



“He brings forth the living from the dead and the dead from the living. He gives life to the earth after its death, and you shall be raised to life in the same way.”

[Al-Qur’an, Ar-Rum: 19]



Allah’s Messenger (pbuh) said,
“Allah’s Messenger (pbuh) used to accept gifts and used to give something in return.”

[Sahih Al-Bukhari: 2585]

Inside This Issue

❖ Epistemic-Institutional Halal – Prof. Turalay	1
❖ Socio-Cultural Importance of Hajj	6
❖ Review: Global Trade Report – Hammad	7
❖ Book Review: Breaking the Trap of Debt	10
❖ Research Paper in Focus	18
❖ Reflections	20
❖ Market News	22
❖ Economic & Market Indicators	24
❖ Call for Papers	32

“In Europe, the unsettled conditions led to the discouragement of scholarship, while the Caliphs of Baghdad, on the other hand, afforded protection and encouragement to the scholars of all religions.”

Donald Campbell

From Ontological to Epistemic-Institutional Halal

Turalay Kenc

Professor, INCEIF University, Malaysia

The Verification Problem in Modern Halal Markets

In classical Islamic jurisprudence, the halal status of goods was, in principle, directly assessable: localised production, transparent supply chains, and communal knowledge allowed consumers to evaluate compliance through direct inspection and the counsel of trusted scholars. Contemporary market conditions have rendered this direct verification practically impossible. Industrial food processing,

global multi-tier supply chains, synthetic financial instruments, and pervasive information asymmetries have dissolved the link between observable product characteristics and underlying conformity with Islamic law (U. Hayat and Malik 2014). Halal status is paradigmatically a *credence attribute*: a consumer cannot determine by inspection, taste, or post-consumption experience whether a product conforms to Islamic dietary or financial law. This creates a structural verification gap that third-party

certification has emerged to fill (Tieman 2011).

Standards as Institutional Constructions

The emergence of certification institutions does not, however, translate Islamic law into operational rules in a transparent or neutral fashion. Certification necessarily involves *constructed boundaries*—interpretive choices regarding thresholds, categories, and procedures that are made by human institutions rather than derived unambiguously from sacred texts.

Consider the range of such choices in Islamic finance: the acceptable debt-to-equity ratio for Shariah-compliant equity screening, the revenue threshold for permissible activities, or the treatment of derivative instruments (Derigs and Marzban 2008). These parameters vary substantially across certification bodies and jurisdictions, reflecting genuine scholarly disagreement and institutional divergence rather than convergence on a single objective standard.

This interpretive plurality has been extensively documented in the literature. Derigs and Marzban (2008) demonstrate that Shariah-compliant equity screening practices differ markedly across institutions, with material consequences for portfolio composition and the investment universe.

U. Hayat and Malik (2014) show that screening criteria shape market equilibria in ways that are far from neutral, affecting financial characteristics including risk profiles, diversification, and performance. The implication is that halal status, as operationalised in contemporary certification systems, is *institutionally produced* rather than discovered: it reflects the accumulated interpretive choices of certification bodies, Shariah boards, and

regulatory frameworks as much as the underlying principles of Islamic jurisprudence (Wilson and Liu 2010).

Certiability Over Substance

A more fundamental concern arises from the incentive structure of certification itself. When certification bodies derive revenue from the entities whose products they certify, institutional incentives may favour market expansion over doctrinal rigour. The result is a dynamic in which product development follows a *reverse-engineering logic*: conventional financial structures are reconfigured to satisfy certification criteria on paper, rather than designed from first principles to embody the substantive objectives of Islamic law (El-Gamal 2006; Laldin and Furqani 2013). This dynamic—which the broader certification literature identifies as a structural consequence of *certifier-pay* arrangements (Coffee 2011)—directs innovation toward maximising Certifiability rather than Islamic economic substance. The formal analogue is precise: the system selects contracts that optimise for institutional approval rather than for genuine conformity with the intrinsically permissible set as defined by Islamic jurisprudence.

The Certification Gap

The divergence between ontological and institutionally certified halal can be expressed formally. Let \mathcal{H}^O denote the set of goods and contracts that are intrinsically permissible under Islamic law—the ontological permissible set—and let \mathcal{H}^E denote the set that receives institutional certification. In an ideal certification system, $\mathcal{H}^O = \mathcal{H}^E$. In practice, informational frictions, institutional heterogeneity, and incentive misalignments generate a systematic wedge, representing

formally compliant but substantively ambiguous outcomes.

$$\Delta = \mathcal{H}^E \setminus \mathcal{H}^O$$

This wedge is not merely a theoretical artefact. Hoepner, Rammal, and Rezek (2011) provide empirical evidence that Shariah-compliant portfolios differ systematically from conventional benchmarks in both composition and performance, confirming that certification actively shapes economic outcomes in ways that reflect institutional choices as much as the principles of Islamic jurisprudence.

From an institutional economics perspective, this reflects a transition from a rule-based system with low verification costs to a verification-intensive system with endogenous standards (North 1990; Pistor 2019). Pistor (2019) argues, in a broader context, that legal and institutional frameworks do not simply enforce pre-existing economic rules but actively encode and construct them—a thesis with direct application to halal certification, where the institutional infrastructure effectively defines the operational boundaries of the permissible domain.

Consequences for Cost, Legitimacy, and Convergence

The institutional production of halal status carries several important consequences for Islamic finance and consumer welfare.

Transaction costs and market access. Certification imposes fixed compliance costs that fall disproportionately on smaller enterprises (R. Hayat, den Butter, and Kock 2013). Fragmentation across jurisdictions compounds these costs: producers must obtain separate certifications from market-specific bodies to access different export destinations, incurring duplicative

compliance expenditures and facing the risk that procedural differences result in rejection in some markets despite certification in others. This fragmentation constitutes a barrier to entry that is particularly burdensome for small and medium enterprises and contributes to the substantial halal food trade deficit recorded among OIC member states (Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) 2026).

Institutional legitimacy. Suchman (1995) identifies moral legitimacy—conformity with socially held norms—as a primary basis of institutional authority for organisations whose function is normative rather than merely commercial. For halal certification bodies, whose social authority derives from their perceived faithfulness to Islamic law, commercial conflicts of interest directly threaten moral legitimacy.

When certification is perceived as detached from substantive compliance, the credibility of the halal label erodes, undermining the institutional function that certification is designed to perform. This concern is compounded by the stakeholder obligations—obligations of trusteeship (*amana*) toward Muslim consumers—that Islamic ethics places on those who administer shared religious institutions (Beekun and Badawi 2005).

Convergence toward conventional structures. The form-over-substance dynamic documented by El-Gamal (2006) raises the possibility that Islamic finance may converge toward conventional financial arrangements in economic substance, retaining only the institutional apparatus of Shariah compliance. This would represent a failure not merely of efficiency but of the foundational objectives of Islamic law—the *maqasid al-Shariah*—which require that institutions preserve not only formal

compliance but the substantive ethical character of Islamic economic life (Dusuki and Bouheraoua 2011; Laldin and Furqani 2013).

Governance Reform: Toward Independent, Substance-Oriented Certification

The foregoing analysis implies that reform of halal certification must address the structural conditions that generate incentive misalignment, rather than merely improving procedural compliance. Three governance principles follow from the analysis.

Institutional independence. Certification bodies must be structurally insulated from the commercial incentives of fee-paying clients. Non-profit organisational forms, governance boards dominated by independent scholars and consumer representatives, and mandatory disclosure of certification criteria and procedures are necessary conditions for reducing the wedge between certified and authentically permissible sets. The governance reforms implemented in auditing and credit rating following widely documented conflicts of interest provide a directly applicable institutional template (Coffee 2011).

Substance-oriented metrics. Certification criteria must be anchored in the foundational objectives of Islamic law—the *maqasid al-Shariah*—rather than in formal procedural compliance alone (Dusuki and Bouheraoua 2011). This requires criteria that assess the real economic substance of financial products: genuine risk-sharing, connection to productive economic activity, and alignment with the preservation of wealth, religion, and informed agency as foundational Islamic objectives.

Cross-jurisdictional harmonisation. Fragmentation across certification regimes sustains the systematic exclusion of intrinsically permissible goods from global trade, imposing welfare losses that scale with the global Muslim consumer base, which exceeded 2.1 billion in 2024 and is projected to approach 3 billion by 2060 (Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC) 2026). Ongoing harmonisation efforts—exemplified by AAOIFI standard-setting processes—provide an institutional foundation, though their effectiveness depends on substantive adoption by national regulatory frameworks rather than merely formal endorsement.

Conclusion

Contemporary halal certification represents a fundamental institutional transformation: the shift from an ontological framework in which permissibility is assessed directly against Islamic law to an epistemic-institutional regime in which halal status is constituted through institutional verification. This transformation is a necessary response to the informational conditions of modern economies, but it introduces structural risks—certifier-pay conflicts, interpretive fragmentation, and form-over-substance compliance—that the current institutional framework inadequately addresses.

The central challenge for Islamic finance is therefore not simply to expand certification capacity but to re-anchor certification in its ontological foundations, ensuring that scalability does not come at the expense of substantive authenticity (El-Gamal 2006; Laldin and Furqani 2013). Under a well-governed certification regime, institutional verification becomes a disciplined approximation of ontological permissibility—a bridge between classical

Islamic jurisprudence and the informational realities of contemporary global markets—rather than a substitute for it. These tensions highlight the need for independent, non-profit certification frameworks with strong governance to better align epistemic verification with the foundational logic of Islamic economics.

References

- Beekun, Rafik Issa, and Jamal A. Badawi. 2005. "Balancing Ethical Responsibility Among Multiple Organizational Stakeholders: The Islamic Perspective." *Journal of Business Ethics* 60 (2): 131-45.
- Coffee, John C. 2011. "Ratings Reform: The Good, the Bad, and the Ugly." *Harvard Business Law Review* 1: 231-78.
- Derigs, Ulrich, and Shehab Marzban. 2008. "Review and Analysis of Current Shari'ah-Compliant Equity Screening Practices." *International Journal of Islamic and Middle Eastern Finance and Management* 1 (4): 285-303.
<https://doi.org/10.1108/17538390810919600>.
- Dusuki, Asyraf Wajdi, and Said Bouheraoua. 2011. "The Framework of Maqasid Al-Shariah and Its Implication for Islamic Finance." *Islam and Civilizational Renewal* 2 (2): 316-36.
- El-Gamal, Mahmoud A. 2006. *Islamic Finance: Law, Economics, and Practice*. Cambridge: Cambridge University Press.
- Hayat, Raphie, Frank A. G. den Butter, and Udo Kock. 2013. "Halal Certification for Financial Products: A Transaction Cost Perspective." *Journal of Business Ethics* 117 (3): 601-13.
<https://doi.org/10.1007/s10551-012-1534-9>.
- Hayat, Usman, and Adeel Malik. 2014. "Islamic Finance: Ethics, Concepts, Practice." Literature Review 3. Vol. 9. Research Foundation Literature Reviews. CFA Institute Research Foundation.
- Hoepner, Andreas G. F., Hussain Gulzar Rammal, and Michael Rezec. 2011. "Islamic Mutual Funds Financial Performance and International Investment Style: Evidence from 20 Countries." *The European Journal of Finance* 17 (9-10): 829-50.
<https://doi.org/10.1080/1351847X.2010.538521>.
- Laldin, Mohamad Akram, and Hafas Furqani. 2013. "Developing Islamic Finance in the Framework of Maqasid Al-Shariah." *International Journal of Islamic and Middle Eastern Finance and Management* 6 (4): 278-89.
- North, Douglass C. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.
- Pistor, Katharina. 2019. *The Code of Capital: How the Law Creates Wealth and Inequality*. Princeton, NJ: Princeton University Press.
- Statistical, Economic and Social Research and Training Centre for Islamic Countries (SESRIC). 2026. "Halal Industry in OIC Member Countries: Challenges and Prospects." Ankara: SESRIC.
<https://www.sesric.org>.
- Suchman, Mark C. 1995. "Managing Legitimacy: Strategic and Institutional Approaches." *Academy of Management Review* 20 (3): 571-610.
- Tieman, Marco. 2011. "The Application of Halal in Supply Chain Management: In-Depth

Interviews.” *Journal of Islamic Marketing* 2 (2): 186-95.

Wilson, Jonathan A. J., and Jonathan Liu. 2010. “Shaping the Halal into a Brand?” *Journal of Islamic Marketing* 1 (2): 107-23.

The Social and Cultural Importance of Hajj

Salman Ahmed Shaikh

Hajj is an important ‘Ibadah’ in Islam. It is compulsory for every Muslim (male and female) to perform Hajj once in a lifetime if one can afford it and is able to travel to the place physically. Below, we look at the social and cultural importance of Hajj and what implications it has at an individual level and how it shapes societal behaviour and actions.

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

In Jihad, a person contributes with physical capabilities and money to fight against injustice. It involves travel away from home and the sacrifice of one’s wealth and even life. In Hajj as well, a person travels away from family to meet Allah and exhibits determination to surrender before Allah.

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

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

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

Major expenses include airline tickets, accommodation, food and travel within the cities. All of these services are provided by individuals and firms. The revenues they get from providing these services open an income source to the labourers and other factors of production.

In national income accounting, income and expenditure are two sides of the same coin. Someone’s expenditure is someone else’s income. When people spend on buying shoes and garments, it enables the workers to get wages, the outlet owner to get rent, investors to get returns and the entrepreneur to get a profit which he would either spend or reinvest.

But, there are also other aspects of Hajj in terms of fostering cooperation, harmony, unity, discipline and brotherhood among people.

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

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

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

All the pilgrims, despite their diverse demographic attributes, wear the same unstitched clothes, come together in one place, follow the same rituals, and exhibit unity and discipline. This feeling and understanding compel people to leave their pride and biases. It makes them believe that they are creatures of Allah just like everyone else.

Key Highlights of the Global Trade Report

Muhammad Hammad

Trade Developments & Forecasts

World merchandise trade grew 4.6% in 2025, beating the 2.4% forecast, as demand for AI-related goods offset tariff uncertainty and policy risks. Asia drove 71% of that growth, supported by resilient emerging-market demand, expansionary policies, and North American frontloading ahead of US "reciprocal" tariffs.

Pre-conflict projections had 2026 merchandise trade growth slowing to 1.9% and global GDP at 2.8%. However, the Middle East conflict has curtailed Persian Gulf oil shipments, which account for 20% of global liquid petroleum use, pushing crude to ~\$90/barrel and LNG to ~\$16/MMBtu. If prices stay high, merchandise trade growth may drop to 1.4% and GDP to 2.5% in 2026.

Disruptions in the Strait of Hormuz affect not only oil but also fertilizers, with one-third of global urea and ammonia supplies transiting the strait. Major agricultural producers like Brazil, India, and Thailand rely heavily on Gulf fertilizer imports, accounting for 35%, 40%, and 70% of their urea imports, respectively. Higher fertilizer and energy costs may force farmers to cut usage or switch to less input-intensive crops,

pressuring food security. Persian Gulf economies are also highly dependent on imported feed and foodstuffs, with an 80-100% import reliance for key grains, and alternative routes would raise costs.

Services trade growth slowed to 5.3% in 2025 from 7.8% in 2024 as the post-COVID travel recovery faded. Baseline forecasts see 4.8% growth in 2026 and 5.1% in 2027, but conflict-related disruptions to transport and travel, plus higher fuel costs, could cut 2026 growth to 4.1%. Europe is set to lead services growth in 2026 with 55% of the global increase, while Asia contributes 28%.

Combined goods and services trade grew 4.7% in 2025 versus 2.9% GDP growth, but it should slow to 2.7% in 2026, slightly below the projected 2.8% GDP growth. Upside exists if the conflict is short and AI spending stays strong, potentially lifting 2026 merchandise trade growth to 2.4%.

Macroeconomic Drivers

Despite tariffs in 2025, global trade was supported by resilient macro conditions, 2.9% GDP growth, falling inflation, supportive fiscal policies, and strong AI-related investment (especially in Asia).

Tariffs had a smaller impact than expected due to suspensions, exemptions, and front-loading of trade. Developing economies grew twice as fast as developed ones.

The Middle East conflict may slow global GDP growth to 2.5% in 2026, impacting energy-importing regions like Europe and Asia. AI investment may offset energy shocks, but risks include prolonged conflict, high energy prices, trade tensions, and market corrections. Upside risks include an extended AI boom with stable financing. Fiscal policies will likely stay expansionary, but central banks may pause rate cuts if inflation rises.

Trade Forecasts in Depth

Merchandise trade

Net oil exporters (Middle East, CIS, Africa) see rising imports, and net importers (Asia, Europe) see slower growth. Downside risks are relevant due to the Middle East conflict, but upside potential exists if AI trade stays strong. AI-enabling goods could add 0.5 points to trade growth in 2026. Regions will be impacted differently if energy prices stay high and AI trade surges.

Commercial services

Services trade growth was 5.3% in 2025. It is projected to be 4.8% in 2026 and 5.1% in 2027 (baseline scenario). The Middle East's services exports were projected to grow 6.5% in 2026 but are now expected to contract 9.2% due to conflict. Asia's services exports may rise 5.8% in 2026 (vs. 4.9% baseline). Transport and travel services are at risk due to geopolitical tensions.

The conflict will impact transport (1.0% growth in 2026 vs. 2.6% baseline) and travel (2.0% vs. 3.9% baseline). Other commercial services are expected to remain resilient

(5.6% growth in 2026). Digitally delivered services are expected to grow by 6.3% in 2026. Europe's services exports may grow by 4.9% in 2026, while Asia's may grow by 5.8%. Risks are on the downside for global services trade if the conflict persists.

Trade-Related Indicators

Trade-related indicators like container shipping and new export orders from purchasing managers' indices (PMIs) show merchandise and commercial services trade were strong in early 2026, before the Middle East conflict impacted trade. The RWI/ISL Global Container Throughput Index rose 6.1% year-on-year in January, driven by Chinese ports (up 11.4%), while Northern European ports saw weak growth (0.3%).

Global new export orders for manufacturing (51.4) and services (50.6) indicate growth, with Asian economies like China, Japan, and Korea showing accelerating manufacturing export orders. Services export orders rose in China, Germany, India, and Ireland. However, the Middle East conflict may disrupt these trends.

Trade in Value Terms

Merchandise trade

Global merchandise trade grew 7% in 2025, driven by office and telecommunications equipment (+19%), other machinery (+9%), and food (+7%). Fuels and mining products (-4%), iron and steel (-3%), and automotive products (-0.2%) declined. Africa's exports rose 10%, led by cocoa, coffee/tea, and gold, while Asia's exports grew 9%, driven by gold, machinery, and animal/vegetable fats.

Top exporters in 2025 included Hong Kong, China (+16.7%), the European Union (+6.8%), and the United States (+6.0%). Least-

developed countries' (LDCs) exports rose 11% to \$309 billion, with coffee/tea, rubber, and cocoa leading growth. LDC imports also increased 11% to \$375 billion.

Commercial services

Global commercial services trade exports grew 8% in 2025, reaching \$9.56 trillion, with varying growth rates across regions. Africa led with a 15% increase, followed by the CIS (11%), Asia (10%), and Europe (8%). The US remained the largest services trader, with \$1,209 billion in exports, while the EU had larger trade volumes (\$1,763 billion in exports). Transport services' growth slowed to 2%, while travel services rose 8% to \$1.89 trillion, driven by Africa's 16% growth. Other commercial services, including digital delivery services, grew 10% to \$5.78 trillion.

Digitally delivered exports reached \$5.26 trillion, up 10%, accounting for 15.2% of global goods and services exports. Europe led with a 53.4% share, while Asia grew 12%. Computer services expanded 11%, driven by AI adoption and cybersecurity demand. Telecommunications services rebounded 7%,

reflecting data traffic growth. Looking ahead, geopolitical tensions and economic uncertainty may impact travel and trade growth.

The share of world trade on most-favoured-nation (MFN) terms

The share of world trade conducted on Most Favoured Nation (MFN) terms declined from 80% at the start of 2025 to 72% by February 2026, reflecting dynamic changes in global trade policies. Despite this decline, MFN tariffs remain crucial in the multilateral trading system, promoting stability, predictability, and fairness. The WTO-IMF Tariff Tracker recorded over 60 tariff actions in 2025, affecting 11% of global trade. Key sectors like minerals, electronics, and machinery still rely heavily on MFN terms (69-93%), while agriculture and textiles face more deviations. The MFN principle ensures equal treatment for all WTO members, and its importance persists despite growing preferential trade agreements.

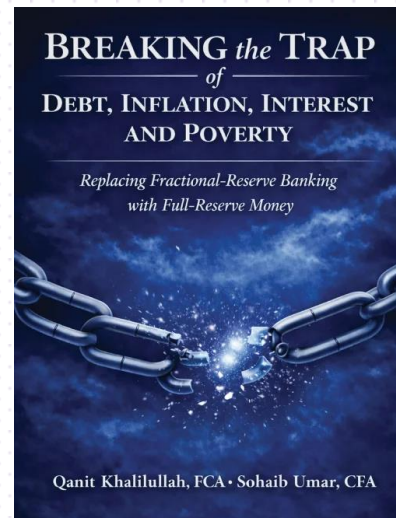


Book Review

Title: Breaking the Trap of Debt, Inflation, Interest and Poverty

Author: Qanit Khalilullah and Sohaib Umar

Publisher: PRIZE



The book by Qanit Khalilullah and Sohaib Umar offers a critique of the modern fractional-reserve banking system, arguing that it is the primary engine behind chronic economic instability, inflation, and wealth inequality. The authors propose a radical macroeconomic transition to a full-reserve banking model. This proposal is specifically tailored as a structural panacea for Pakistan's crippling debt crisis, while simultaneously being framed as a genuine path to establishing a Shari'ah-compliant Islamic financial system.

The Central Thesis of the Book

The central thesis of the book is that commercial banks, rather than the state, wield the power to create the vast majority of modern money simply by issuing loans. Because money is created as a digital accounting entry tied to a debt obligation, the money supply cannot grow without a corresponding increase in systemic indebtedness. The authors critically assert that this debt-based money creation incentivizes continuous monetary expansion, which outpaces real economic output and results in persistent inflation.

This architecture inevitably leads to the financialization of the economy, where capital flows into speculative assets and real estate rather than productive enterprises, thereby concentrating wealth among asset owners and penalizing wage earners through inflationary erosion. Furthermore, the inherent mismatch between short-term demand deposits and long-term loans makes the banking system structurally fragile and prone to bank runs, necessitating constant state bailouts and leading to a loss of true monetary sovereignty.

The Proposal Plan: Full-Reserve Banking

To resolve these systemic flaws, the authors advocate for a full-reserve (or 100% reserve) banking model. Under this paradigm, the privilege of money creation is stripped from private commercial banks and returned exclusively to the state via the central bank. The central bank would issue debt-free sovereign money strictly aligned with real GDP growth to ensure price stability and avoid the inflationary pressures of the current system.

The operational mechanism of this proposal rests on the strict functional separation of banking activities into a deposit section and an investment section. Transaction deposits, used for daily payments, would be held merely for safekeeping, 100% backed by central bank reserves, and never lent out.

Depositors seeking returns would actively transfer funds into risk-bearing, time-locked investment pools used by banks to finance real economic activities. To prevent political abuse of sovereign money creation, the authors propose an independent Money Creation Committee bound by strict, auditable, rule-based frameworks.

For Pakistan, the authors outline a rapid and seamless transition mechanism. The State Bank of Pakistan (SBP) would raise the reserve requirement on demand deposits from 5% to 100%. To meet this massive new requirement, commercial banks would transfer their holdings of interest-bearing government securities to the SBP. In exchange, the SBP would issue sovereign, non-interest-bearing reserves to the banks to back the customer deposits. The SBP would then cancel these government securities, effectively wiping out the vast majority of the government's domestic debt overnight.

The book claims that by extinguishing the domestic debt held by banks, Pakistan would save approximately Rs. 5.8 trillion annually in interest payments, freeing up nearly half of the federal budget for development and social welfare without triggering inflation.

Furthermore, the authors bridge macroeconomic theory with Islamic economics, arguing that the current fractional-reserve system is inherently tied

to Riba (interest) because it institutionalizes risk-free returns on artificially created money. Full-reserve banking, they argue, forces a transition to true risk-sharing models like Mudarabah and Musharakah, perfectly aligning with the Objectives of Shari'ah (Maqasid Al-Shari'ah).

Objective Review of the Proposal

Centralized Monetary Planning and Political Realities

It is a welcome attempt to write on pressing issues and deliberate on solutions, even if they are non-traditional and radical. However, before taking any steps, it is also important to have clarity, refinement, and modification to ensure suitability, resilience, robustness, and reality checks.

The proposal is not asking or providing a replacement of fiat money. It is focusing on who can create fiat money and how. The proposal ties monetary expansion to economic growth and delinks it with a debt transaction. Since it is an economic proposal about who can create fiat money and how, it is analysed from that perspective.

A primary concern is that the book exhibits extreme over optimism regarding the governance and political realities of Pakistan. The authors propose an independent 'Money Creation Committee' that will mechanically tie money creation to real GDP growth, perfectly insulating the money supply from political pressure.

Relying on a central committee to have perfect hindsight and foresight about the complex preferences and expectations of consumers, firms, and investors is a humongous task. Consequently, the risk of

coordination failure is quite high. More importantly, political influence would increase further in a fragile democracy where token benefits near elections matter a lot. Under a sovereign money or full-reserve system, the government captures 100% of the seigniorage. This creates a severe moral hazard, giving politicians an overwhelming temptation to fund pet projects and win elections by endlessly printing money, which directly increases the risk of hyperinflation.

Governments will ultimately have more control with data dissemination, the committee, and legislation firmly in their hands to manoeuvre the economy exactly as they want. Without the banking sector to naturally absorb government debt, a politically fragile government facing a budget shortfall will inevitably pressure the Money Creation Committee to create emergency sovereign money.

Transitioning the monopoly of money creation exclusively to the state in a country with a history of weak fiscal discipline is a recipe for the exact type of unchecked fiat printing that has historically led to hyperinflation in countries like Zimbabwe or Venezuela. Theoretically, money expansion linked with a debt obligation can foster discipline as well, rather than letting the government print fiat sovereign money out of thin air through arbitrary and centralized planning, not keeping in view the preferences and expectations of consumers, firms, and investors.

To justify the avoidance of interest rate adjustments to regulate the money supply, the authors are willing to allow an even more blanket way of intervention to the government by having 100% seigniorage revenue and the ability to create fiat

money without debt obligations, and hence without having to pay interest.

If decentralized commercial banks lose the power to create and allocate credit based on market risk, the responsibility for injecting new money into the economy falls squarely on the central bank or the federal government. This fundamentally risks turning credit allocation into a political tool rather than an economic one, potentially leading to inefficient central planning, lobbying, and the artificial propping up of failing industries. Ultimately, the government may print money to fund popular programs, send out stimulus checks, or boost the economy right before an election.

Data Limitations and GDP-Linked Money Creation

Mechanically tying money creation to GDP is challenging due to data limitations. It must be noted that national income accounting in Pakistan is also managed by the Pakistan Bureau of Statistics, which is entirely under the government's control. Oftentimes, its reports are doubted in the press, and the quarterly GDP calculation has only started recently. The real GDP figures are often revised based on new data. Furthermore, the calculation uses a lot of approximations and is not yet able to give a clear bifurcation of durable and non-durable consumption. By and large, aggregate consumption at the national level is just an approximation rather than a meticulously measured direct measure.

Even beyond the accuracy of the data, the mechanical application of this rule is dangerous because real GDP growth can be negative. In recessions, the economy requires more liquidity and monetary injections to recover. By only expanding the money supply at the rate of GDP

growth, it is feared that the policy may heat up the economy fast while deepening the recessions. The current system allows the money supply to stretch and shrink organically based on the actual, real-time needs of businesses and consumers. Conversely, a full-reserve system heavily managed by a central bank can be excessively rigid. This inelasticity makes it much harder for the economy to dynamically respond to sudden localized shocks, supply chain disruptions, or rapid technological shifts.

Endogenous Money Theory and Banking Mechanics

The authors lean heavily on the narrative that banks create money out of thin air, implying that this process is unconstrained. While banks do create deposits when they lend, they are heavily constrained by capital adequacy requirements (such as the Basel Accords), liquidity coverage ratios, credit risk assessments, and the central bank's monetary policy and prudential regulations. It is also a misconception that banks can create unbounded debt and are only constrained by reserve requirements. Banks are for-profit businesses; they have to manage credit risk and liquidity risk diligently. If a bank makes too many bad loans, it goes bankrupt. Moreover, the Basel III framework requires banks to hold a certain amount of their own equity capital relative to the risk-weighted assets, or loans, that they create.

A loan transaction is a voluntary contract between banks and households, and between banks and businesses. On one hand, the book is critical of fiat money coming into existence electronically through simple ledger entries. On the other hand, it is also critical of this fiat money getting destroyed through debt repayments as if it is something akin to a real asset that

is getting destroyed. This cycle of creation and simultaneous destruction actually challenges the conception that there is a free lunch on which banks will continuously have a feast over. While the money is not destroyed in the full-reserve banking system, it is rival in use and inherently limited in supply to support various projects simultaneously.

Many countries have done away with reserve requirements altogether, and this has not resulted in an exponential increase in debt. It is because giving out a loan from the bank's perspective requires multiple other decision criteria, such as creditworthiness, collateral, past history, economic conditions, a project's potential, impact on the bank's capital adequacy ratio, liquidity coverage ratio, maturity profile, and value-at-risk.

Furthermore, in an economy like Pakistan, where significant money is kept out of the banks and where nominal interest rates are generally higher, it is better to take the money multiplier with frictions in the examples, as it adjusts for the currency-to-deposit ratio and the excess reserves-to-deposit ratio.

With a comparatively lower money multiplier ratio after adjusting for currency drain and the excess reserve-to-deposit ratio, and given that the required reserve ratio in Pakistan is above 25%, why does it have higher inflation than countries that have even abolished reserve requirements? The authors need to explain the countries with low inflation that effectively use fractional-reserve banking, even with lower reserve ratios and a lower currency drain. Furthermore, some of the countries with relatively lower income inequality also have robust fractional-reserve banking systems.

The Threat of Credit Contraction and Entrepreneurial Exclusion

By abruptly ending fractional-reserve banking, the proposal risks triggering a severe economic contraction. The book assumes that funds will be voluntarily moved by depositors into investment accounts, and this will seamlessly fill the credit void. However, forcing all lending to be strictly backed by time-locked savings or equity pools would drastically shrink the available credit pool. It must be kept in mind that banks can only lend if there are creditworthy households and businesses that actually want to borrow.

Households and businesses would repay debt with interest from their earned incomes, not by creating money out of thin air. The authors note that in Pakistan, the majority of bank lending has gone to the government. In a full-reserve system, where banks only earn through profit shares in risky enterprises, will their inherently risk-averse preferences not exclude small entrepreneurs even then?

In a credit-starved environment, the limited loans that do exist would inevitably be reserved for the absolute safest borrowers. Since the authors mention that their proposed banking structure will still be using debt-based modes of financing, such as Murabaha and Ijarah, financial institutions would likely demand hard collateral to approve a financing request. This would make it substantially harder for lower-income individuals and first-time entrepreneurs who have good ideas but lack existing physical assets to pledge. The book does not talk about pricing of debt based financing products like Murabaha. It also does not discuss how to overcome the moral hazard problem in Mudarabah structure.

There is also a dire need to find viable solutions for short-term financing and long-term financing where break-even can take several years. How would funds come for these when the interest rate is brought to zero and funds are exclusively invested on a profit and loss sharing basis in a small open economy? Because credit would be much harder to obtain, the speed at which money changes hands, or velocity, would likely plummet. Businesses would have to hoard larger cash buffers to ensure they can meet payroll, rather than relying on short-term revolving credit facilities from their banks. A persistent drop in the velocity of money may slow down overall economic growth and innovation.

Assumptions Regarding Bank Profitability

To compensate for the loss of interest income from government securities and lending, the authors suggest banks could charge a 1% annual maintenance fee on demand deposits. The authors claim that a 1% annual fee on deposits totalling Rs. 30 trillion would generate Rs. 300 billion in revenue, which is almost half of Pakistan's banking sector profits, and this would ensure that banks remain commercially viable. In a cash-heavy, informal economy like Pakistan, this assumption is disconnected from consumer behaviour.

The economic numbers cannot simply be treated as historical accounting records that will stay at the exact same level following a massive systemic shock. Many corporate depositors, especially the large ones, may stop operating in the economy altogether with a 1% charge on deposits. This will inevitably shrink the size of the formal banking sector.

If citizens are told that their savings accounts will no longer yield returns, and instead, they will be charged a 1% fee

simply for the bank to hold their money in a vault, it will trigger massive financial exclusion. Depositors will inevitably pull their money out of the formal banking system. This capital will flee into physical cash, gold, foreign currencies through dollarization, or unregulated shadow-banking networks, undermining the documented, formal economy and eroding the tax base.

The authors argue that if just 25% of demand deposits shift to investment funds, the total volume of financing available to businesses could increase by more than 50%—from Rs. 13 trillion to Rs. 20 trillion—providing a major boost to productive investment in the economy. As discussed before, it is highly unlikely to expect that to happen given the risk profiles of average depositors. Risk averse investors may place their wealth in real estate, gold and foreign currency. In that case, the limited funds do not get into the real economy through entrepreneurial investments. In summary, the proposed full-reserve cure relies on backward-adjusting accounting claims assuming that the economic variables will remain fixed at the historic values before and after the change.

Capital Flight and Open Economy Dynamics

The book ignores the profound implications for a small open economy. Capital flight seems to be an imminent eventuality of the proposal, but it is not discussed by the authors. Unnecessary constraints and restrictions would reduce foreign direct investment, foreign portfolio investment, and motivate businesses and multinational corporations (MNCs) to exit. For a short period of time, regulatory curbs can delay capital flight and add friction in the way of capital flight. But when depositors, investors, and businesses think that the

adopted policy is not for the short term, but rather a fundamental change of monetary regime, then they will take strategic decisions and possibly exit the economy and local markets. Even with government guarantees, collateral backing, and no limits on the foreign repatriation of profits, the economy is having a hard time attracting investments, both locally and from foreign investors.

The proposal is not touching on land reforms or property rights reforms. Hence, it aims to just put a brake on credit expansion by private banks. Consequently, the current wealth divide would remain exactly as it is, while it may concurrently increase capital flight and motivate MNCs to exit.

Access to capital flight opportunities would also be deeply unequally distributed. Those with foreign passports, foreign sources of income, a foreign commercial presence, and enough capital to buy passports and residencies in other countries would be in a highly favourable position as compared to small depositors who have no such avenues.

Appendix 2 in the book mentions that investment financing is purely saving-based in full-reserve banking. What if savings drastically decline through cross-border investments and capital flight, especially when the proposal demands that investors shall lock their investment for at least 6 months and give a one-month notice for withdrawal even after that maturity?

Corporate Finance and the Banking Sector

It is also a misconception that debt only exists because banks forcefully push it upon the market. In reality, corporate businesses often prefer debt over equity. Debt allows an entrepreneur to retain full ownership,

control, and the upside of their successful business, whereas equity financing forces them to permanently dilute their ownership and share control with the bank or an investment fund. Assuming that the entire corporate sector will happily transition to profit-and-loss sharing agreements completely ignores the fundamental mechanics of corporate finance and entrepreneurship. Islamic banks in Pakistan could not motivate large profitable corporations to use the genuine modes of Musharakah and Mudarabah.

Furthermore, since the authors are taking the specific context of Pakistan, it is vital to remember that banks pay massive income taxes, collect several indirect taxes on the government's behalf, and on top of that, they pay a super tax as well. The effective tax rate on large, profitable banks is almost 50%. They operate under tight central bank regulations, the comprehensive Basel III framework, and a burdensome tax environment. The banking sector has undergone consolidation with several multinational banks exiting, and the number of banks has actually declined in the last 20 years in spite of the broader growth in financial inclusion. Hence, presenting banking as merely a free-lunch business is an exaggeration.

Banks incur high fixed costs of branch operations and constantly provide IT and technology infrastructure. They invest heavily in cyber security to repel cyber-attacks continuously. By having to rely strictly on fee-based income and a highly volatile stream of profits from a thin investor base willing to put investment in risky deposits, they may exit the industry facing these significant fixed costs. The industry would then increasingly be monopolized or even have to be forcibly taken over by the government if the private sector finds it commercially unattractive.

Approaches to Sovereign Debt, Remittances, and Islamic Finance

The authors suggest that government securities will be transformed into an equity instrument. But, who will be interested in holding them when many of the state-owned enterprises (SOEs) are in massive losses, and those which are not, do not primarily look at profit as the only goal? Rather, they subsidize utilities and aim for broad access as a priority goal rather than making profits.

The authors argue that Pakistan can use its annual remittances of US\$ 38-40 billion from overseas Pakistanis to comfortably repay its foreign debt of around US\$ 100 billion in less than three years. The authors seemingly think that this massive flow coming to the country is owned by the Government and that it can be used by the government to pay off its debt. Any sniff of that possible state capture will make the remitters hold their remittances tightly and avoid at least the official channels.

The authors compare the proposal to Islamic principles, but they do not discuss the foundational Islamic teachings about fulfilling commitments in a debt contract. It seems that not only the government, but also private household and corporate debt will be wiped off the books. If the authors want to have it restructured, then the book at least does not provide any viable details of the possible restructuring.

Furthermore, risk and moral hazard cannot simply be assumed away in full-reserve banking. If banks were to operate like venture capital funds, as in Mudarabah, the past case studies of failed Mudarabah companies in Pakistan provide significant reason to take caution.

It is pertinent to look at all the stakeholders in the economy rather than focusing overly on the government and giving it a clean, debt-free balance sheet by the stroke of a pen.

In substituting interest rate adjustments with zero interest and sovereign money creation without a debt and interest anchor, the authors gave the example of Prophet Muhammad (pbuh) not fixing the price even when asked. However, the Hadith actually confirms the possibility of using the price mechanism rather than otherwise. In the case of an Islamic economic framework, ideally, we should move away from interest-based banking as well as fiat money in meaningful ways. The authors keep the fiat money in their proposal as well as the risk-shifting debt based modes of Islamic financing and do not provide sufficient covenants to make the equity modes of financing free from moral hazard problem.

Theoretical Robustness of the Proposal

While the fractional-reserve system is frequently criticized by attributing inequality, inflation, and instability to its very existence, other crucial macroeconomic indicators, such as economic growth, employment creation, poverty alleviation, and living standards as measured by the Human Development Index (HDI), should be actively taken into the discussion as well if the argument for full-reserve banking is made purely on economic grounds.

Apparently, high-income, sustainably growing economies with higher HDI scores and low levels of poverty are precisely the countries with a deeper penetration of the fractional-reserve system, which naturally has more constraining factors, such as high interest rates, high reserve requirements,

and multiple limits on capital adequacy and liquidity coverage. Just mentioning a few exceptional historical crises without a deeper causal analysis to firmly confirm causality is not enough reason for a massive paradigm shift on economic grounds alone. A working paper by Benes & Kumhof (2012) is cited, but such theoretical DSGE models often overlook the severe constraints present in real-world transitions. The working paper assumes that the central bank can accurately determine the optimal quantity of money without market signals. It relies on the assumption that structural parameters remain invariant to policy changes.

The authors mostly cite historical quotations rather than robust academic references. It is inappropriate to use an appeal to authority by citing quotes, some of which appeared in the press amidst the economy going through a crisis in vastly different time periods.

Rather than citing the emotional reactions of personalities, it is better to document empirical evidence that can academically establish causality. Pointing to a few aggregate figures also does not fulfil the academic requirement. Many of these quotations are strictly in the context of World War 1, the Great Depression of 1930, the Chicago Plan of the 1930s, and so on.

The monetary system post-1971 is a completely different context altogether. If there was so much promise to the full-reserve banking, it is ironic that why no country has yet adopted full-reserve banking. The proposal ignores constraints in credit supply and places optimistic confidence in the political discipline of the centralized planning through a committee.

Research Paper in Focus

Paper Title: Beyond Prohibitions: Unveiling the Hidden Dynamics of Islamic Economics and Finance

Author: Prof. Dr. Burhan Uluyol

Publisher: Journal of Islamic Monetary Economics and Finance. Vol 12(1), 81-106.

This research paper provides a theoretical reframing of the objectives underlying Islamic economics and finance. While Islamic finance is largely known for avoiding specific prohibitions—such as Riba (interest), Gharar (excessive ambiguity), and Maysir (gambling)—critics argue that it has become operationally identical to conventional finance. The author argues against this phenomenon of ‘Shariah arbitrage’, where the outward form is Islamic but the substance remains conventional.

The study identifies specific dynamics that anchor Islamic finance to real-world socio-economic equity:

1. The Role of Money: Conventional systems treat money as a tradable commodity designed to generate predetermined interest. In contrast, Islamic finance views money strictly as a medium of exchange to facilitate real economic activity. The author argues that this dynamic prevents wealth hoarding, speculative bubbles, and systemic economic imbalances.

2. The Limit of Debt Securitization: Conventional finance transforms illiquid debt into tradable securities, which increases systemic vulnerabilities, as seen in the 2008 Global Financial Crisis. Islamic finance deliberately discourages the securitization and sale of debt. By keeping financial transactions linked to physical

assets, the system avoids excessive leverage and cascading market failures.

3. Bridging Financial Asset Growth and the Real Sector: Conventional banks primarily seek to expand financial assets and act as creators of endogenous money. Islamic banks prioritize real sector development, tying financial growth directly to productive goods like agriculture and manufacturing. This inherently limits the dangerous expansion of unregulated shadow money and speculative claims.

4. Financing Development Infrastructure: Developing nations typically rely on heavily leveraged government borrowing to fund infrastructure, exposing them to macroeconomic instability. The author argues that Islamic finance offers Sukuk which can be used to direct private capital toward public infrastructure through asset-backed risk-sharing. The author also cites the historical institution of Waqf (voluntary permanent donation) as an advanced moral incentive model for funding public goods without capitalist debt.

5. Shariah Screening in the Stock Market: Islamic equities avoid high-leveraged firms, complex derivatives, and toxic assets, making them relatively stable during market downturns.

Nonetheless, the paper is comparing the ideals and theory of Islamic economics with

practice of conventional finance. What the author identifies as hidden dynamics are not really areas where Islamic finance practice has a distinction.

For instance, Islamic banks also operate under the fractional reserve system where the money is created by the banking institutions through their asset and liability operations. While the outright sale of debt is avoided, but contracts like Bai Inah, Tawarruq and asset light transactions and instruments achieve the end-result in a Shari'ah compliant way through legal stratagems.

Furthermore, it is not correct to say that Islamic finance instruments use risk-sharing principle rather than risk-shifting instruments. The predominantly used debt-based modes of finance transfer risk almost immediately or cover it through covenants and insurance whose cost is borne by the client. The cost of finance in Islamic finance is generally higher or at best at par with conventional finance.

It has been documented in studies that profit rates on deposits are generally lower in Islamic banks than conventional. By having greater inefficiency and larger spreads, small-size Islamic banks are more focused towards financing large corporate sector than conventional. Islamic banks neglect SMEs and agriculture more blatantly than conventional, such as in countries like Pakistan. Hence, Islamic finance is yet to have a distinctive edge when it comes to inclusive financing to the important real sectors like agriculture, SMEs, microenterprise finance, start-up finance etc.

Finally, the stock screening principles are operational limits imposed without a definite basis in Shari'ah about the specific threshold values. They discourage

conventional interest-based investments and leverage. But, if the same leveraged financing is obtained at even a higher cost from Islamic finance, then the threshold values do not apply. Hence, deriving any dynamic of economic distinction from the stock screening criteria is unwarranted.

The paper also touches on the distinction of Sukuk and Waqf instruments to foster link with real economy and provide development finance. However, in practice, many Sukuk are asset-light. Many of the Ijarah Sukuk are based on the conventional sale and leaseback structure in essence through minor modifications for legal compliance that does not change the economic substance. That is why, Islamic financial institutions plead for tax neutrality by presenting the case that Islamic finance instruments are similar in economic substance as their conventional counterparts.

Finally, Waqf is largely a dormant institution due to the rigidity in jurisprudential understanding around how to use Waqf. Trusts are more common even in Muslim majority countries in the third sector. When it comes to Zakat, the actual collection is less than 1% of the potential in many Muslim majority countries. Hence, there is a gap between Islamic economic theory and potential versus the actual practice.

While Islamic finance literature, especially from the first generation, indeed had visionary insights and expectations for Islamic finance, those expectations, principles, and benchmarks cannot be assumed to be fully translated into the Islamic finance practice of today. Despite adopting terms like profit-sharing, Islamic banks frequently replicate conventional amortization structures that maintain asymmetric risk. True risk-sharing cannot survive on contractual vocabulary alone.

Reflections on the Problem of Evil

Some people argue that despite God being so merciful, why does He not eliminate suffering and evil? Charles Darwin also had difficulty understanding why there is evil.

We know God by His attributes, which we are informed about in the divine scriptures. Even if someone does not believe in the divine scriptures, he must still turn to them to understand the religious perspective. God is the most merciful and the most just, and He is perfect in all His attributes at the same time.

The hardships that people go through in this world are not necessarily punishments only in response to disobedience. The blessings that we receive in this world are also not necessarily the result of good deeds. The inequality of wealth and resources in this world is a way to test our gratitude and patience. This test is related to our moral existence, whether we adopt the divine guidance that He has given us through the moral sense and through the prophets and adopt moral purity. Allah will reward our deeds with perfect justice in the Hereafter, where the judgment will be based on the quality of deeds and the sincerity of intentions.

The sufferings that some people go through in this world are in some cases the result of the misdeeds and corruption of other human beings. Lack of social justice, unequal opportunities, and deaths as a result of wars are often the result of human hands. Millions of lives have been lost in the modern scientific era. Religion encourages good deeds. It teaches us to help those in need. It encourages us to be of service to those in

need. In the atheistic view of life, there is no meaning to life. In it, blessings and misfortunes are just a game of fate and coincidence. This view cannot provide any peace and meaning to those who live their lives in unjust conditions and who die unjustly.

It is also often asked why sometimes we see people dying in accidents even in holy places. In addition, most people, including children, do not have the normal ability to enjoy life to the fullest. From the perspective of religion, the answer to this question is that those who cannot exercise 'free will' would not be asked about any of these matters. For example, where they were born, what their colour and race are, how old they will be, etc. Death is a fact. More than 150,000 people die every day.

Natural disasters only bring together isolated deaths at a particular time and place. These events serve as a reminder of death. These events provide an opportunity for self-awareness and self-accountability. These situations sometimes also become a source of testing for those who are protected from accidents and who can be useful to people because of their resources.

Sufferings and disasters also test the sacrifice of wealthy people. If life in this universe came into existence by chance and there is no life other than this worldly life where there is perfect justice, then this worldly life is devoid of perfect justice. In it, not every criminal is punished, nor is the suffering of every oppressed person cured. Belief in Tawheed and the Hereafter makes human life meaningful and, along with it,

corrects the shortcomings and injustices of this world by providing perfect justice in the Hereafter.

The question is also raised as to why, if Allah knows and has power over everything, He does not stop the bad people before they cause harm. In considering this, it is important to understand how the faith-based theory of life explains life in this world. Human life in this world is a test in which, if we adopt truth and high morality in performing all the normal duties of life, we will get the full reward in the afterlife.

If we do not adopt a good attitude and tolerate injustice and oppression, we will be worthy of punishment. Since the reality of this worldly life is a test or examination, there does not seem to be perfect justice. If God intervenes and stops every evil, then there is no objectivity in the test.

Religion alone gives objective morality and has the concept of perfect justice in its theory of life, unlike the view in which life is limited to this worldly life only. The test in this worldly life would be meaningless if man does not have freedom of will and choice. Only then can he be held accountable for his actions. Therefore, God does not always intervene in this world to provide complete justice. However, the moral teachings of religion emphasize good behaviour. Eventually, when perfect justice will be established in the Hereafter, no human life or actions will remain meaningless.

If, after waiting for billions of years, we have

got the opportunity to spend some breaths in this life, then some period of it may be painful, but eventually it has to pass. In God's scheme, there is a promise of eternal bliss for spending only this temporary life within the rules He has given. Even the oldest and longest-lived celestial bodies in the universe eventually perish, but if man succeeds in the temporary test of this world, he will not eventually perish in death, disappointment, and sorrow.

If man observes the universe with a conscious eye and heart, scientific progress introduces him to the countless blessings of God. It is surprising that some people, instead of gaining confidence in the oneness of God, consider this excellent system of life that is established on Earth, and outside of which we cannot take a breath, to be a mere coincidence.

The metals that we consider very valuable in this world are rare and limited on Earth but are present in abundance in the universe. But water, which is naturally available free of cost in many areas of this world, is rare in other areas of the universe.

Other areas of the universe are like gold mines in which a person cannot quench his thirst or breathe. It is not difficult for God to gather all the blessings in one place and all the harmful things in another place. It is not difficult for Him to create heaven and hell. In just a few years of life, by following the path shown by Allah, a person can find every scattered blessing of the universe in an eternal life without any fear, worry, or anxiety.



Market News

Islamic Banking & Finance

- ❖ Islamic Finance market to Surpass USD 8.46 Trillion by 2031, Says Mordor Intelligence (The Manila Times, Apr 10).
- ❖ Emirates Islamic becomes first Islamic Bank in the UAE to offer digital investment in precious metals (Zawya, Apr 27).
- ❖ UAE Takaful firm Salama completes multi-year capital restructuring programme (Zawya, Apr 27).
- ❖ Egypt: Misr Life Insurance - Takaful increases its capital to 7.3 million USD (Financial Afrik, Apr 13).

Sukuk

- ❖ Saudi Alinma Bank launches private placement of AT1 Sukuk (Zawya, Apr 27).
- ❖ KLCC REIT upsizes its Sukuk Programme to RM 4 Billion (Business Today Malaysia, Apr 25).
- ❖ Burj Clean Energy Modaraba raises Rs1 billion through second Sukuk (Profit by Pakistan Today, Apr 27).
- ❖ J.P. Morgan and Bloomberg to include Saudi government Sukuk on emerging market bond indices (Arab News PK, Apr 24).
- ❖ Islamic syndications surpass dollar Sukuk (Mettis Global, Apr 21).
- ❖ Rs 3 billion telecom green Sukuk launched (Dawn, Apr 21).
- ❖ Islamic Treasury Sukuk auction for April 2026 attracts bids worth AED 5.20 billion (Ministry of Finance - UAE, Apr 23).
- ❖ Pakistan plans new Euro, Sukuk bonds to raise funds (Samaa tv, Apr 24).
- ❖ Pakistan to renew GMTN, Sukuk programmes to tap global markets (Business Recorder, Apr 23).
- ❖ Pakistan issues \$390 million hybrid Sukuk to expand Shariah-compliant debt market (Arab News PK, Apr 16).
- ❖ Pakistan raises Rs 109.3 billion through inaugural hybrid Sukuk (Profit by Pakistan Today, Apr 17).
- ❖ Nasdaq Dubai Welcomes Listing of AED 1.1 billion Islamic Treasury Sukuk taps by the Ministry of Finance (Government of Dubai Media Office, Apr 28).
- ❖ Al-Modawat launches first tranche of SAR-Denominated Sukuk worth SAR 20 million (Maal.com, Apr 28).
- ❖ GCC bond, Sukuk issuances hit \$55 billion in Q1 2026 (Zawya, Apr 28).
- ❖ Bank Islam issues 10th tranche of RM 1 billion Sukuk Murabahah (The Star, Apr 28).
- ❖ Khazanah launches Malaysia's first tokenised Sukuk in RM 100 mil pilot with SC (The Star, Apr 28).
- ❖ Malakoff Unit Issues RM 450 million SRI Sukuk Murabahah (Bernama, Apr 28).
- ❖ Fitch sees Islamic syndicated loan potentially surpassing dollar Sukuk (IDN Financial, Apr 22).
- ❖ Govt raises Rs 114 billion via Hybrid Sukuk amid strong demand (Mettis Global, Apr 30).

Islamic Social Finance

- ❖ Zakat crisis leaves thousands without aid (The Express Tribune, Apr 20).
- ❖ Awqaf Ministry provides over QR 53 million in Q1 2026 to support 3,388 families (The Peninsula Qatar, Apr 28).
- ❖ Zakat Selangor says has absolutely no links to RM 230 million NGO fraud case (Malay Mail, Apr 22).
- ❖ NAZAS lifts vulnerable people with over N77 million in Zakat (Vanguard News, Apr 29).
 - ❖ Parliament passes Waqf (Amendment) Bill 2025 as Rajya Sabha grants approval (News on Air, Apr 30).

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

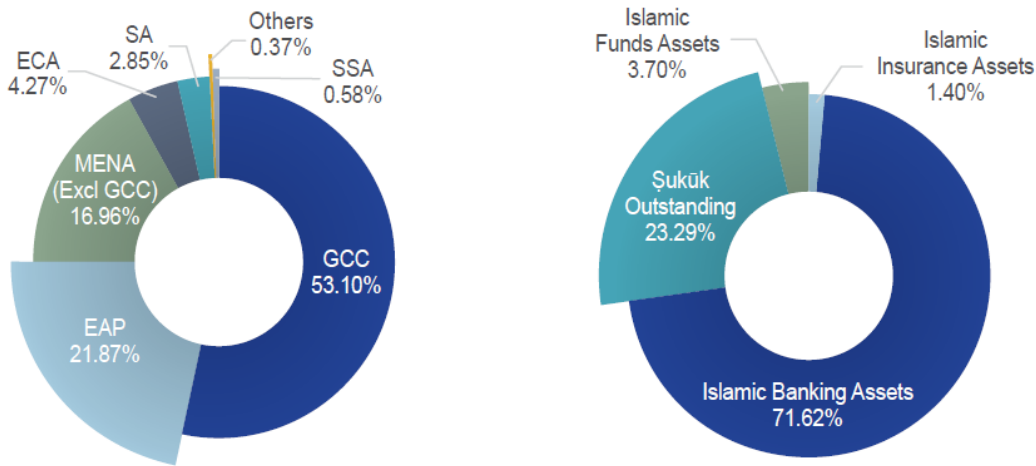


Chart 1.1: Global IFSI Total Asset Size (USD in Trillion) (2020 - 2024)

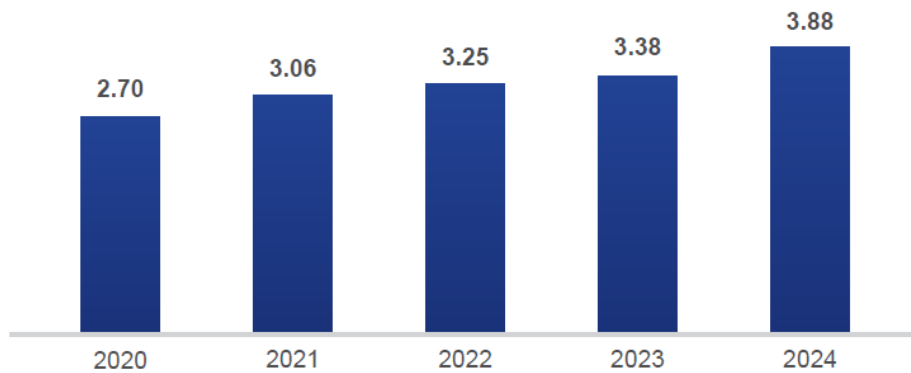
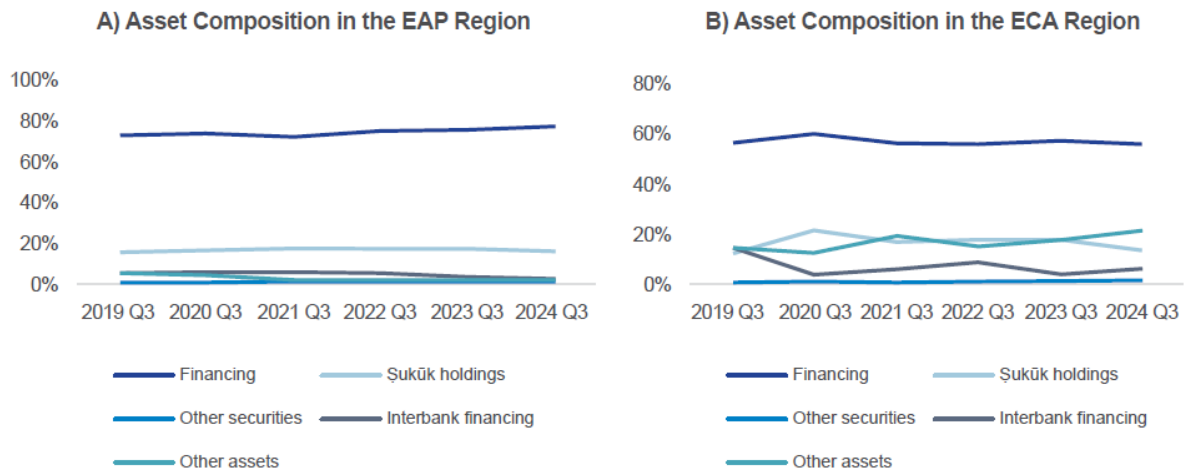
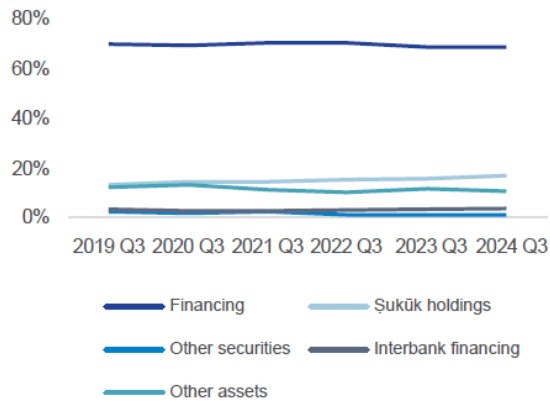


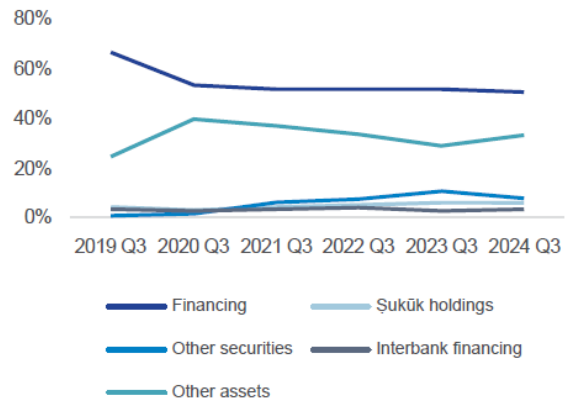
Chart 1.1.2: Regional Islamic Banks' Asset Composition



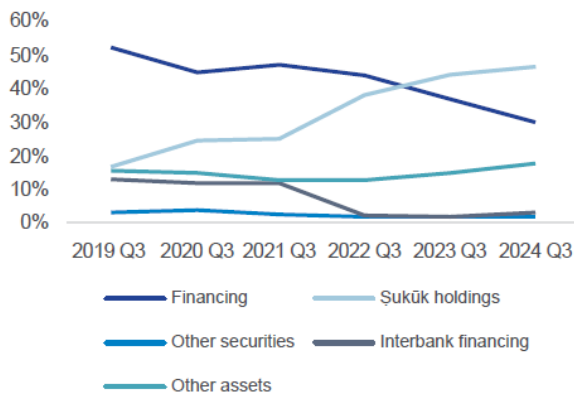
C) Asset Composition in the GCC Region



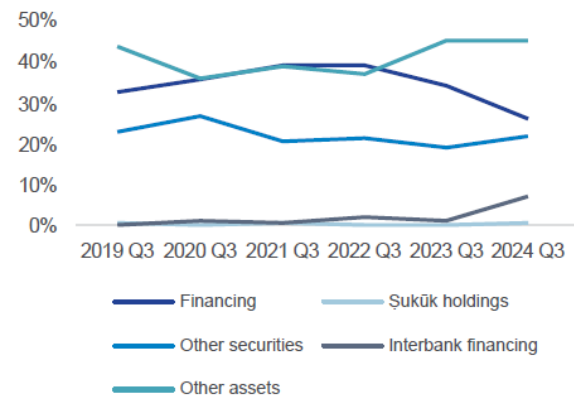
D) Asset Composition in the MENA (Excl. GCC) Region



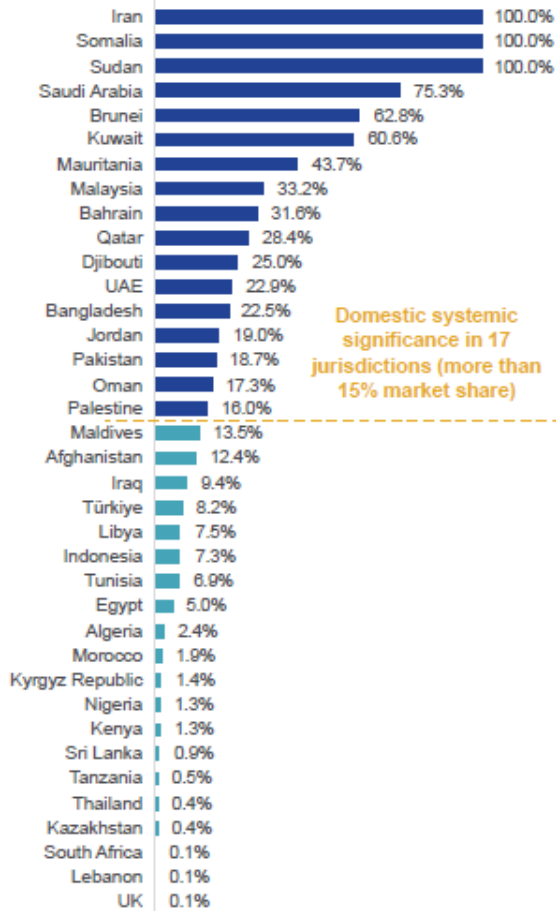
E) Asset Composition in the SA Region



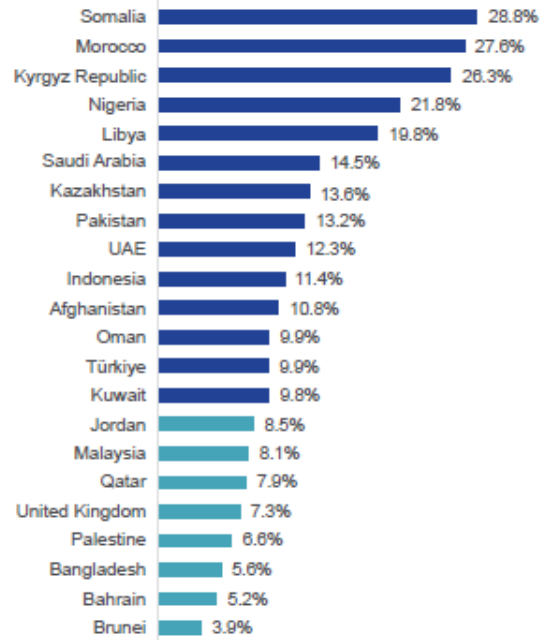
F) Asset Composition in the SSA Region



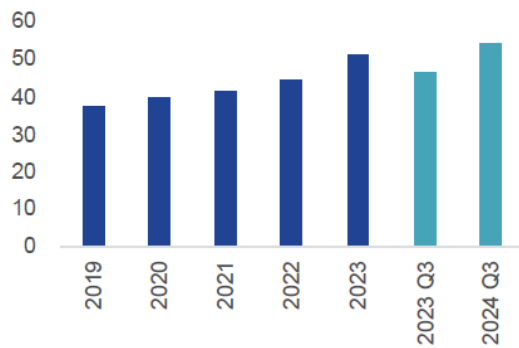
(A) Islamic Banking Share in Total Banking Assets by Jurisdiction % (2024 Q3)



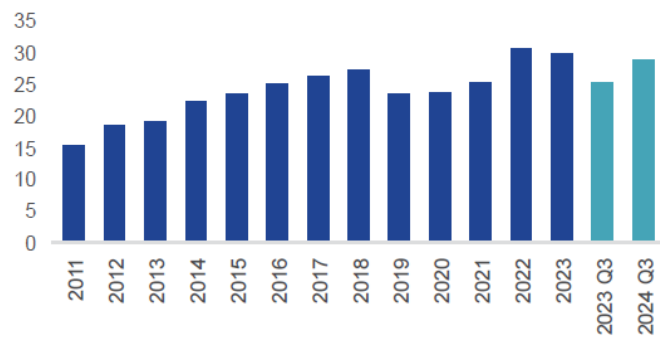
(B) 5-Year CAGR of Islamic Banking Assets (2019 Q3-2024 Q3)



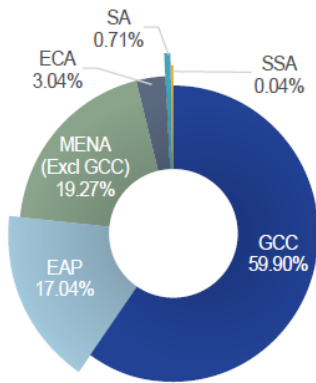
A) Total Islamic Insurance Assets (USD in Billion)



B) Gross Written Contributions (USD in Billion)



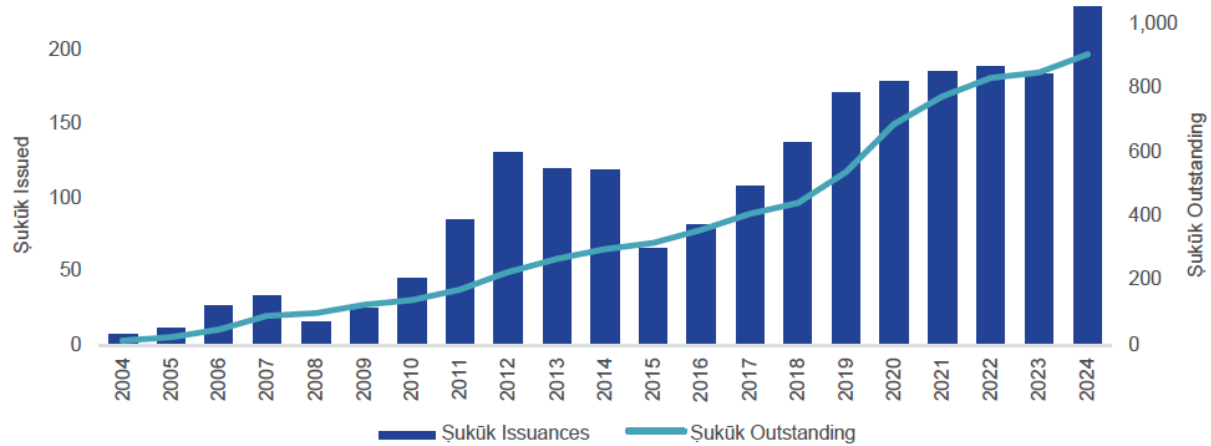
A) GWC Regional Share



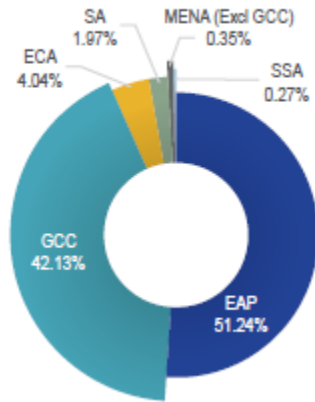
B) Regional Contribution (USD in Million) and Growth Rate



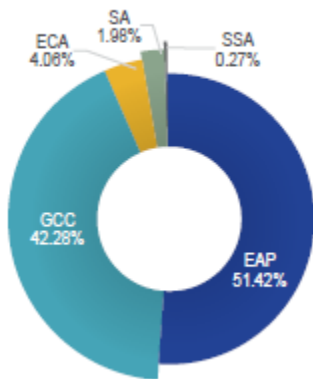
(2004-2024) (USD in Billion)



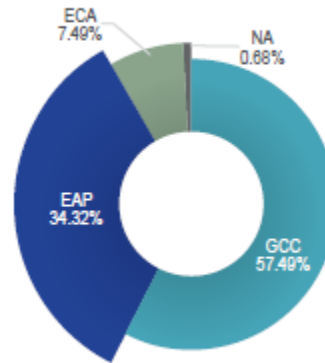
A) Total Şukūk Issuances by Region of Originator (2024)



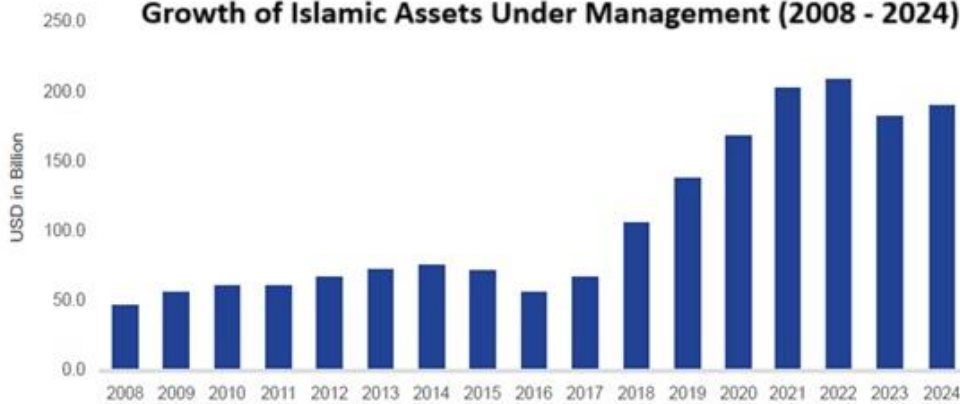
B) Sovereign Şukūk Issuances by Region of Originator (2024)



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

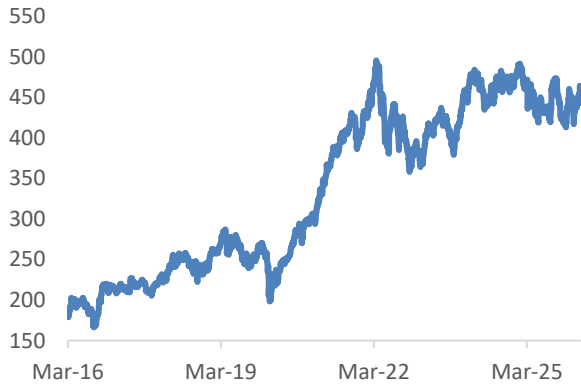


Growth of Islamic Assets Under Management (2008 - 2024)

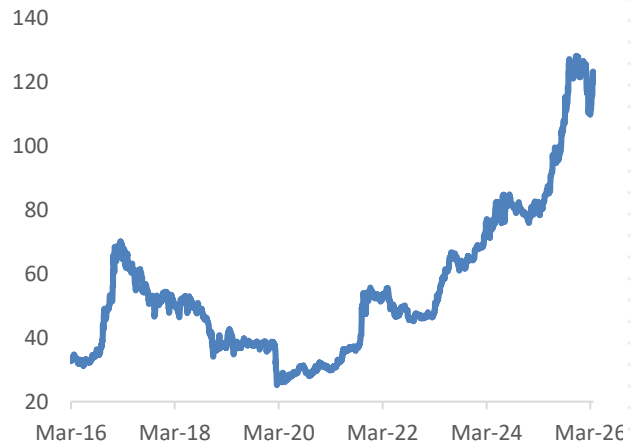


SUKUK Investments (Source: S& P Dow Jones)

S&P Saudi Arabia Shariah



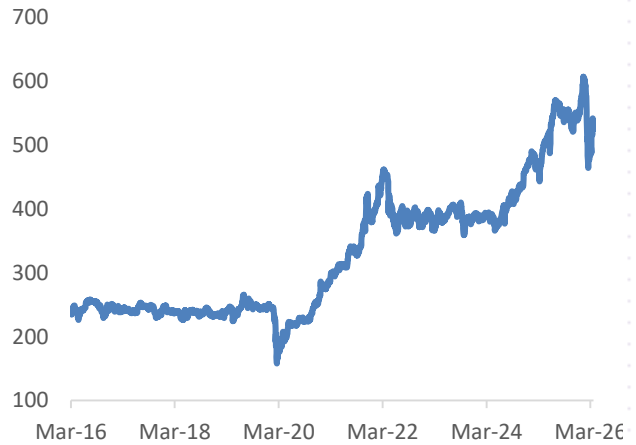
S&P Bahrain Shariah



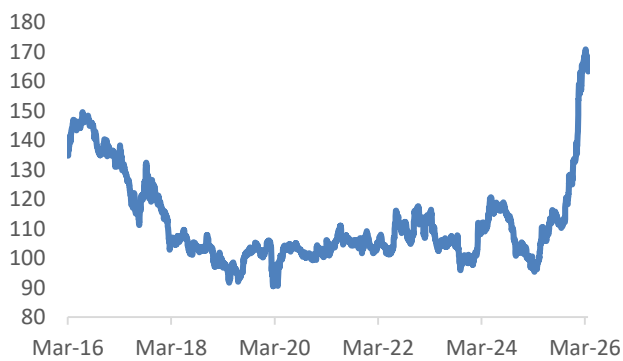
S&P Qatar Shariah



S&P U.A.E. Shariah



S&P Oman Shariah



S&P Kuwait Shariah



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	4.7	5.4	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	5.1	5.1	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	4.4	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	4.3	4.3	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	4.4	4.1	4.0	4.0	4.0
Oman	2.9	4.0	3.7	4.1	3.8	3.6
Pakistan	2.7	3.2	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	4.5	3.6	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
Türkiye	3.5	4.2	4.1	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, January 2026

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>

The 12th International Islamic Monetary Economics and Finance Conference

October 7, 2026, Jakarta - Indonesia

<https://submit.confbay.com/conf/iimefc2026>

Values for Impact Conference, Bosnia

September 23 - 24, 2026

<https://valuesforimpact.com/call-for-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>