often respond to protests with repression, as seen in Colombia, Argentina, and elsewhere, where defenders face violence, arrests, and intimidation. Gen Z-led protests and digital organizing are driving change, but face state repression and online restrictions.

4. Building a More Equal Future

To address the erosion of rights and freedoms caused by economic inequality, governments should prioritize reducing inequality through bold policies and reforms. National Inequality Reduction Plans (NIRPs) should be implemented, aiming for a Gini coefficient < 0.3 and/or Palma ratio ≤ 1, with progress monitored annually.

NIRPs should include policies like taxing the super-rich, curbing corporate power, raising wages, and providing quality public services. An International Panel on Inequality should be established to provide timely information on inequality and solutions.

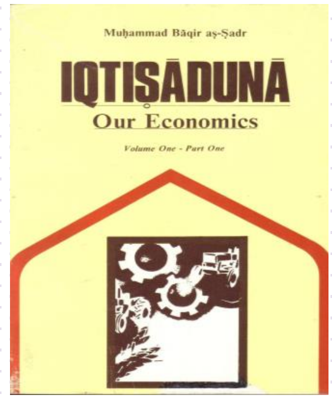
Curb the Political Power of the Super-Rich

To build a firewall between wealth and politics, governments should tax the super-rich, regulate lobbying and revolving doors, and increase transparency. This includes independent regulatory bodies, public lobby registries, and easier access to budget information. These steps can reduce the influence of extreme wealth on politics and promote democracy.

Build the Political Power of the Many

Governments can empower ordinary people by creating institutional inclusiveness, political incentives, and collective organization. Examples like India's political reservations and Brazil's Participatory Budgeting show progress. To build political power for the many, governments should guarantee civic space, protect freedoms of expression, public opinion, and ensure transparency and accountability. This enables citizens, movements, and organizations to organize and participate in policymaking.

Book Review



Title: Iqtisaduna (Our economics)

Author: Baqir Us Sadr

Iqtisaduna (Our Economics), authored by the preeminent Islamic scholar and philosopher Muhammad Baqir al-Sadr, remains a towering achievement in modern Islamic intellectual history. This foundational text does not merely suggest a religious alternative to global financial systems; it provides a rigorous, academic deconstruction of the two major economic doctrines of Western thought—Capitalism and Socialism.

Al-Sadr observed that while many Islamic nations had successfully sought political independence from European colonial domination, they remained paradoxically trapped within European intellectual and economic frameworks. His work was an attempt to break these invisible chains, offering a comprehensive system rooted in Islamic ontology and social justice.

The Philosophical Deconstruction of Dialectical Materialism

The book begins with an incisive academic criticism of dialectical materialism, the philosophical backbone of Marxist thought. Al-Sadr argues that history is an incredibly complex phenomenon that cannot be reduced to a single driving force, such as the economic factor or the means of production.

He asserts that various other elements, including religious convictions, political structures, and social dynamics, play primary and often independent roles in shaping human destiny. He challenges the foundational logic of materialism by pointing out that it cannot explain the “first push” of the universe or human development without acknowledging a non-material or Divine cause. For al-Sadr, the materialist view is a narrow lens that fails to capture the multidimensional nature of human existence.

Marxism famously claims that the ‘antithesis’ arises naturally from within the ‘thesis’, leading to a revolutionary transition. However, al-Sadr meticulously notes that historical transitions, such as the shift from Feudalism to Capitalism, did not always follow the revolutionary, dialectical path Marx predicted. Many of these shifts occurred gradually and evolutionary, often without a sudden renewal of productive forces.

Furthermore, he identifies a logical contradiction in the Marxist endgame. If everything is in a constant state of flux and every stage must produce an antithesis, the final Communist stage should also evolve into something else. Yet, Marxism treats this stage as a final, static end to history, which al-Sadr argues is a philosophical inconsistency.

The Primacy of the Human Intellect

In his critique of the relationship between the economic base and social superstructures, al-Sadr challenges the notion that religion, politics, and ideology are merely by products of the means of production.

He poses a fundamental question: why did humanity start productive activity in the first place? He points out that while animals face the same material needs as humans, they have never developed productive forces or tools. From this, al-Sadr concludes that the origin of economic activity lies in human intellect and the capacity for planning, rather than in the material forces themselves.

He argues that the development of a tool is essentially the product of human thought and experimentation, placing the human mind as a factor higher than the tool it creates. In this view, the tool is the embodiment of an idea, not its creator or its master.

Expanding on this, al-Sadr challenges the Marxist and Ricardian methodological focus on labour as the sole source of value. This perspective, he argues, incorrectly excludes the positive roles of nature and psychological factors.

He maintains that human desire and utility objectively influence exchange value just as much as labour. For instance, if the collective desire for a commodity falls due to a shift in political or religious ideology, its exchange value will drop even if the amount of labour required to produce it remains constant. This demonstrates that value is not a purely mechanical measurement of time and effort but is deeply tied to the human condition and social context.

Scarcity, Desire, and the Theory of Value

To further dismantle the labour theory of value, al-Sadr uses the example of scarce natural resources. A diamond found by chance requires no labour to exist, yet it commands an immense price. This proves that scarcity and human desire—psychological factors—are the true determinants of value. He notes that while cotton and silk cloth have different physical properties and require different amounts of labour to produce, their equality in exchange is often due to a common psychological trait: the human desire to possess them.

If the collective desire for a product vanishes, its value drops to zero regardless of how much labour was expended. Marxism, he argues, ignores the inherent value of raw materials and natural resources, which possess value based on their scarcity rather than the labour required to extract them.

Al-Sadr also addresses the role of natural ability and artistic talent in the economy. He argues that the time spent on a project cannot explain the value of products involving unique human gifts, such as a charming picture or a piece of fine art. In these cases, the quality of the work creates an additional value that labour-time alone is fundamentally incapable of measuring.

This leads to his critique of the predictions of dialectical materialism as illustrated by historical contradictions. He argues it is logically absurd to expect an arbitrary and absolute government, such as the one seen in the USSR, to be the prelude to its own disappearance. Instead of shrinking, the socialist state became an absolute dictatorship, proving that the dialectic failed to predict the reality of human power dynamics.

The Critique of Capitalist Freedom

On the origin of Capitalism, al-Sadr argues that the system did not arise from a revolutionary burst of productive forces but rather from external factors like the discovery of mines, the exploitation of colonies, and the growth of international trade.

He challenges the Capitalist assertion that absolute economic freedom is a universal scientific necessity. Instead, he views it as a specific cultural choice of the Western 'European man'.

He critiques the emphasis on absolute individual freedom, which often prioritizes the whims of the individual over the collective welfare of society. This unbridled freedom, he warns, leads to the concentration of wealth and the means of production in the hands of a small group.

The Capitalist obsession with profit is another point of contention for al-Sadr. He observes that profit flows abundantly to the owners of capital, often at the direct cost of social justice. He points out that the Capitalist mode of distribution fails to provide for those in need because it is based on market power rather than a moral framework of justice.

Because Capitalism treats economics as a cold science of scarcity, it loses sight of the human element. This leads into al-Sadr's vital distinction between the 'Science of Economy' and 'Economic Doctrine'.

Science, Doctrine, and Social Equilibrium

According to al-Sadr, Economic Science is a descriptive field that seeks to study economic life and the causal links between events. In contrast, Economic Doctrine refers to the normative framework a society chooses to organize its life and solve practical problems. Unlike science, which discovers existing reality, a doctrine plans and creates a system based on moral, social, or ideological values. Al-Sadr argues that Islamic economics is primarily a doctrine, not a science. It is a set of rules intended to achieve social justice and solve economic problems according to Islamic values. It does not seek to discover 'natural laws' of the market but to impose a just order upon it.

The primary economic problem in Islam, as presented in Iqtisaduna, is not the relative scarcity emphasized by Capitalism or the mode of production emphasized by Marxism. Instead, the problem is injustice in distribution. To combat this, al-Sadr proposes 'Social Equilibrium'.

This concept does not mean total equality of wealth for everyone, but rather that every individual is guaranteed a standard of living commensurate with human dignity. This ensures that wealth does not 'circulate only among the rich', creating a society where the gap between classes is narrowed by moral and legal obligations.

Research Paper in Focus

Paper Title: Breaking Bad: How Health Shocks Prompt Crime

Author: Steffen Andersen, Elin Colmsjö, Gianpaolo Parise, Kim Peijnenburg

Publisher: American Economic Journal: Applied Economics, 18(1), 88–119, January 2026

The research paper in focus 'Breaking Bad: How Health Shocks Prompt Crime', offers a longitudinal analysis of the relationship between cancer diagnoses and criminal behaviour in Denmark.

Leveraging administrative registry data from 1980 to 2018, the authors establish a causal link using a staggered adoption design, asserting that health shocks result in a 14% increase in the probability of committing a crime.

The study identifies two primary economic mechanisms: a loss of human capital leading to illegal revenue seeking and a decrease in survival probability which reduces the perceived long-term cost of punishment. While the paper is technically robust within its econometric framework, it operates within a strictly secular, rational-choice paradigm that fails to account for the metaphysical and moral dimensions of human behaviour during crisis.

The article's reliance on the Becker-Ehrlich theories of crime reduces the human experience of terminal illness to a series of cold calculations regarding 'legal versus illegal earnings' and 'discount rates' for punishment.

From a Kantian perspective, this implies that the moral subject is no longer acting out of duty, but is instead governed by hypothetical imperatives—actions taken merely as a means to an end, such as compensating for lost income through illegal earnings. Kant's first formulation of the categorical imperative demands that one "act only according to that maxim whereby you can at the same time will that it should become a universal law".

By framing the cancer patient as a rational actor who 'breaks bad' when legal productivity wanes or death nears, the authors implicitly adopt a godless worldview that views morality as a by-product of economic incentives and state-enforced deterrence.

This perspective ignores the reality that in a secular society stripped of transcendent purpose, the moral fabric becomes fragile. When individuals view their existence through a purely materialist lens, the onset of a life-threatening illness may indeed trigger a nihilistic response, as there is no perceived accountability beyond a legal system that the individual no longer expects to outlive.

The Islamic worldview offers a profound explanation of reasons behind personal calamities as temporary trials. The concept of Sabr (patient perseverance) and the belief in Qadar (divine decree) provide a framework where calamity is seen not as a loss of utility, but as a period of spiritual refinement.

The article notes that crime increases as 'survival probabilities' decrease, yet it overlooks the fact that for a believer, a shorter life expectancy does not diminish the cost of transgression; rather, it heightens the awareness of Akhirah (the Afterlife) and ultimate accountability before the Creator. This sense of afterlife accountability provides the solace, peace, and comfort that a secular welfare state—which the authors suggest is the primary solution to this criminal externality—can never truly replicate.

The authors conclude that expansive welfare programs are essential to mitigate the negative externality of crime following health shocks. While the study proves that reducing social support in stingy municipalities increases crime, this focus on the state as the sole arbiter of behaviour highlights the weakness of a purely secular social contract.

Relying on municipal generosity to prevent a cancer patient from breaking bad acknowledges a fundamental lack of internal moral restraint. From an academic Islamic perspective, the responsible attitude displayed during social and personal calamity is not contingent upon the generosity of social security, but is rooted in a moral obligation to the community and a fear of divine justice. The study's findings, therefore, may not be a universal law of human nature, but rather a diagnosis of the spiritual and moral vacuum inherent in secular societies when confronted with the reality of death.

Reflections on Consumerism

Islamic philosophy of life prioritizes equitable distribution over efficiency. Overreliance on efficiency paralyses the equity and ethical concerns of development policy change. While Islamic principles allow freedom and liberty in lawful consumption within the moral boundaries, they induce affirmative action to promote well-being when people possess the means.

In contrast, according to consumer sovereignty, as long as people can put up dollar votes for their preferences, resources will be allocated on producing, marketing and distributing inessential goods even if a quarter of the world population lives in poverty and suffers from hunger, malnourishment and curable diseases.

Rather than complimenting humans in their animalistic instincts to keep having a one-eyed focus on material well-being only, Islam inculcates piousness, kindness, cooperation and communal responsibility in humans.

In some instances, Islam guides explicitly to avoid extravagance, lavishness and using certain products and services which harm a human's ethical existence and well-being either individually and/or harm the society in the process. Islamic economics incorporates ethical values and excludes from the consumption bundle various goods which bring either private loss or welfare loss to the society.

Islamic philosophy of life brings a long-term perspective to the pursuit of self-interest by informing humans about the positive and negative consequences of their actions and choices in the life hereafter. In the Godless worldview, due to the absence of afterlife accountability, the rich people with absolute and inviolable property rights can command natural and environmental resources whose potential lifespan is much more than the lives of their owners. But, if the rich people believe in no afterlife accountability, they can extract and exploit these resources quickly and deprive future generations of their use.

Climate change is slow, but a cumulative process. Individual human lifespan is only an infinitesimally small fraction of the life of environmental resources and ecosystem services. Hence, the self- centric and this-worldly view of life is incompatible with the concerns of sustainability and socially responsible behaviour.

Rather, the dogmatic commitment to self-centric worldview results in the inevitable proliferation of pollution as a right and product to be bought and sold in the market economy. It is ironic, but inevitable to see measures such as 'statistical value of life'. On the action and policy front in capitalistic democracies, voter ignorance as well as the public-good nature of any results of political activity tends to create a situation in which maximizing an individual's private surplus through rent seeking can be at the expense of a lower economic surplus for all consumers and producers.

Mainstream economics has become a discipline devoid of values. The exploitation of the natural environment can be abated when individuals consider intergenerational welfare and justice to be important factors in their economic decisions.

The effective solution to the environmental problems depends on the overall worldview which spells out the relationship between man, nature and his Creator. Religion provides such meaningful conditioning which enables bringing the right balance between human aspirations and the physical limits of nature.

Religion also promises salvage from the limitedness of this worldly life in heaven which will be awarded to the most righteous people. This, in turn, provides a permanent incentive to choose righteous behaviour as an end in this world with the hope and fear of deterministic results in the life hereafter.

Market News

Islamic Finance

- Lucky Investments surpasses Rs 130 billion AUM within a year (Mettis Global, Jan 07).
- Islamic finance market size to surpass $3.4 trillion by 2027 and $7.7 trillion by 2033, registering 12.0% CAGR (openPR.com, Jan 06).
- Emirates Islamic provides $500 million structured financing to Mass Group Holding (Zawya, Jan 06).
- Global Islamic finance set to hit $6 trillion in 2026 as industry posts strong double-digit growth (Khaleej Times, Jan 01).
- Pakistan's first non-life Shariah-compliant Takaful operator says 'historic' IPO oversubscribed 21 times (Arab News, Jan 22).

- Pakistan’s Islamic finance sector gains momentum as CDNS achieves Rs 23.6 billion inflows (Associated Press of Pakistan, Jan 26).
- Emirates Islamic 2025 net profit jumps 19% to Dh 3.3 billion on lending and deposit growth (Gulf News, Jan 27).
- African governments look to Islamic finance after Benin Sukuk success (Zawya, Jan 29).
- Islamic Finance in Oman set for 25 percent growth, reaching $45 billion in 2026 (Economy Middle East, Jan 30).

Islamic Banking

- VEON invests $20 million in Mobilink bank to support its Islamic banking expansion in Pakistan (FinTech Future, Jan 07).
- Uzbekistan plans to launch its first Islamic banking services in 2027 (AKl Press News Agency, Jan 07).
- Saudi: MESC obtains $40 million facility from Alinma Bank (Zawya, Jan 06).
- Sharjah Islamic bank posts 26% profit rise, proposes higher dividend and capital increase (Gulf News, Jan 22).
- Islamic bank backs Pakistan with $603 million projects (Daily Times, Jan 20).
- DIB launches new campaign offering customers the opportunity to win up to 10 kg of gold (Zawya, Jan 21).
- Kuwait-Backed Raqami Islamic Digital Bank to launch in Pakistan with $100 million investment (Crowdfund Insider, Jan 26).
- UBL and Meezan Bank lead Pakistan’s largest private sector Islamic financing of Rs 133 billion (Business Recorder, Jan 29).

Sukuk Market

- Oman to raise over $2 billion via local bonds, Sukuk in 2026 (Zawya, Jan 07).
- Saudi Arabia opens January ‘Sah’ Sukuk sale with 4.73% return (Malaysia IIFC, Jan 06).
- Kuwait Finance House prices $1 billion 5-year benchmark Sukuk (Trading View, Jan 07).
- Saudi Telecom plans up to $5 billion international Sukuk issuance (Maaal, Jan 06).
- CBB Ijara Murabaha Sukuk oversubscribed (Zawya, Jan 22).
- Saudi Arabia raises $605 million in January Sukuk issuance: NDMC (Arab News PK, Jan 21).
- Malaysia's bond and Sukuk markets emerge as global benchmark for stability (MIFC Directory, Jan 20).
- Egypt: CBE to offer $105.8 million sovereign Sukuk on January 26 (Zawya, Jan 22).
- PNB issues first-ever secured exchangeable Sukuk, raises US$300 million (MIFC Directory, Jan 20).
- ESG Sukuk set to exceed $70 billion by 2026 end: Fitch (Arab News PK, Jan 15).
- Global Sukuk issuance to reach $280 billion in 2026: S&P Global (Arab News PK, Jan 13).
- SEC completes $2.4 billion Sukuk issuance across 3 tranches (Aurqam, Jan 18).
- Saudi PIF receives over $7 billion in orders for 10-year Sukuk – Document (Trading View, Jan 21).
- GCC debt market tops $1.1 trillion as dollar issuance surges – report (Arabian Business, Jan 22).
- Kogi plans ₦50 billion Sukuk bond to fund airport, Lokoja market (Vanguard News, Jan 22).
- Islamic Treasury Sukuk auction for July 2025 attracts bids worth AED 5.35 billion (Ministry of Finance – UAE, Jan 20).

- Oman announces 10th issuance of local sovereign Sukuk (Arab News, Jan 20).
- Saudi mining Maaden $1 billion Sukuk Islamic finance deal (Discovery Alert, Jan 26).
- IILM issues US$22.9 billion Sukuk in 2025 via 21 auctions (Bernama, Jan 26).
- Zarea Limited raises Rs 1 billion through privately placed Sukuk (Profit by Pakistan Today, Jan 26).
- Oman's bond and Sukuk market records $1.5 billion gain in 2025 (Zawya, Jan 26).
- Benin issues $500 million seven-year international Sukuk (CNBC Africa, Jan 23).
- Saudi Arabia's debt capital market to reach $600 billion by end-2026, says Fitch (Economy Middle East, Jan 26).
- Maaden completes $1 billion Sukuk issuance (Aurqam, Jan 25).
- SAL completes SAR 1 billion Sukuk issuance (Maaal, Jan 29).
- Qatar Central Bank issues $632.2 million in Ijara Sukuk as investor bids soar to $1.92 billion (Economy Middle East, Jan 29).
- Algeria launches $2.3 billion debut sovereign Sukuk to fund infrastructure projects (Zawya, Jan 29).
- UAE debt market to surpass $350 billion in 2026: Fitch Ratings (Arab News PK, Jan 27).
- Taef takes $500 million in Sukuk return (Global Capital, Jan 28).
- Energy Development Oman issues USD 10-year Sukuk worth $650 million (Zawya, Jan 29).
- Oman: EDO issues $650 million 10-year Sukuk (Zawya, Jan 29).
- Arab Energy Fund prices $500 million 10-year Reg S Sukuk (Zawya, Jan 28).
- Bahrain prices $800 million long 8-year Sukuk and $1.3 billion 12-year bond (Zawya, Jan 28).
- J.P. Morgan announces no stabilization for Bahrain's $800 million Sukuk (Investing.com, Jan 28).

Takaful Sector

- Pak-Qatar General Takaful eyes Rs 420 million in IPO (Mettis Global, Jan 20).
- General Takaful donates to Qatar Society for rehabilitation of special needs in support of its humanitarian mission (The Peninsula Qatar, Jan 16).

Zakat & Waqf Sector

- UAE opens Golden Visa to charity and Waqf donors in bid to anchor long-term philanthropy (Visa HQ, Jan 23).
- Kedah sets Zakat Fitrah rates at RM 9, RM 15 And RM 23 (Bernama, Jan 26).

Islamic Fintech Sector

- Police raid Islamic Fintech firm Dana Syariah Indonesia in $140 million fraud probe (Jakarta Globe, Jan 23).
- Mal raises $230 million to build AI-native Islamic digital bank (Fintech Global, Jan 21).

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

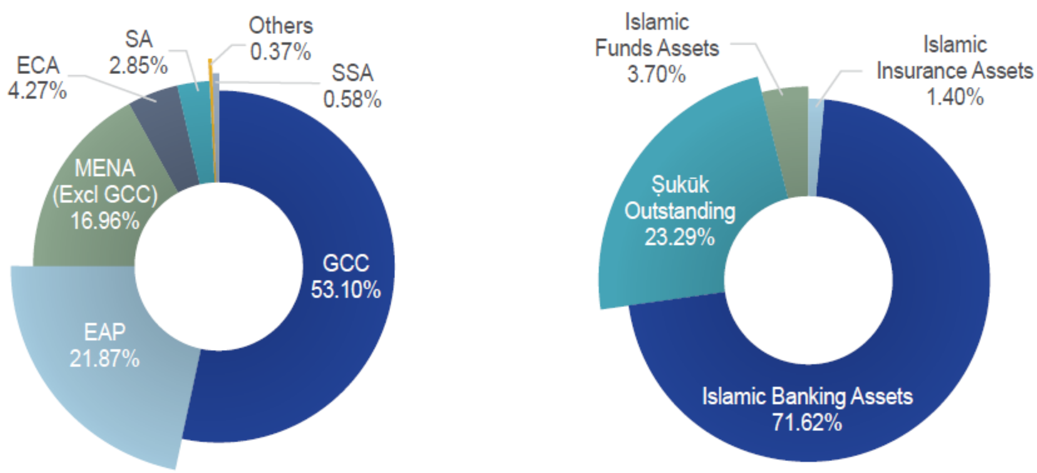


Chart 1.1: Global IFSI Total Asset Size (USD in Trillion) (2020 - 2024)

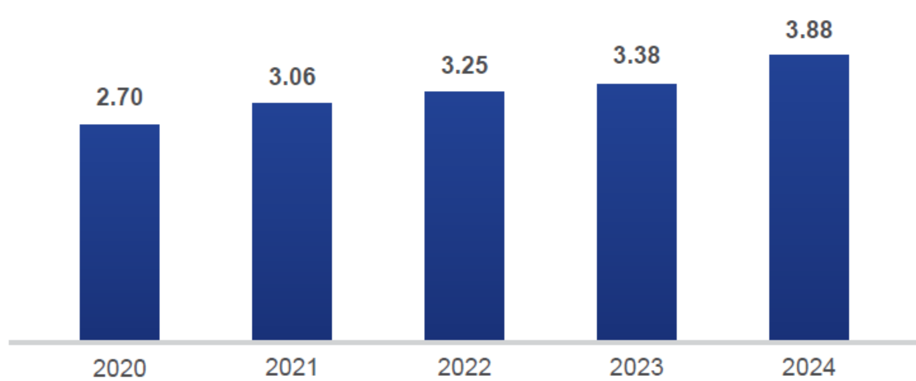
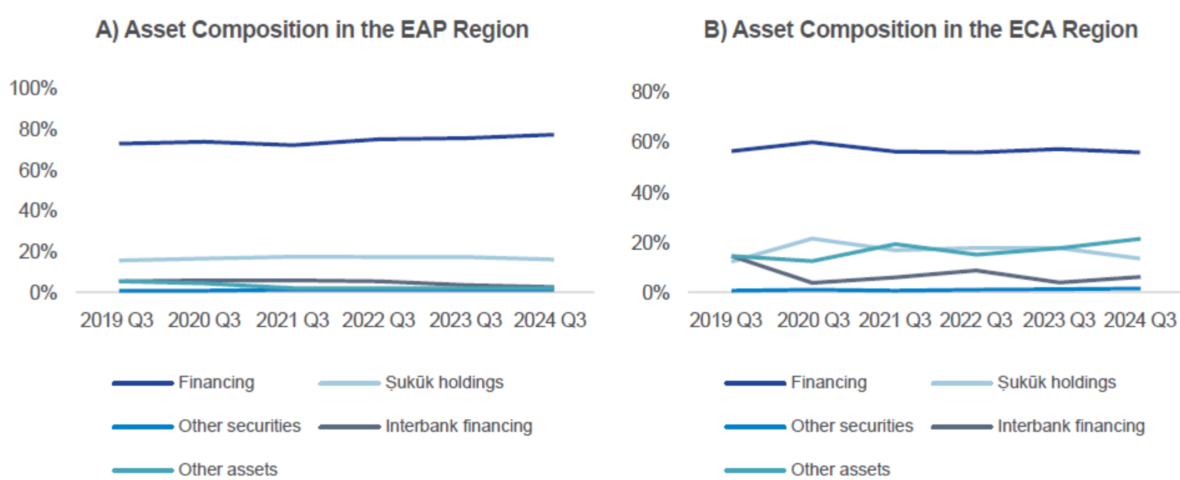
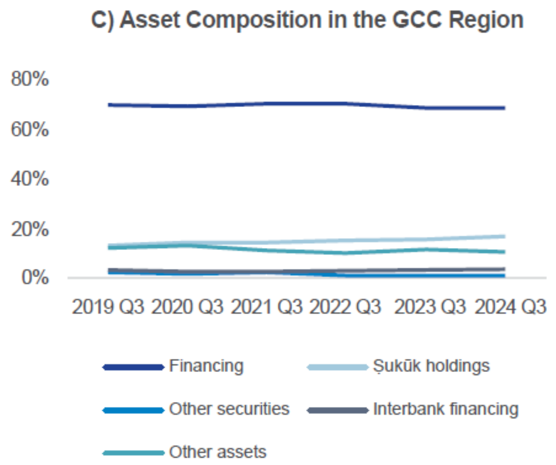
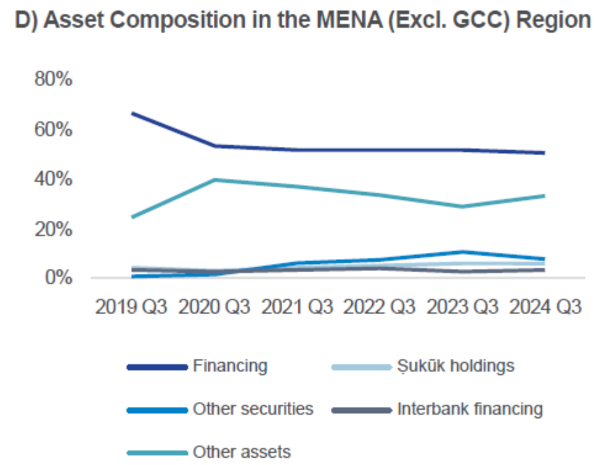
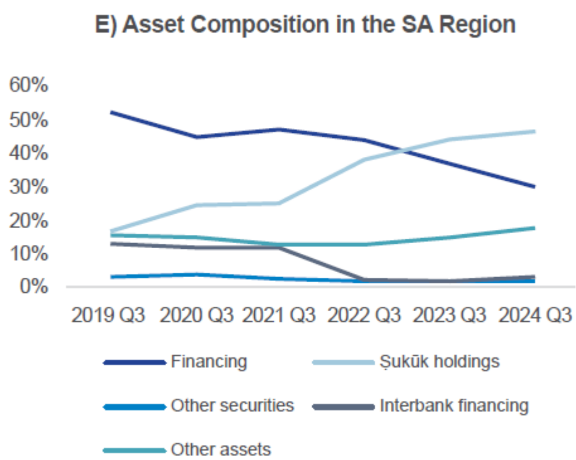


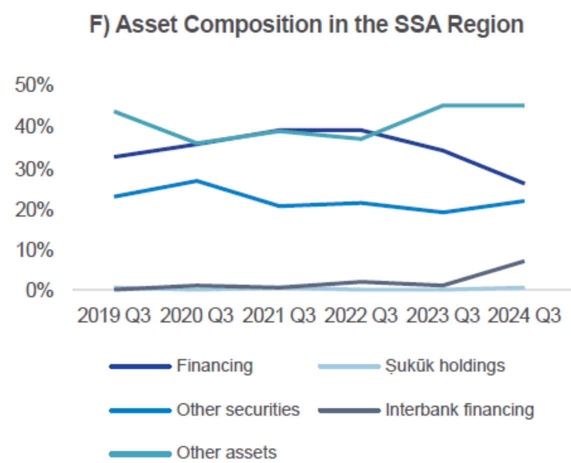
Chart 1.1.2: Regional Islamic Banks' Asset Composition

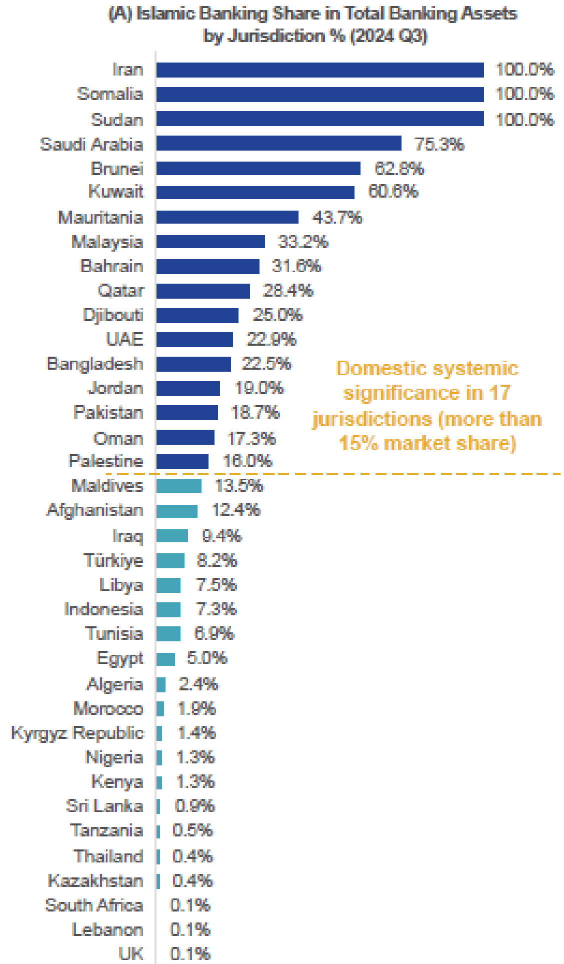


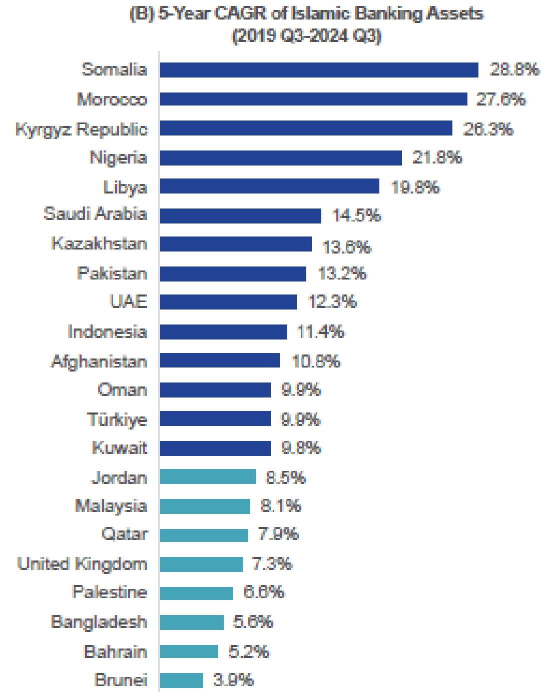

C) Asset Composition in the GCC Region
80%
60%
40%
20%
0%
2019 Q3 2020 Q3 2021 Q3 2022 Q3 2023 Q3 2024 Q3
Financing
Ṣukūk holdings
Other securities
Interbank financing
Other assets

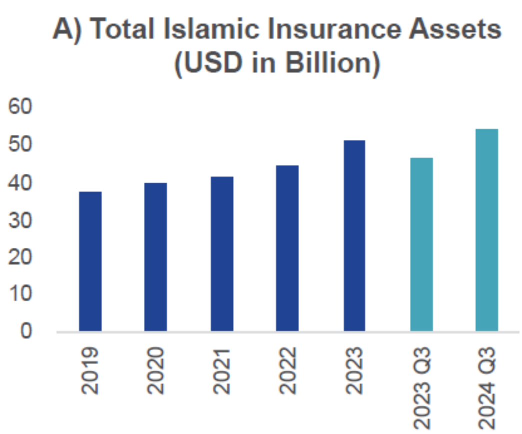

D) Asset Composition in the MENA (Excl. GCC) Region
80%
60%
40%
20%
0%
2019 Q3 2020 Q3 2021 Q3 2022 Q3 2023 Q3 2024 Q3
Financing
Ṣukūk holdings
Other securities
Interbank financing
Other assets

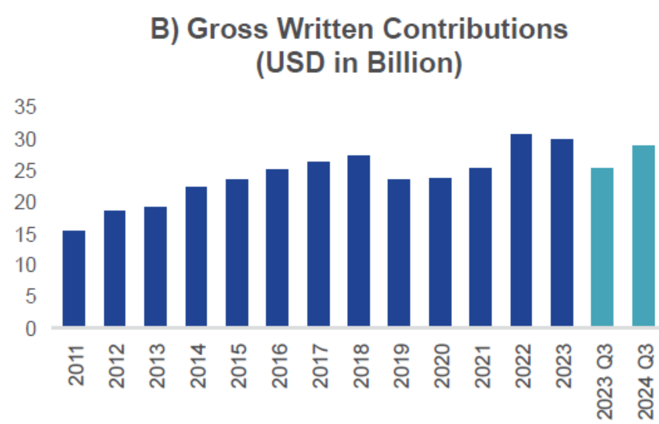

E) Asset Composition in the SA Region
60%
50%
40%
30%
20%
10%
0%
2019 Q3 2020 Q3 2021 Q3 2022 Q3 2023 Q3 2024 Q3
Financing
Ṣukūk holdings
Other securities
Interbank financing
Other assets

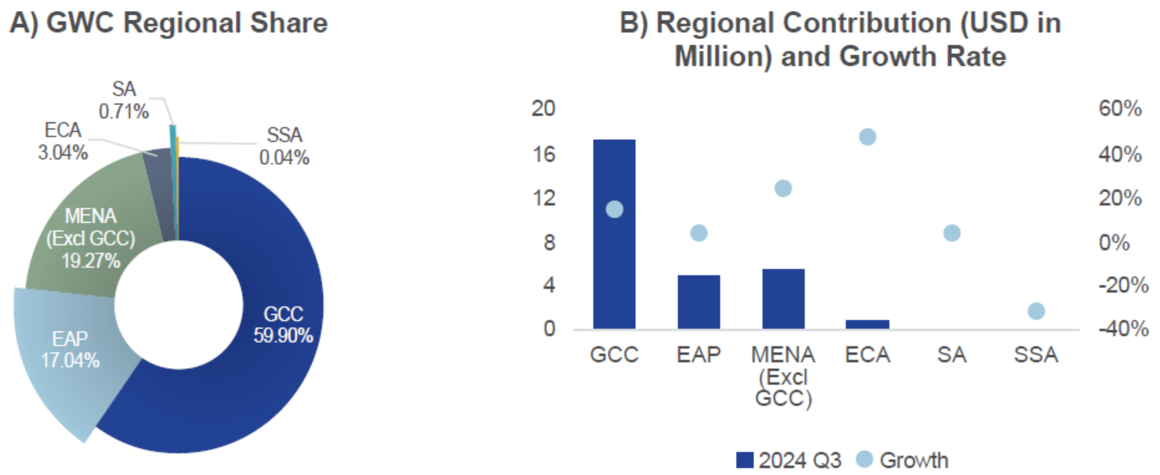

F) Asset Composition in the SSA Region
50%
40%
30%
20%
10%
0%
2019 Q3 2020 Q3 2021 Q3 2022 Q3 2023 Q3 2024 Q3
Financing
Ṣukūk holdings
Other securities
Interbank financing
Other assets


(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)

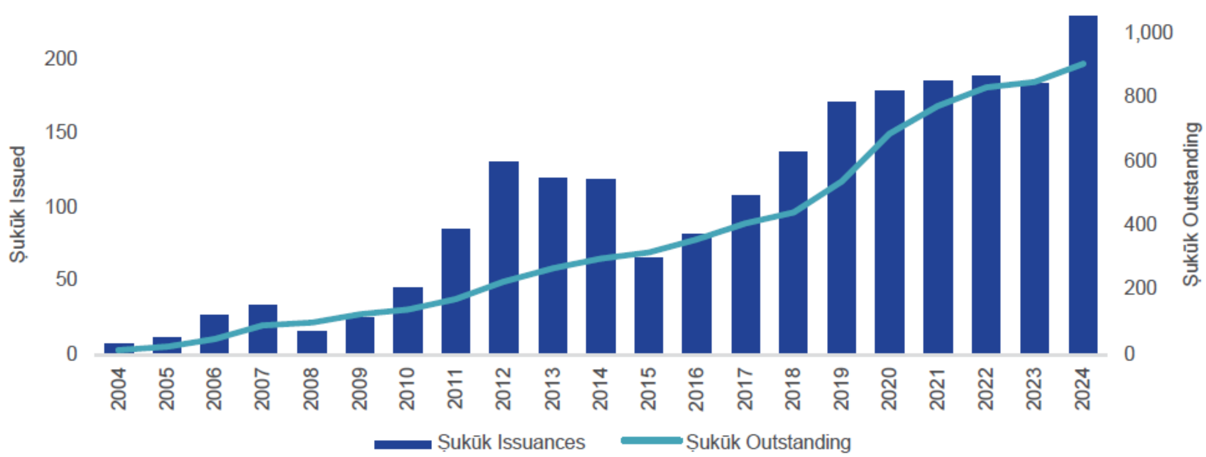

(B) 5-Year CAGR of Islamic Banking Assets (2019 Q3-2024 Q3)
Somalia 28.8%
Morocco 27.6%
Kyrgyz Republic 26.3%
Nigeria 21.8%
Libya 19.8%
Saudi Arabia 14.5%
Kazakhstan 13.6%
Pakistan 13.2%
UAE 12.3%
Indonesia 11.4%
Afghanistan 10.8%
Oman 9.9%
Türkiye 9.9%
Kuwait 9.8%
Jordan 8.5%
Malaysia 8.1%
Qatar 7.9%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

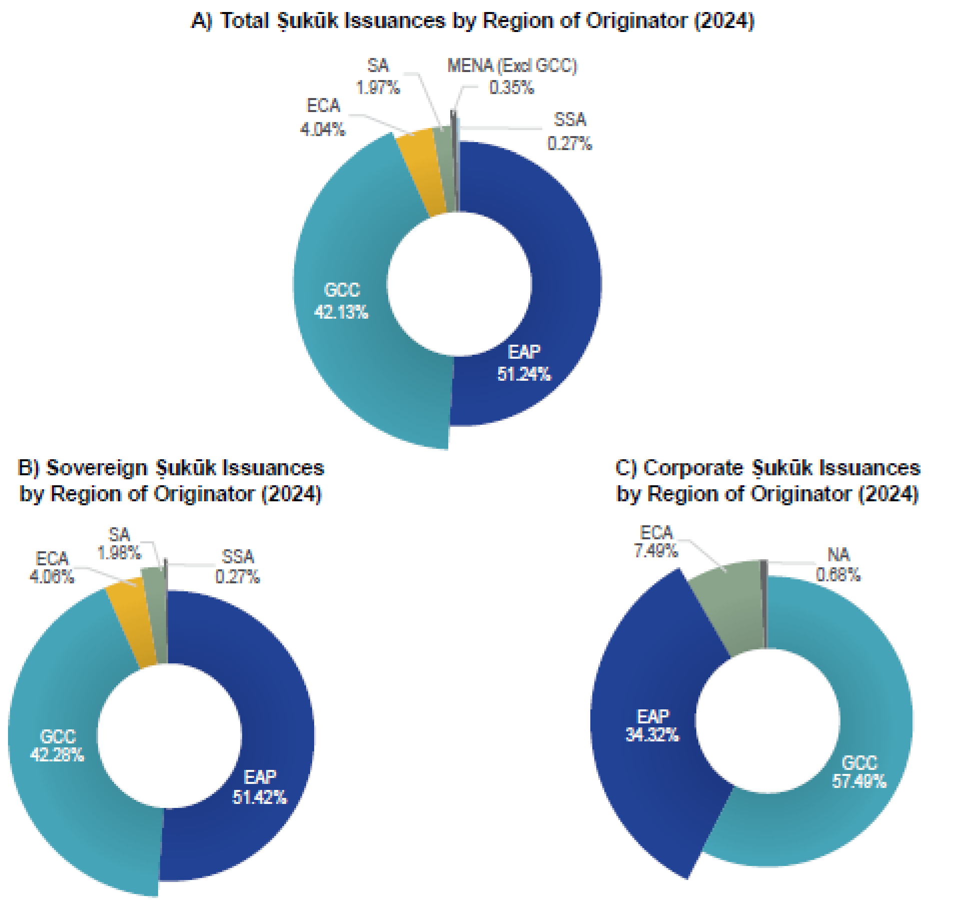

A) Total Islamic Insurance Assets (USD in Billion)
60
50
40
30
20
10
0
2019
2020
2021
2022
2023
2023 Q3
2024 Q3

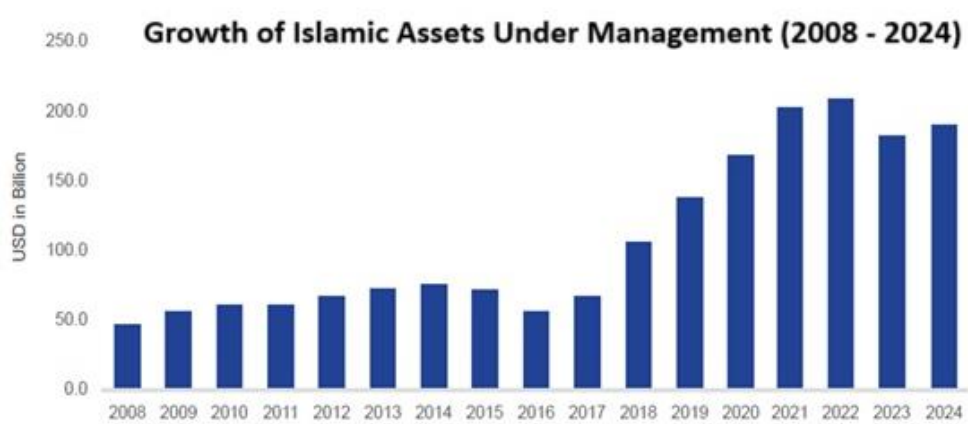

B) Gross Written Contributions (USD in Billion)
35
30
25
20
15
10
5
0
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2023 Q3
2024 Q3



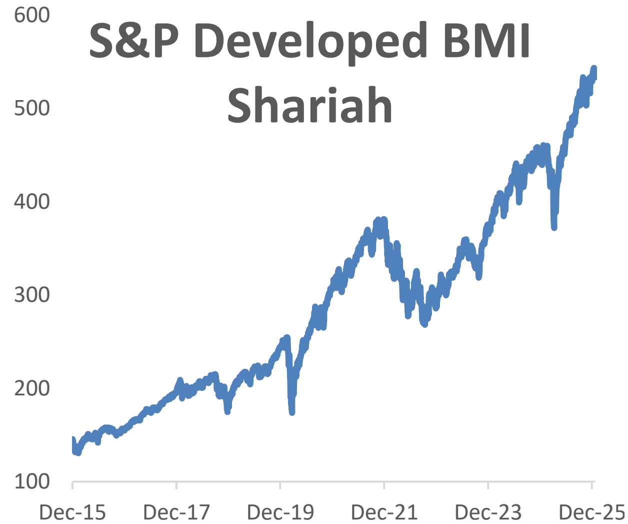
(2004-2024) (USD in Billion)

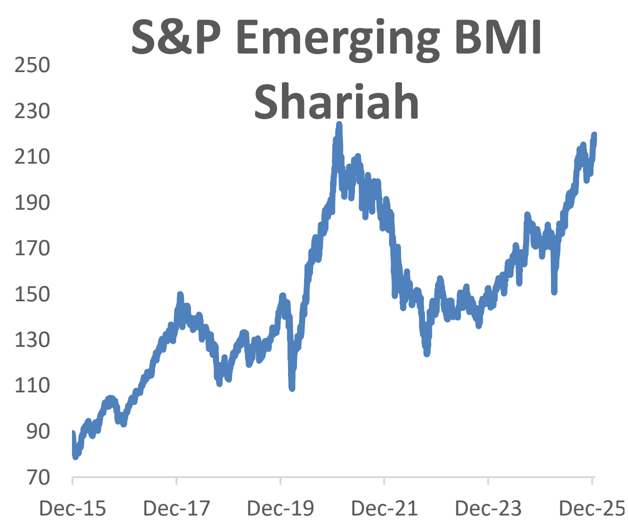


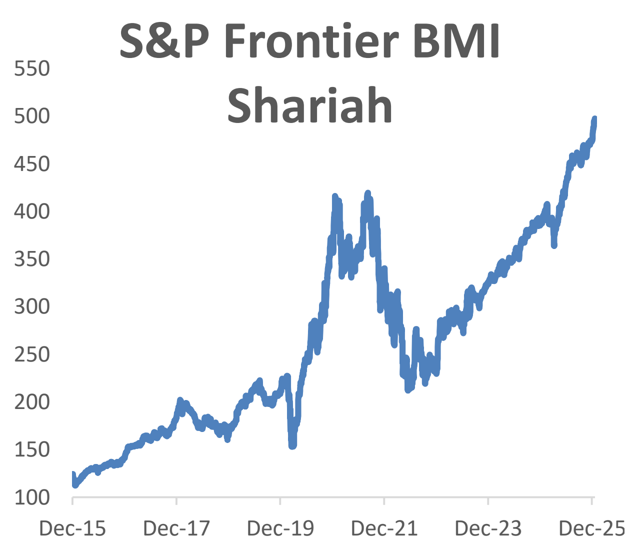

A) Total Şukūk Issuances by Region of Originator (2024)
SA 1.97%
MENA (Excl GCC) 0.35%
ECA 4.04%
SSA 0.27%
GCC 42.13%
EAP 51.24%
B) Sovereign Şukūk Issuances by Region of Originator (2024)
SA 1.98%
ECA 4.06%
SSA 0.27%
GCC 42.28%
EAP 51.42%
C) Corporate Şukūk Issuances by Region of Originator (2024)
ECA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







Global Economic Perspectives

COUNTRY	GDP Growth (%)					
	2025	2026	2027	2028	2029	2030
Albania	3.4	3.6	3.5	3.5	3.5	3.5
Algeria	3.4	2.9	2.7	2.7	2.5	2.5
Azerbaijan	3.0	2.5	2.5	2.5	2.5	2.5
Bahrain	2.9	3.3	3.3	3.1	3.2	3.2
Bangladesh	3.8	4.9	5.7	5.8	6.7	6.5
Benin	7.0	6.7	6.6	6.5	6.0	6.0
Bosnia and Herzegovina	2.4	2.7	3.0	3.0	3.0	3.0
Brunei Darussalam	1.8	2.4	2.6	2.9	3.1	2.9
Burkina Faso	4.0	4.8	4.7	4.7	4.7	4.7
Chad	3.3	3.6	3.4	3.7	4.0	4.1
Comoros	3.8	4.0	4.3	4.3	3.8	3.8
Djibouti	6.0	6.0	6.0	5.5	5.5	5.5
Egypt	4.3	4.5	4.7	4.9	5.1	5.3
Gambia	6.0	5.1	5.0	5.0	5.0	5.0
Guinea	7.2	10.5	10.7	10.8	11.3	7.8
Guinea-Bissau	5.1	5.0	5.0	4.5	4.5	4.2
Indonesia	4.9	4.9	5.0	5.0	5.1	5.1
Iran	0.6	1.1	1.6	2.0	2.0	2.0
Iraq	0.5	3.6	3.6	3.9	4.1	4.1
Jordan	2.7	2.9	3.0	3.0	3.0	3.0
Kazakhstan	5.9	4.8	4.2	3.0	3.4	3.4
Kuwait	2.6	3.9	2.3	2.3	2.2	2.3
Kyrgyz Republic	8.0	5.3	5.8	5.3	5.3	5.3
Libya	15.6	4.2	2.3	1.8	1.9	2.2
Malaysia	4.5	4.0	4.0	4.0	4.0	4.0
Maldives	4.8	4.5	4.1	4.0	4.0	4.0
Mauritania	4.0	4.3	4.4	5.6	4.6	3.0
Morocco	4.4	4.2	4.0	4.0	3.9	3.8
Niger	6.6	6.7	6.5	6.0	6.0	6.0
Nigeria	3.9	4.2	4.0	4.0	4.0	4.0
Oman	2.9	4.0	3.7	4.1	3.8	3.6
Pakistan	2.7	3.6	4.1	4.5	4.5	4.5
Qatar	2.9	6.1	7.8	3.5	1.6	3.4
Saudi Arabia	4.0	4.0	3.3	3.3	3.3	3.3
Senegal	6.0	3.3	3.3	3.8	4.1	4.6
Sudan	3.2	9.5	14.9	9.3	6.5	5.5
Tajikistan	7.5	5.5	4.8	4.5	4.5	4.5
Tunisia	2.5	2.1	1.6	1.4	1.4	1.4
Turkey	3.5	3.7	3.7	3.8	3.8	3.8
Turkmenistan	2.3	2.3	2.3	2.3	2.3	2.3
United Arab Emirates	4.8	5.0	4.7	4.4	4.3	3.9
Uzbekistan	6.8	6.0	5.7	5.7	5.7	5.7
Yemen	-1.5	N.A	6.0	5.5	5.0	5.0

Source: World Bank Global Economic Perspectives, October 2025

Call for Papers

Circular Intellectual Capital: Rethinking Intangibles for a Regenerative & Sustainable Economy
Journal of Intellectual Capital
https://www.emeraldgrouppublishing.com/calls-for-papers/circular-intellectual-capital-rethinking-intangibles-a-regenerative-and

5th International Conference on Islamic Economics 2026 (5th ICONIE 2026)
14 & 15 April 2026 (Physical & Online), Bahrain Institute of Banking and Finance, Bahrain
https://submit.confbay.com/conf/iconie2026

International Conference on Sustainable Development
9 to 10 September 2026 at Roma Eventi – Pontifical Gregorian University, Rome, Italy.
https://circulareconomy.europa.eu/platform/en/news-and-events/all-news/international-conference-sustainable-development-2026-call-papers

Other Resources on Islamic Economics Project Portal

- 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
- Glossary of Islamic Finance
- Video Library

islamiceconomicsproject@gmail.com
www.islamiceconomicsproject.com
www.facebook.com/IEProject
pk.linkedin.com/company/islamic-economics-project
https://twitter.com/iepresearch