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• Book Review

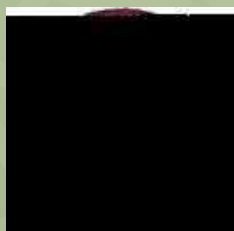
A Book Review on: "Economics and Economic Policy: Islamic Perspective"

Muhammad Ayub, M. Fahim Khan, M. Anas Zarqa , M. Akram Laldin, M. Tahir Mansoori, and M. Ma'sum Billah, Riphah International University, First Edition, 2022

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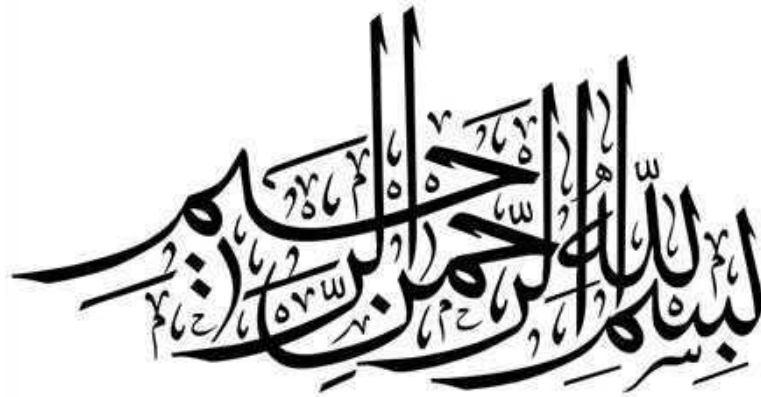
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Letters in Arabic	Letters in Roman	Arabic Example	Romanized as
ء (همزة)	'	عُلَمَاء	'ulamā'
[ʾ] preceded by letter with fatha َ	ā	اِجَارَةٌ	ijārah
[ʾ] مقصورة	á	تَقْوَى	taqwá
[ʾ] Context specific: (i) In the beginning (ii) In the middle of a word.	(i) ã (ii) 'ā	(i) آيَات (ii) قُرْآن	(i) āyāt (ii) Qur'ān
ب	b	بَاطِل	bāṭil
ت	t	تَكْفُل	takāful
ث	th	ثَمَن	thaman
ج	j	جِزْيَةٌ	jizyah
ح	ḥ	حَدِيث	ḥadīth
خ	kh	خَرَاج	kharāj
د	d	دَيْن	dayn
ذ	dh	ذَهَب	dhahab
ر	r	رِبَا	ribā
ز	z	زَوْج	zawj
س	s	سَلَام	salam
ش	sh	شَرِيعَةٌ	Sharī'ah
ص	ṣ	صَدَقَةٌ	ṣadaqah
ض	ḍ	ضَمَان	ḍamān
ط	ṭ	طَلَاق	ṭalāq
ظ	ẓ	ظُلْم	ẓulm
ع	'	عَيْنَةٌ	'īnah
غ	gh	غَرَر	gharar
ف	f	فِقْه	fiqh
ق	q	قَرْض	qarḍ
ك	k	كَفَالَةٌ	kafālah
ل	l	لَازِم	lāzim
م	m	مُضَارَبَةٌ	muḍārabah
ن	n	نِفَاق	nifāq
و	w	وَقْف	waqf

Letters in Arabic	Letters in Roman	Arabic Example	Romanized as
و preceded by ُ	ū	صُكُوك	<i>ṣukūk</i>
ه	h	هِبَة	<i>hibah</i>
ة	(i) 'h' if at the end of a word. (ii) 't' if in the middle.	زَكَاة (i) زَكَاة الْفِطْرِ (ii)	(i) <i>zakāh</i> (ii) <i>zakāt al-fiṭr</i>
ي	(i) y (ii) ī when preceded by ِ	يُسْر (i) يَتِيم (ii)	(i) <i>yusr</i> (ii) <i>yatīm</i>
فتحة َ	a	فَرَض	<i>farḍ</i>
ضممة ُ	u	عُرْف	<i>'urf</i>
كسرة ِ	i	مُسْلِم	Muslim
شدة ّ	(i) When over one-letter word; the letter is to be used twice. (ii) When over two-lettered word, the two letters to be underlined.	تَوَرَّق (i) عَشَّ (ii)	(i) <i>tawarruq</i> (ii) <i>ghish</i>
<p>Notes: (i) For [َ] followed by [و]; roman letters [aw] are to be used, e.g., "أَوْقَاف" is to be written "awqāf". For [َ] followed by [ي]; roman letters [ay] are to be used, e.g., "أَيْنَ" is to be written "ayna". (ii) Hamza (ء) in the beginning of a word is not to be Romanized. (iii) Arabic "ال" in composite words is to be always Romanized as "al-" irrespective of the sound of the composite words, e.g., "بَيْتُ الْمَالِ" is to be written "bayt al-māl" not "bayt ul-māl" and "الدَّيْنُ" is to be written as "al-dayn", not "ad-dayn".</p>			



Articles

The Significance of Moral Agency for Socioeconomic Justice and its Absence in Islamic Economics and Finance

Omar Javaid

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ABSTRACT. The paper attempts to build a case for the moral agency of individuals operating within organic social networks – in contrast to the impersonal nature of financial institutions – as a necessary medium for practicing Islamic economic principles, for the goal of achieving socioeconomic justice in society. Through comparative analysis, the paper argues that the modern institutional framework due to its impersonal nature, capitalist orientation, agency cost, and socially disintegrative nature is not a suitable medium for advancing the agenda of Islamic economics. A market environment where individuals exercise their moral agency to the fullest is perhaps necessary. To make this argument, the paper looks at the history of Muslim bazaars and the norms in Muslim business communities in the contemporary world to explore the significance of the personal agency of morally conscious and pious individuals. The individual traders or investors would operate within their organic social networks while exercising socioeconomic justice among their stakeholders. To achieve the desired socioeconomic goals sought through the implementation of Islamic economic principles, a culture of trust and mutual support needs to be cultivated (or preserved where it already exists) between individual traders and investors in any market. This is possible only when the traders or investors can fully exercise their moral agency, have concern for each other and voluntarily demonstrate trustworthiness. In absence of such a culture, the paper argues, it would be difficult to come close to the satisfactory implementation of the principles of Islamic economics in marketplaces, let alone the achievement of the desired socioeconomic goals.

KEYWORDS: Islamic socioeconomics, political economy, moral agency, moral hazard, institutionalism, history of bazaars, informal economy, community-based entrepreneurship

JEL CLASSIFICATION: B11, P51, Z13, D13, O17, E26

KAUJIE CLASSIFICATION: B5, D0, E0, F21, F22, F51, H48, J1, S0

1. Introduction

This paper argues that the Islamization movement missed its goals like economic justice, eradication of exploitation, equity and inclusion (Chande, 2023; M. N. Siddiqi, 2011; Zaman, 2017) because it ignored the socio-political and ideological contexts responsible for the socioeconomic ills which the movement intended to eradicate. These contexts come part and parcel with modern institutional framework which the movement embraces after shariah compliance (Javaid & Suri, 2019). One of the key contextual elements ignored by the movement is how and why the design of modern institutional framework (dis)engage moral agency of individuals and impose a rationalized form of social order (HuangChen, 2021; Ritzer, 2016).

Islam rather empowers the moral agency of each individual by first orienting it via *tazkīyah-e-nafs*. For a Muslim, every social, economic and political interaction (even interaction with animals, plants, or a material resource) is fundamentally moral in nature that will eventually have consequences on the Day of Judgement (Asutay & Yilmaz, 2021). When the moral agency of most individuals in a society is empowered and aligned with the direction set by Quran and Sunnah, an Islamic order is expected to emerge that will ensure socioeconomic justice (Hallaq, 2013). Modern institutions however constrain the moral agency of its employees, and makes it irrelevant what they hold sacred in their hearts. The social engagement thus shifts from moral to rational under the influence of modern institutions (Ritzer, 2016).

This design feature of modern institutions has its roots in the answers given by European philosophical thought to two fundamental questions, (a) who are we, (b) what is the ultimate source of knowledge. In 17th century Rene Descartes formalized the notion that we are rational beings who also happens to have a body, and our thinking minds are superior to our bodies and hearts (*qalb*) as well (Harari, 2015). This mind-body split, also referred to as Cartesian dualism (Dika, 2020), had epistemological implications, as our rational mind now became the ultimate criteria to differentiate truth from falsehood (Javaid & Suri, 2019). The rational, thus the mathematical, the objective, the quantitative, was given precedence over the qualitative, subjective, the irrational (sic)

part of human experience including the religious character.

The intuitive, moral and emotional nature of man, however was inseparable part of a person's existence, which also inspired the religiosity of the common man, thus posed a serious problem in the establishment of a rational order (Reisman, 1998). To solve this problem two inventions emerged in Europe, (a) social sciences, that would study the subjective nature of human behavior to find means to control it, and (b) the institutional order, which would apply the knowledge of social science to manipulate and control the irrational nature of man, for certain so-called rational objectives like capital accumulation, but at the cost of economic injustice and inequality (Manicas, 1987; Zaman, 2014).

The dominance of the rational, in all its manifestations in market and state institutions, also referred to as 'the formal', undermined the significance of the informal such as the organic family and community (Polanyi, 2001), where the human emotions and moral values determines the outcome of social interaction (Bubolz, 2001; Gomez-Mejia et al., 2011). The religion was also deemed as irrational, despite it allowed the emotional energy to operate under a moral framework, instead of discrediting it entirely (Jung, 2006). The informal was thus replaced with the formal. The modern institutional order gave birth to a rationalized form of social reality where individuals as institutional agents were required to submit their moral capacity to the rational rules (Kakavelakis & Edwards, 2022) enforced within the formally recognized entities like banks or corporations or otherwise they would risk unemployment (Hickel, 2020). Colonial powers enforced the same transformation in the Muslim world in the past two centuries as well while actively destroying the alternative arrangements to organize the economy, society and politics (Gilmartin, 2014). Today the same institutional order prevails in the Muslim world. This reengineered socioeconomic and political reality is not recognized as problematic – rather is accepted as a default – by most second-generation scholars of Islamic economics and finance through their ahistorical and decontextualizing gaze (Zaman, 2017).

It is therefore critical to recognize the necessary social and political realities which are incompatible and compatible with the letter and spirit of Islamic economics and finance to identify the right medium to achieve the desired results sought by the Islamization movement today. So, the paper will dwell over the questions: where Islamic economic principles were practiced, and who used to practice them during pre-modern times in Muslim history? How can we create the conditions required to allow moral agents to practice Islamic principles to deliver justice, given the institutional constraints created by modern society?

To answer this question looking into Islamic history becomes pertinent. But before that, the paper will discuss the social basis of economic exchange (Section 2) and how it has been affected by institutionalization in the west (Section 3). After looking at the social nature of the exchange process in bazaars in Islamic history and the contemporary world (Section 4) the paper will explore the question that why Islamization has taken the institutional route (Section 5). Finally, the implications for the future of Islamic economics and finance will be discussed (Section 6).

2. The social basis of economic exchange and wealth circulation

Social relationships, many have suggested, had more significance than economic ones until the advent of capitalism in Europe (Fromm, 1994; Fukuyama, 2011; Polanyi, 2001). This same pattern can be found in Islamic history (Javaid, 2015). Capitalism shifted the focus to the 'economic', where transactional relationships were institutionalized and the importance of organic social connections became secondary. Karl Polanyi argues that economic relationships are fundamentally embedded in social relationships, and that trust is essential for commerce to be successful (Polanyi, 2001). Furthermore, Polanyi (2001) says that critical to the birth of the market economy was the reversal of this relationship – a market economy is characterized by the embedding of social relationships within the market. A shift from 'direct embeddedness' to 'proxy embeddedness' in terms of Sencal and Asutay (2019)

Society can operate without institutional relationships if trust is sufficient among individuals, and bazaars can still operate seamlessly (Gharipour, 2012). Instrumentalization of the social for economic ends however creates an excuse for institutionalization which depersonalizes the relationship causing a reduction in trust between individuals (Curtis, 2007) through a phenomenon referred to as 'double hermeneutics' (Ghoshal, 2017). Institutional involvement can cover for the lack of trust to an extent, however, too much institutionalism can restrain society due to its inflexible nature and running costs, and can even create an environment of suspicion by treating everyone as having a potential for moral hazard (Ghoshal, 2017). Trust in human agency, therefore, it may be argued, necessitates organic social-human interaction. The organic can and has survived without institutions; however, on the other extreme, a society where people only interact through the rational and legal mediums of formal institutions may eventually collapse in the absence of organic social engagement (Peterson, 2002).

It is needless to mention that organic social relationships naturally exist before an individual forms' economic relationships with others as we are born in the organic or biologically necessary environment of a family. The organic environment of the immediate and extended family where humans are raised is particularly more obvious during pre-modern times and is considered a default form of human organization before complex societies ever came into being (Fukuyama, 2011). In many tribal societies, often comprising hundreds of individuals, exchange rarely happens, as the items of basic sustenance are shared by the members with each other. Such tribal societies have been in existence for many millennia (Graeber & Wengrow, 2021). In complex societies which emerged much later, where the exchange was a necessary phenomenon due to the division of labor, the unconditional relationships within the family still occur naturally before the conditional or transactional relationships that a person typically forms with non-family members when performing an exchange (Landes et al., 2010).

A child when growing up also experiences trust for the first time when raised by reliable adults, who

honor their commitments. The upbringing by trustworthy adults, therefore, instills the quality of trustworthiness among children as well. If the same trustworthy adult is a business owner and has earned credibility by demonstrating righteous behavior for a long time, the goodwill of the adult is also used by his children or relatives to gain trust among other traders in the market. When the name of such a business owner is used as a reference in the market, trust is immediately established for a person who is a stranger otherwise. The stranger may even get supplies on credit from some vendor because of his relationship with someone with strong goodwill (Javaid et al., 2019). The need for extensive paperwork or legal formalities or formal guarantees is eliminated or minimized, thus reducing the agency cost and speeding up the exchange process (Karra et al., 2006).

In contrast, if an institution like a bank is involved in the process, such goodwill will generally not suffice, even if the person is known to the employee of the bank. Everyone is seen as a stranger with a potential for moral hazard, and unless the institution itself has given the authority to a particular employee to skip formalities (which may happen rarely), the employee will have to follow the necessary formalities before doing business with a particular individual or firm. It can take months in some cases for a financing request to be entertained by a regular bank (microfinance banks however would charge an exuberant amount of interest or profit to mitigate the risk), as it takes time to verify all the evidence or guarantees provided by an individual.

If he or she is not an employee of another legal entity, does not own a registered business, or does not have sufficient collateral to offer either, it may be impossible for them to receive financing from a bank. Banks, even shariah-compliant banks, who are for-profit enterprises, cannot sustainably offer *qard-e-hasanā* as well (Majeed & Zainab, 2017), which can be referred to as an efficient tool of wealth distribution in Islamic history (Javaid, 2014; Javaid & Suri, 2016). *Qard-e-hasanā*, however, flows easily in an organic-social context when needed, if there is trust between individuals (organizations like Akhuwat or GEAR who do not use the legal structure

of a bank, use trust as a primary medium to extend support to the poor).

In Islamic history, much of the wealth distribution was done informally (Javaid, 2015). This was despite a formal system ensuring the flow of zakat to the poor. By virtue of the social relationship people had with each other, the wealthy would connect with the lesser off by informally establishing business relationships in a variety of ways. Those who had capital would do *muḍārabah* with those who did not have capital in a personal capacity or would do *mushārah* with those who could also invest (Gharipour, 2012; Yi, 2004). Expert advice, sharing opportunities and connections, mediation in disputes, and sharing of space or land to set up a business would happen informally, allowing an unobstructed circulation of wealth in all segments of society. In recent times, we find some ethnic entrepreneurial communities having a similar culture of not just sharing wealth, but also wealth creation capacity with those who are struggling to establish themselves economically (Javaid et al., 2020). More details on how the economic activity was socially embedded in the Muslim past will follow in Section 4, the following section would first explain how organic informal social relationships were institutionalized in the modern world and what were its consequences.

3. The formalization of the social in the modern world

In the modern world, there has been a strong tendency towards institutionalization. Cartesian dualism gave the European elite a paradigm to justify the dominance of the rational over the emotional (also the intuitive, spiritual and religious), the objective over the subjective, quantitative over the qualitative (Harari, 2015). This dominance didn't just happen within the individual, but also on a micro, meso and macro levels in the European society and then in the colonies. The modern institutional framework in the market and state emerged as an embodiment of the rational to replace the influence of the tribalistic nature of the family and community from the economic and politics (Fukuyama, 2011). This perhaps had its own advantages however it led to the social disintegration of tribal society and class division caused by the rapid spread of capitalist

values. The religion also lost its significance as a force to organize the collective. This ‘Great Transformation, as Polanyi called it, also led individuals to prioritize their material-self-interest, rendering them less trustworthy (Fromm, 1994; Polanyi, 2001). Further, during the colonial period, the natives of non-European regions were typically seen as untrustworthy by default. The modern institutional framework, employing the idea of bureaucratic rationality, was therefore used to avoid the constraint the untrustworthy individuals as they were employed in market or the state institutions.

The traditional roles of an individual have been superseded by their institutional roles in the modern world. Human beings interact with each other more as agents of an institution than they do so in a personal capacity in a modern market society (Hallaq, 2013). The exercise of free will by individuals while interacting with each other is therefore restricted by roles assigned to them by their institutions (Han & Butler, 2017a). The objective of their interaction with other individuals is also determined by the roles assigned to them by the institutions they work for, where the interest or goals of the institution is expected to be prioritized (Fukuyama, 2011). Today even the parent-child relationship is often adversely affected by the parent’s push to send their children to the modern schooling system and perform as per the standards of the system even if those standards make no sense to either of them (Javaid et al., 2021).

Hallaq (2013) argues that an individual role in a formalized institutional capacity is essentially political and amoral as the individual is bound to act in line with the authority entrusted upon him by the institution irrespective of the fact that it aligns with his understanding of morality or not. The spread of institutionalism, which engage more and more people not in their personal capacity but only as agents of institutions, eventually replaces the moral with rational (Adewale, 2017). The dominance of the formal further disintegrates the organic or informal relationship within the family or community networks. Such disintegration may also reduce the trust or reliance between individuals as individuals may prioritize their institutional roles over their informal ones (Javaid, 2022).

Such a flow towards formal at the expense of the organic kinship ties, or disintegration of the kinship networks due to the over-dominance of market or state institutions, goes against the *Maqāsid-ul-Sharī‘ah*. The obligation towards the rational goals of the institutions also constrains the moral capacity of individuals, this outcome also stands against the *Maqāsid-ul-Sharī‘ah* (Ismail & Tohirin, 2010). The following two examples will illustrate this point.

- Assuming you go to a street vendor to purchase vegetables almost every day. One day you did not have cash; the owner of the shop very likely asks you to pay the next time you visit without involving any collateral or other formalities. In contrast, if something of a similar sort happens when you buy something from a superstore, the employee at the cash counter cannot give you this facility. Assuming the employee is your brother, but he is also out of cash, and the network is also down due to which debit or credit cards are also not functioning. Due to the authority entrusted to the cashier, he cannot let you take the product, even if the cashier fully trusts you in his personal capacity that you will visit the next day to make the payment.
- You borrow money from a relative and promise to pay after a few months. But you are unable to pay back at the promised time. The relative is also fully aware of the personal crisis you are going through and let you pay back as soon as you can in due time. In contrast, if you take financing from an Islamic bank, would the bank give you relaxation casually, even if the bank officer you are dealing with at the branch of the bank is your closest friend? It is more likely that the bank would apply a penalty as per the agreed terms and conditions, and even sell the collateral to recover the principal amount irrespective of the personal tragedy you are going through. It is beyond the jurisdiction of the banking officer to do any *Ihsan* even if that is exactly what is required, or what the officer personally wishes to do. The officer’s commitment to his or her employer supersedes even dissolves the idea of *Ihsan* towards the debtor.

Institutionalized relationships, even if shariah compliant, that is, only acting as per the rational goals of the institutions, may turn society into a machine-like entity. The more society turns mechanical, the more the individuals' moral agency to act independently of their institutional roles may diminish (Javaid & Suri, 2016). These roles, if we expand on MacIntyre's categorization (MacIntyre, 2007), may be broadly described as the investor, the corporate manager, the labor, the manager employed by the state or corporate bureaucracies, and the therapist (including all health care professionals). All of them are also consumers. And when the laborer in particular gets too frustrated, in view of MacIntyre, s/he takes the role of the protestor. The informal familial roles of a father, mother, brother, sister, son, daughter, etc., or any traditional role within the organic community are thus weakened as a result of the formalized engagement of individuals in the market or state institutions (Javaid et al., 2018). The psychological conditioning of modern education also prepares individuals for their institutional roles predominately, often decapacitating individuals to fulfill their familial roles to the fullest (Fukuyama, 2011).

It can be argued that this decapacitation of the organic and dominance of the institutionalized engagement of individuals has a significant role to play in wealth distribution in modern society as well. Traditionally, in view of Polanyi (2001), resources were informally distributed among community members, who would voluntarily share it with those who had met a personal tragedy or were lesser off. Fromm (1994) would also agree. The birth of capitalism, particularly the neoliberal doctrine, has a disintegrating effect on traditional communities (Javaid, 2022). It created economic classes, and then legal entities or institutions were created to manipulate the masses to perform as per the requirements of those in power, as the masses would otherwise indulge in class warfare to retaliate against the economic injustice perpetuated against them by the capitalist elite (Hickel, 2020; Polanyi, 2001).

The same institutions now formally manage wealth distribution in a modern market society. If following a neoliberal doctrine, the state often would create policies for the rich to accumulate more capital

at the expense of the middle class or the poor who are left at the mercy of the ruthless forces of the free market. The influence of the big business of the state or policymakers may also be considered here. This influence furthers the gap between the rich and the poor and can result in greater wealth inequality (Kornbluth et al., 2013).

4. Is everything economic?

Sandel (2012) argues that money cannot buy everything, rather, if money is involved in acquiring something to fulfill some human needs, the fulfillment of the need can become even more difficult. For example, can we purchase a friend, can we purchase mother's love, salvation on the Day of Judgement, piety, or sense of meaning in life? Humans have certain psychosocial and spiritual needs, which require an informal social engagement with family, friends, or a spiritual mentor for that matter. Longitudinal research at Harvard going on for 75 years now also endorses the point that family and friends who give you a sense of acceptance are essential for psychological well-being and good physiological health (Waldinger, 2015). For spiritual development at a personal level, a one-on-one connection with a spiritual mentor is believed to be necessary, which is not possible in the impersonal context of formal institutions. In the institutional context, within the modern educational, market, or state institutions, where the relationships are fundamentally transactional, where the modern individual spends most of his life, fulfillment of one's psychosocial and spiritual needs is unlikely (Hallaq, 2013).

The dominance of formal roles and the weakening of informal ones have a detrimental effect on the well-being of individuals in modern society, leaving them alienated while feeling a sense of worthlessness and insecurity (D.G., 2022). This sense of insignificance has been further exploited by capitalism, which offers products that purportedly provide what Baudrillard (1994) referred to as a 'simulated experience' of significance, strength, connection and security. However, individuals are unable to find true acceptance and security in the formal institutional context, as they are often expected to perform certain roles in exchange for

monetary compensation (Curtis, 2007). The modern free market, in particular, is not a safe space for those who are vulnerable, such as when someone is ill or injured, as opposed to the environment of the home or family which can unconditionally provide them care during such times (Javaid et al., 2018). Modern free markets and modern states rather often see these vulnerabilities as a means to manipulate individuals to submit to the process of capital accumulation or devote themselves to the system of power (Han & Butler, 2017b).

State institutions can come forward to support the vulnerable, provide free health care, create orphanages and old homes, or initiate community-building measures, however, state machinery typically cannot replace the sense of connection and belonging that may come from being part of a healthy organic family and community (Fromm, 1994). Since organic social networks have largely been disintegrated by the free market, therefore, it is often argued that the socioemotional needs of individuals are also generally compromised who are no more part of their organic kinship network. This problem of alienation has been discussed by many including Marx (1887), Durkheim (1984), Fromm (1994), Polanyi (2001), and others (Putnam, 2000; Sachs, 2010).

Children are often brought up in nuclear families where parents have little time and mental presence to provide emotional support to their children, who are rather looked after by paid employees of a daycare center instead. These children then grow up to be pathologically dependent on formal institutional structures, the only place that provides them some structure and acceptance, though conditioned to certain standards of performance (Gatto, 2010). Those children who are unable to meet those standards are often expelled from the system, and if they do not have a family or community to fall back to, they become susceptible to, for example, becoming drug addicts or getting recruited by criminal gangs (Maté, 2013).

So, a healthy informal-organic-social-kinship network of family and community is necessary to fulfill the socio-emotional and spiritual needs of individuals, fulfillment of which may not be possible

in the modern marketplace. Interestingly, social connections also are recognized as the primary mediums where economic relationships emerge particularly in economies that are not yet fully formalized as described in Section 2.

5. A glimpse into the socio-economic life in Muslim history

There is limited literature on the nature of the social organization or its 'substantive' (Polanyi, 2001) emergence in the Muslim world. The little literature which is available, and the literature on Muslim entrepreneurial communities which exists today paint a similar picture. The economic life is reported to be deeply ingrained in the social fabric of Muslim communities and was a bottom-up emergent phenomenon, specially organized around the social life of the community to serve the needs of the members of the community. Bazaars would not just be a place where one can earn money and purchase goods for consumption, but also served as a medium to keep the families and the community bonded. It would provide not just economic security to its members, but also serves as a medium to meet their socio-emotional and spiritual needs as well. Awad (1989) has noted:

“... guild system [in the Muslim world] was an informal economic and social organization, and was a spontaneous development from below, created not in response to state need, but to serve the social requirements of the laboring masses themselves” (p. 42)

Ironically, despite its significance, very few scholars have attempted to explore the socio-cultural element of economic life in Muslim history. Almost none has highlighted it as the layer upon which the economic life in the Muslim world was established. For most of the scholars of Islamic economics, it's all about the legal rules or formal components of the exchange process. The limited literature however highlights the criticality of the organic or informal-social engagements of Muslims with each other for their economic well-being as well. This literature suggests that the informal-social and cultural life of the Muslim bazaars was the medium in which the legal and formal components of Islamic economics were practiced. The informal-social preceded the formal (Sencal & Asutay, 2019). Market Institutions,

as they appeared in Europe, like banks, corporations, and stock exchanges, never emerged in Islamic history, until the colonial powers, the British in particular, forced them onto the Muslim world. It was rather the organic informal-social context where the economic activity took place, where legally enforceable contractual engagements would emerge from the personal interaction of guild members with each other. Yi (2004) notes:

“The institution of business partnership in the Middle East had been established in the sharia law since the seventh and eighth centuries, and it had a longer history than any organization of crafts or service guilds if we discount the legendary accounts of the mystical origin of “guilds” going back to the Prophet Muhammad and the rightly guided Caliph 'Ali”. (p. 96) ... “indication of the freedom enjoyed by individual members is the frequent and unrestricted formation of business partnerships (*sirket*) among them. Such an arrangement is very commonly seen in seventeenth-century documents [from Ottoman Era] ... Guildsmen used partnerships extensively to maintain the financing and running of their shops.” (p. 95) ... “we may safely judge that partnership was quite common among the guildsmen”. (p. 98) ... “The guild must have recognized *sirkets* as a perfectly normal everyday institution, as long as the activities of individual *sirkets* remained within one trade specialization represented by a guild and did not go against its rules”. (p. 101)

Shirkat-ul-aqd is a legally enforceable contract, however, it should be noted, emerged out of an informal-social engagement between individuals. It begs the question of how the necessary trust was already there to make it happen. The answer may lie in the social organization of economic activity (Sencal & Asutay, 2019). Looking into the internal structure of the guilds suggests how the family and business relationships would function in parallel. The family members would self-employ themselves in a particular economic activity, where junior ones would work as apprentices, while seniors would act as advisors and teachers, often acting as mediators to any disputes if they may emerge, but all in a voluntary capacity. Once an apprentice would reach a certain level of mastery they would invest their savings to become a profit-sharing member of the guild (Javaid, 2015).

A particular guild would appear like a giant family, while different guilds would have matrimonial ties among each other. A person growing up in such a community would informally interact with those who do not belong with his immediate family in their neighborhood in a variety of contexts like when offering prayers or sitting in I'tikaf in Ramazan in a masjid. Finding a spouse for yourself or your children would be facilitated with such informal interaction. An individual's existence was deeply embedded into the social fabric of the community, which added a huge cost to any form of anti-social behavior or malpractice. Further, it is a psychological need of every individual to belong to a social group, which is typically taken for granted until the social group collapses leaving the individual alienated (Javaid et al., 2018).

The need to belong is typically felt more when an individual is vulnerable. The relevant literature suggests that individuals were supported by the community members in the state of their vulnerability when they would face financial difficulties or disabilities due to any sickness, and the norm even prevails today in socially cohesive communities. Those who are declared unemployable due to some disability for example were and are employed and taken care of by their family or community members. Those who could offer help were and are further motivated by their religious beliefs which extensively encourage helping those in need (Qadir et al., 2020).

When mutual support flows in all directions in such a social context, it is not hard to understand, individuals in such a communal environment would not find it hard to trust each other not just because of the social and economic cost associated with the betrayal of trust but also because the conscience of a Muslim doesn't allow such an act. Islam discourages betraying trust, or not helping the needy when it is possible, as it may invite the wrath of Allah on the Day of Judgement (Javaid et al., 2020). *Tazkīyah-e-naafs* therefore had an operational significance in honoring commitments in social and economic engagements.

The flow of charity, *qard-e-hasanā*, or investment in the form of *mushārakah*, would seamlessly happen in such a social context, depending upon the requirement of the situation. The terms and commitments would be relaxed in case the other party can't pay back their due share in case they go through some legit crisis, rather more support will flow toward them. There are many documented examples of such behavior in Islamic history, and even today among various communities in Pakistan such as Memon, Delhiwala, Chinioti, Bohri, and Ismaili. A recent paper suggests that these communities do not just distribute the wealth they create to the needy, but also wealth creation capacity by facilitating the struggling individuals in a variety of ways, again informally. This necessitates an informal connection between community members, across the so-called socio-economic classes, for such informal support to flow whenever needed, as reported in a recent study (Javaid et al., 2020).

A doctoral thesis also finds out that many businesses owned by entrepreneurs belonging to aforementioned communities, often employing hundreds of employees, have grown much more smoothly in absence of financing from any banks. The respondents explicitly mentioned avoiding bank finance not just because of religious reasons but also because the stringent recovery policies would risk bankruptcy during an uncertain economic environment. If almost all businesses and consumers in a country follow the same path of avoiding bank financing, it would simply make the monetary policy of the state bank redundant (Javaid et al., 2018).

6. Why Islamization took the Institutional route?

If we believe the above to be the default phenomenon in Muslim communities in the pre-colonial era with some variations, the contemporary movement towards Islamization appears to be taking society in a completely different direction. If we ask, had there been no colonization in the past two centuries, what would Muslim societies look like? Would they have still evolved western-style institutions, or it would look similar to the one described above? To answer this question, one needs to look at the theories of institutional evolution, like the one presented by Polanyi (2001), which would suggest that if there

would have not been much change in the fundamental ideals, beliefs, and values, how individuals view each other in a society, and who holds the ultimate authority, the collective arrangements would have continued (Marchionatti & Cedrini, 2016).

The colonial influence however did something peculiar, an example of which is rarely found in human history. They brought in an institutional structure grounded in a very unique set of materialist and secular ideas, and forced or manipulated the entire Muslim society to submit to the requirements of these institutions, using the institutions to regulate the collective affairs of the Muslim society (Gilmartin, 2014). Many Muslim thinkers such as Sayyid Ahmad Khan, Jamal al-Din al-Afghani, Muhammad Abduh, Shibli Nomani, and Rifa'a al-Tahtawi endorsed the rule of these institutions and even suggested Muslims actively work in them as well (Farooqi, 2018).

The Islamization movement that started in the post-colonial world appears to have taken the institutional framework imposed by the colonial powers for granted. The institutional framework is indeed too hard to replace with any alternative, however, there does not seem to be much scholarly work to evaluate the legitimacy of the modern institutional design in the first place, particularly on the secular nature of the power they enforce. It is perhaps assumed by most scholars even today that the institutional framework is fundamentally neutral, and does not hold any weight of its own. Institutions may contain some haram elements which can be eliminated without changing much of the framework. Further, there appears to be an understanding that the institutions would work in a beneficial way for society if the key positions within these institutions are occupied by individuals with the right values and visions. So, if the *harām* elements are removed, and the manpower is ideologically aligned, that will be sufficient enough to Islamize the institutions, or make them operate in a way necessary for the ideological needs of a Muslim population, like establishing God Al-mighty as the ultimate sovereign in the society (Haneef & Furqani, 2013; Rafikov & Akhmetova, 2020; M.N. Siddiqi, 2011; Suharto, 2023).

The scholars who hold such views miss the point that institutions are a manifestation of ideas, so if the ideas are problematic, the institutions are problematic (Javaid, 2019). These ideas are, for example, about who we are as human beings, how we relate to each other, what is our purpose individually and collectively, how to differentiate the good from the bad, the just and the unjust, and who holds the ultimate power. These ideas exist at the very foundation of specific cultures of specific civilizations. Institutions are thus created by the very cultures to achieve specific goals in line with cultural ideals (Marchionatti & Cedrini, 2016; Schumacher, 1973). Institutions lose relevance during cultural shifts, however, if political authority benefits from these institutions one way or the other, they support the institutions that keep perpetuating the very ideas which legitimize their dominion. The purpose of institutions is thus to regulate the social, economic, and political relationship between individuals of society so that the social, economic, and political organization of the society submit to the ultimate aims of the highest echelons of power (Hallaq, 2013; Hickel, 2020).

Institutions also instrumentalize the piety, honesty, commitment, truthfulness, trustworthiness, and discipline of individuals in exchange of a monthly pay check¹. For example, in a casino, a person employed with the stated qualities will ultimately benefit the casino. Likewise, if the stock market somehow is designed to operate in a shariah-compliant manner then the banks or stock market will eventually benefit the larger social and political contexts which lead to its creation in the first place. These ends include maximizing shareholder value for the ultrarich, keep wealth concentrated in handful elite, keep exploiting the lower class for that purpose, and keep the inequality and injustice intact in the name of keep capitalism going (Bakan, 2020; Hickel, 2020).

In short, modern institutions restructure society in a particular way, ensuring the maintenance of the power of the state or the capital, while even changing the very nature of the relationship people have with

each other (Sencal & Asutay, 2019). Most scholars working in the Islamization movement, are yet to consider evaluating the political economy and philosophical roots of modern institutions like has been done by Hallaq (2013). Such an evaluation also requires a political theory or philosophy which is rooted in the value and belief system of Islam, an area that is reluctantly discussed by Muslim scholars (Usmani, 2010).

Hallaq (2013) has taken the task to the necessary depth, where he explains the very nature of modern institutional design, the very idea of the power they manifest, how they eradicate the human subject and the need for a morally-conscious individual, how they replace the informal relationships with institutional ones, and how thus they are incapable to the achieve any goals which the Islam intends to achieve at an individual and collective level. Hallaq's work focus more on political or state institutions, but can easily be extended to market institutions as well. A separate paper however is needed for that purpose, but the need for such an analysis is already delayed by a few decades.

7. Implications for Islamic economics and finance

The above discussion brings us to the questions presented at the very start of this paper: Where Islamic economic principles were practiced, and who used to practice them during pre-modern times in Muslim history? How can we create the conditions required to allow moral agents to practice Islamic principles to ensure socioeconomic justice, inclusion, and equity, given the institutional constraints created by modern society? The answer to the second question was described in Section 4. The answer to the first question is this: The communities where the social norms are similar to the one described in Section 4, still exist. A recent paper described the social and economic dynamics of at least three such communities in Karachi (Javaid et al., 2020).

A book by Dr. Amjad Saqib titled *Kamyab Log* (Saqib, 2016) describes similar social norms in the Chinioti community in Pakistan. The kinship networks are already strong in many other ethnic communities that also happen to be entrepreneurial as well. Some members of these communities are already using tools of Islamic finance like

(1) See 'instrumental rationality' and 'instrumental morality' in bureaucratic systems (Adewale, 2017; Spector, 2018)

mushārah and *muḍārah* to invest in each other's businesses (Javaid et al., 2019). The culture of *qard-e-hasanā* may already be existing to an extent in the respective communities, however, there appear to be no studies that provide statistical data on the extent of it. The *Kameti* system – an informal activity of pooling funds and lending to each member every month – is also commonly practiced (Carpenter & Jensen, 2002). So, the business community in the Muslim world needs to be educated in particular about the significance of the principles of Islamic finance and economics, so that individuals involved in economic activity in the market may engage all stakeholders in line with the letter and spirit of Islam. Further, work is needed to preserve the prevailing kinship or organic social networks, and develop them where they are not strong enough.

The preservation of the organic family and community, which is one of the key elements of the *Maqāsid-ul-Sharī'ah* framework, is not the focus of most literature attempting to describe the idea of the 'social' in Islamic economics. In fact, much of the literature attempting to describe the social dimension of Islamic economics even falls short rather than take for granted the definition of the 'social' mentioned in the literature of modern economics. That is, the goal is to improve the distribution of wealth, improve the circulation of zakat, eradicate poverty (Azid & Sunar, 2019; Bhuiyan et al., 2020; H.Beseiso, 2017; Iqbal & Mirakhor, 2017; M. Siddiqi, 2008; Syahrul Mubarrak et al., 2022), and in some cases, education and healthcare (Szirmai, 2015). However, if looked at closely, these goals are fundamentally related to the economic status of the marginalized segments of society.

The Islamic economics and finance literature, does not typically address problems like alienation or social disintegration caused by free-market capitalism (Javaid et al., 2018; Mayo, 2007; Polanyi, 2001). Further, there is hardly any discussion on the social contexts as a pre-condition for practicing Islamic economics and finance, nor about the political nature of modern institutional framework which rather nurtures a peculiar rationalized form of social reality. The author could only find a few papers (Asutay & Yilmaz, 2021; Chapra, 2000; Sencal & Asutay, 2019; Zaman, 2010) mentioning the 'social' in the context

of the preservation of the organic family and community. Further, the author could not find a single paper, except one (Javaid et al., 2020), that argued that the organic family and community, or the kinship networks, can be a starting point for practicing the principles of Islamic economics, where equitable distribution and reciprocal preservation of the organic kinship networks are both possible, as opposed to the formal capitalist world of modern financial institutions.

Trust between individuals, as it typically exists between the members of kinship networks, is perhaps the primary ingredient for the successful practice of Islamic finance and economics principles. Trust is developed by demonstrating trustworthy behavior which requires honoring commitments even in situations where doing so necessitates a sacrifice. It is easier for believing Muslims with pious hearts to sacrifice their self-interest to honor commitments, as their *rizq* is promised by Allah, and sacrifice for the good of fellow brethren would also invite Allah's blessings. So, there is a direct relationship between piety and trustworthy behavior. To develop piety *tazkīyah-e-nafs* is necessary. So, it may be stated, that the genuine practice of principles of Islamic economics and finance necessitates the operationalization of piety in the Muslim bazaars (Asutay & Yilmaz, 2021).

Scholars of Islamic economics and finance may need to focus on not just the cultivation of piety, but also on nurturing trustworthy and socially responsible behavior, particularly in places in the market where such behavior directly results in the mutual benefit of the stakeholders. Places where individuals form economic relationships with other individuals at will. Today, the micro and SME marketplace, where most business is family businesses, that use investments from their kinship networks, is where such one-on-one interaction may happen more commonly (Javaid et al., 2019).

Further, to facilitate the flow of wealth between the financially well off, and the struggling members of the community and beyond, the kinship networks must connect members from all socioeconomic classes within and even outside the kinship networks. In fact, the idea of a socioeconomic class is alien to

an ideal Islamic society, where the social hierarchy is determined by the level of piety, not by one's financial status, or tribal affiliations. However, there is evidence that an informal connection between the financially secure and struggling members is widening as consumer culture and class consciousness appear to be spreading among community members. To maintain their lavish lifestyle the privileged class now has a lesser inclination to support those in need (Javaid et al., 2018).

Many would suggest a formalized institutional approach as a solution to the widening division between socioeconomic classes without realizing that it is the very nature of modern institutions that reinforce and maintain these divisions for the reasons already explained in Section 3. Using a shariah-compliant approach does not undo the influence institutionalism creates in the first place, as shariah compliance does not bypass the modern institutional framework, but adjusts a few of the processes (Rethel, 2011). The entrepreneurial communities in Pakistan for example also have a formal institutional mechanism to distribute wealth, resolve disputes, and run educational or healthcare facilities to support the underprivileged, implying that the formal can run parallel with an informal culture of mutual support, but may fall short to act as a replacement to the informal flow of support altogether because of the agency cost associated with it. However, without curing the class division, it may be argued, the formalized form of charitable activities risk providing an excuse for the deterioration of the informal connection between community members, as it may create an impression that some activity is happening to facilitate the underprivileged, which may be true, however, it may fall short of reaching the poor due to budget constraint and standardized – one (a few) size fit for all – approach.

This reluctance to offer support may particularly hurt those who have not yet fully collapsed but are susceptible to some personal crisis. They are not poor yet, but if they do not get due support, they may end up being poor eventually. They may not be qualified to get support from a charitable organization yet, however, those who know them personally, or do business with them, can offer support like giving

extra supplies on credit, or purchasing their goods in advance payment. A formal institutional approach thus is not a substitute for the informal social support mechanism, as it has been explained already, therefore, the Islamization efforts must not ignore the latter. In fact, the institutional approach which emerges from pure Islamic cultures, like the institution of Waqf, may be used, however, that again does not compensate for the informal support one gets in real-time as and when the need arises. Informal support necessitates that sufficient concern for each other exists among individuals living and working together. To cultivate this concern and the ability to sacrifice for others, and to preserve where it already exists, is the key role ulema and concerned scholars have already been playing, but now they may also need to take a stand, for example, against the rising consumerism or consumer culture, which appears to be creating a class divide among Muslim communities.

So, the efforts that need to be undertaken by those involved in the Islamization movement must try to:

- End the class division where it exists for which discouraging consumerist value is also necessary;
- Encourage people to live a frugal and humble life to reduce class division
- Strengthen community bonding by encouraging *silāh-e-rehmi* and conflict prevention along with resolution;
- Cultivate trustworthy behavior;
- Encourage individuals to take care of each other voluntarily when needed while not excluding those who do not belong to their kinship network;
- Encourage individuals to consider the greater good of the community they are a part of and not just their self-interest while making any decision which can potentially affect others also;

Encourage individuals to prioritize self-employment and entrepreneurship, self-reliance and financial independence in general, so they can exercise their moral agency over employment in large institutions.

All of this is possible through the process of *tazkīyah-e-naafs*, and the cultivation of piety which is not just supposed to cure the problem of moral hazard, but also one's undue bias in favor of one's tribe particularly when the tribe or a particular member violates shariah. Muslims, whose hearts are rightly aligned are thus the ones who can implement shariah in its letter and spirit. If individuals rather do it as a job description while being employed inside an institution, then it simply takes the spirit or genuine intentionality, let alone the motivation to go beyond, that is, to the level of *Ihsan* and personal sacrifice whenever needed (Asutay & Yilmaz, 2021; Qadir et al., 2020).

Finally, Islamic economics also needs to look at the institutional theory and the political theory and philosophy which justifies the existence of modern institutions, and the kind of social order they eventually enforce. Phenomenon such as 'double hermeneutics' (Chatterjee et al., 2019; Ghoshal, 2017) must be understood to see how the system of rules, policies, and processes which takes the form of institutions are essentially a manifestation of ideas, the very ideas that are enforced by the institutional order.

8. Conclusion

If in a barren land, we erect some artificial plants, would it be wise to expect them to give us the fruit? According to Baudrillard (Baudrillard et al., 1994), 'socialism was born after the death of the social' in Europe. It appears that a similar approach is being used by those who are trying to revive Islam in modern financial institutions, and then wondering why the efforts are not bringing fruit. Some argue that it would take a long time for that purpose (Majeed & Zainab, 2017), but if we keep putting artificial plants on barren land how long would it take

for these plants to bear fruit? The analogy of a fertile or barren land is referred to the presence or absence of the necessary organic social networks where trust and cohesion are high, for which moral consciousness and the courage to exercise moral agency are prerequisites. Such moral agents would also help each other out in difficult times, helping even their employees, vendors, and customers when necessary and possible.

Modern financial institutions unfortunately are needed today to transfer large sums of money from one account to another, particularly while importing or exporting. However, their need as a financier to provide leveraging to business, even in shariah compliant manner is perhaps overstated when it comes to ensuring socioeconomic justice. In this context, modern financial institutions may not provide a viable alternative to the community culture where members invest and share their resources voluntarily.

Such a culture is the fertile land, as this paper argues, where the fruits of principles of Islamic economics and finance can be cultivated. The death of such a culture, if has happened, cannot be replaced by creating artificial institutional structures which attempt to perform a similar function. Scholars of Islamic economics and finance may urgently need to reconsider their expectation from the impersonal institutional framework of the modern market as a viable place where they see it possible to achieve an outcome that was culturally achieved through the engagement of morally conscious individuals within organic social networks. The focus is rather needed on reviving such a culture and preserving it where it already exists.

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أهمية الوكالة الأخلاقية في العدالة الاجتماعية والاقتصادية وغيابها في الاقتصاد والتمويل الإسلامي

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المستخلص. يحاول هذا البحث بناء حالة الوكالة الأخلاقية للأفراد العاملين ضمن شبكات العضوية الاجتماعية -ردًا على الطبيعة غير الشخصية للمؤسسات المالية - كوسيلة مهمة لممارسة مبادئ الاقتصاد الإسلامي ولتحقيق العدالة الاقتصادية والاجتماعية في المجتمع. من خلال التحليل المقارن، تعتبر الورقة أن الإطار المؤسسي الحديث، بسبب طبيعته غير الشخصية، وتوجهه الرأسمالي، وتكلفة الوكالة، وطبيعته المتفككة اجتماعيا، ليس وسيلة مناسبة لتقدم برنامج عمل للاقتصاد الإسلامي. ولعل وجود بيئة سوقية، حيث يمارس الأفراد قدراتهم الأخلاقية على أكمل وجه، أمر ضروري. ولطرح هذه الحجة، تبحث هذه الورقة في تاريخ الأسواق الإسلامية والأعراف السائدة في مجتمعات الأعمال الإسلامية في العالم المعاصر لاستكشاف أهمية الوكالة الشخصية للأفراد المتدينين والواعين أخلاقياً. يعمل التجار أو المستثمرون الأفراد ضمن شبكاتهم الاجتماعية العضوية مع ممارسة العدالة الاجتماعية والاقتصادية بين أصحاب المصلحة. لتحقيق الأهداف الاجتماعية والاقتصادية المرغوبة من خلال تطبيق المبادئ الاقتصادية الإسلامية، توجد حاجة لتنمية ثقافة الثقة والدعم المتبادل (أو الحفاظ عليها حيثما كانت موجودة بالفعل) بين التجار الأفراد والمستثمرين في أي سوق. وهذا ممكن فقط عندما يتمكن التجار أو المستثمرون من ممارسة وکالتهم الأخلاقية بشكل كامل، وأن يهتموا ببعضهم البعض وأن يظهروا الجدارة بالثقة عن طواعية. وفي غياب مثل هذه الثقافة، ترى الدراسة أنه سيكون من الصعب التطبيق المرضي لمبادئ الاقتصاد الإسلامي في الأسواق، ناهيك عن تحقيق الأهداف الاجتماعية والاقتصادية المنشودة.

الكلمات الدالة: الاقتصاديات الاجتماعية الإسلامية، الاقتصاد السياسي، الوكالة الأخلاقية، المخاطر الأخلاقية، المؤسسية تاريخ الأسواق، الاقتصاد غير الرسمي، ريادة الأعمال المجتمعية

تصنيف JEL: B11, P51, Z13, D13, O17, E26

تصنيف KAUJIE: B5, D0, E0, F21, F22, F51, H48, J1, S0

Mapping Issues in Labor Economics: An Islamic Perspective for Research and Policy Development

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ABSTRACT. This study has been set out to map the literature on labor economics from an Islamic perspective to identify the concentration of research, gaps in the literature, major obstacles to the development of the field, and how Islamic principles can guide policymaking in this area. The literature survey revealed three key themes in the mapping of issues in labor economics from an Islamic perspective: religious or cultural, behavioral, and systemic aspects. The religious aspect involves the direct interpretation and/or implementation of Islamic principles, rulings and behavioral norms derived from the divine texts in labor economics. The role of culture (*'urf*) may have an effect on how religious texts are interpreted, which in turn shapes religious views. The behavioral aspect is concerned with the role of individual behavior, ethics, and morality in shaping labor market outcomes. The systemic aspect is about the shortcomings or loopholes in the economic system that cause problems in the labor market, such as poverty, unemployment, and inequality. In general, the study found that research in labor economics from an Islamic perspective is limited compared to other fields like Islamic banking and finance. Published articles on the topic is relatively scanty, especially in providing deep insights into the theoretical, empirical and policy related perspective. The study identified three main directions of research in labor economics from an Islamic perspective: (i) Islamic work ethics, (ii) Islamic labor markets, and (iii) Islamic labor policies. Most of the literature are mainly concentrated on addressing the Islamic work ethics.

KEYWORDS: Labor economics, Islamic perspective, literature survey, policy implications, religious aspect, behavioral aspect, systemic aspect

JEL CLASSIFICATION: J0, J4, J5, J7, Z19

KAUJIE CLASSIFICATION: A4, B3, G1, G43, H54

1. Introduction

Under the capitalist economic system, most of the working class always has to struggle to make ends meet. There is an inherent advantage for the capitalist class in the system (Piketty, 2014). When wealth is circulated systematically only to the rich (Stiglitz, 2013), this systemic issue continues to further exacerbate the hardships faced by the workers. In this situation, high economic growth and full employment may not translate into improved well-being for the struggling majority of workers in the economy. Understanding the economics of the working class, therefore, is essential for policymakers if they are serious about improving the well-being of everyone in the economy.

Islamic economics has been promoted as the economic system that will ensure a fair and just distribution of income and wealth. Various areas under the discipline, especially Islamic banking and finance, have been explored in efforts to realize the goals of Islamic economics (Iskandar, 2023). Yet, the labor side of Islamic economics remains an area that receives less attention from researchers, where the extant literature on Islamic labor economics is relatively shallow in terms of theories and policies as compared to Islamic banking and finance. Based on these observations, the polemic between the capital and working classes appears to be less explored in Islamic economics. With this awareness in mind, the purpose of this study is to investigate the progress made in labor economics from an Islamic perspective, especially in advancing policies that can improve the well-being of workers.

According to Syed and Ali (2010) and Zulfiqar (2006), more thorough research should be undertaken to integrate the teachings of Islam with labor policy. They believe that Islam provides a philosophical foundation for the provisions of universal labor code, and scholars need to understand its principles and juristic discourses to guide any new formulation to further advance the discipline. Hijriah and Adiba (2019) argued that Islamic wage policy goes beyond basic supply-and-demand dynamics and emphasized the importance of developing theoretical and empirical models to guide policy making specific to Islamic labor economics. Basically, these studies call for more impactful research related to labor economics from an Islamic perspective.

Despite its potential to provide a distinctive and significant perspective on labor issues, labor economics from an Islamic perspective has been slow in terms of its theoretical, empirical and policy development. There is a fragmented theoretical framework and scant empirical analysis to support clear policy directions on labor issues. This realization motivates this study, where a literature mapping is needed to guide future research direction for the field to make a significant impact. To properly understand the extent of research in labor economics from an Islamic perspective, there is a need to map the directions of research in the area. This exercise will help to identify the concentration of research as well as the stumbling blocks that may impede further progress in the field.

With the above awareness in mind, this study embarks upon the following research questions:

1. What are the main directions of research in labor economics from an Islamic perspective, and what are the gaps in the extant literature?
2. What are the major stumbling blocks that hinder the development of labor economics from an Islamic perspective?
3. How do Islamic principles guide our understanding of issues related to workers and the working class, and how can they be incorporated into policy-making in this area?

This study, therefore, aims to synthesize the extant literature on Islamic labor economics from an Islamic perspective. The objective is to produce a thematic map of the current status of the discipline, emphasizing major areas, and directions that have arisen over time. In the next section, the overall structure of labor economics is presented. Then, the methodology of the study is described. The discussions on the identified themes of the extant literature followed after that. Some concluding remarks are provided in the last section.

2, Structure of Discussions in Labor Economics

The term "labor" has undergone significant changes over time. The term is often associated with low-skill jobs, such as those in manufacturing or construction sites. This association is likely related to the history

of labor in Europe, especially during the Industrial Revolution. Many people, including children and women, were forced to work hard for long hours in poor working conditions in the emerging modern industries of Europe during the period (Osberg and McNulty 1982). During that time, the term "labor" was synonymous with manual labor. Then, over time, as the economy evolved, the term "workers" became more prominent, implying a different connotation of the nature of people and work, even though it is still primarily associated with manual labor. After World War II, the term "workers" further evolved into white-collar and blue-collar workers. The distinction reflects the manufacturing-based economies of the era, where there were those who toiled with the tools and those who worked in the office, or "the management" (Joyce, 2011). Today, as many economies have shifted towards the service sector, the terminologies to describe the roles of the workforce continue to evolve from "laborers, workers," and now "talents". This term 'talents' underscores the progress of the economy, which is increasingly hunting for highly skilled individuals (the knowledge workers).

The concept of labor prior to modern economics was dominated by slavery. In the context of Europe, for example, the landlords would coerce the slaves under his ownership to work in his lands (Brink, 2021; Filip, 2020 and Barker, 2019). Today, there exists so-called modern slavery. The term slaves, in general, refers to those individuals who were forcibly made to work without compensation. They were basically provided with basic necessities such as shelter and food (Allain & Bales, 2012). The point to note here is that the evolution of the term used to describe the workforce is a direct reflection of the progress of the economies. As we move towards the post-normal period, it is important to continue to reflect upon the changing nature of work and its impact on the labor market.

Given the evolutionary development of the word labor, the discussion in the standard labor economics textbooks (Borjas, 2020) can be divided into the micro- and macro-aspects. The micro-aspect focuses on the individual units of the labor market, such as how an individual worker decides whether to work or not. Or the discussion may involve the decision on how many workers to hire. On the other hand, the

macro-aspect takes a broader view of the labor market as a whole. The discussions cover topics such as unemployment, income inequality and migration. Note that labor economics is about the study of input market, where labor is one of the factors of production. In the input market, individuals offer their skills and knowledge in the job market, while firms hire them and pay them wages for their productive contributions to produce goods and services. This relationship forms the labor market, which is a specialized area of study.

The standard labor economics textbook usually mentions that there are three main actors in the labor market, namely, the firms, workers, and the government. This position actually has neglected the role of the third sector in the discussion. The role of non-government organizations (NGOs) such as the various forms of labor union and any associations that cares for worker's welfare should be considered as another actor in the labor market. Understanding their behavior of these four actors is crucial to unfold the issues surrounding the labor market. Workers, as individuals or households, supply their skills and knowledge to the market. Firms would demand labor, and make decisions on how many and whom to hire the workers and how much to pay them. The government plays a crucial role in setting the rules of the game in the labor market. These rules, such as the minimum wage law, the legal age to work, and safety regulations at the workplace are some of the examples that can have a significant impact on the functioning of the labor market. In a pure market ideology, often it is argued that government intervention can lead to inefficiencies. However, the reality is that the government has a responsibility to ensure the entire economy runs smoothly by regulating and supervising actors in the labor market to follow the ethics, law and regulations of the system.

The NGOs play various functions as the "third" force (after the private sector, public sector) in the labor market (Sundar, 2007). They serve as a voice for workers to advocate their rights and welfare. For example, some of these organizations provide education and training programs to help workers improve their skills and knowledge to remain relevance in the job market. Some NGOs monitor compliance with labor laws and regulations, ensuring that workers are protected and treated fairly. In fact,

some NGOs offer social protection and support services to vulnerable workers, such as low-wage workers, migrants, and workers with disabilities. By playing their unique positions as a watchdog, NGOs can contribute to the development of a fair and inclusive labor market.

In the field of labor economics, it is important to consider both the micro and macro aspects, as each level presents its own set of complications and challenges. The task of addressing these issues requires a combination of guidance from the Qur'ān and *sunnah*, as well as practical wisdom in applying policies set by companies or governments. This is because human behavior and the human aspect of labor exchange often play a significant role, and can be influenced by both individual and systemic factors.

3. Methodology

This study is based on a literature survey. The survey considers published journal articles, books, book chapters, and conference proceedings addressing topics related to labor economics from an Islamic perspective. To find the relevant articles, searches on scholarly databases, such as Google Scholar, JSTOR, and EBSCOhost have been conducted. Keywords such as "Islamic labor economics," "Islamic labor markets," "Islamic work ethics," "Islamic labor policies" and other relevant terms to the topic have been used in the search process. The research materials were read, and grouped into common themes and topics.

From the surveyed articles, information such as author(s), publication year, title, research aim, research questions, research methodology, key findings, and limitations have been extracted, compiled, and analyzed. A qualitative synthesis of the extracted data is performed to identify thematic similarities according to research directions. A mind map is then constructed to illustrate the concentration of the existing literature according to the identified themes. The thematic analysis also considers gaps in the literature, major obstacles to the development of the field, and how Islamic principles can guide policy makers in this area. The discussion in the next section details the major directions of research in labor economics from an Islamic perspective according to three major themes identified; religious/cultural,

behavioral, and systemic aspects. The identification of the themes as well as the sub-topics in the mind map was based on semantic analysis of the research materials. Each publication had been analyzed for the central ideas, key topics and concepts that emerged from the materials, ensuring a coherent structure and relationship.

4. Findings: Major Themes in the Literature Mapping

The modern discourse on Islamic perspectives on labor economics builds on a rich classical theoretical foundation established by early Muslim scholars. Foundational treatises on this subject were penned centuries ago by eminent thinkers like Abu Yusuf (732-798 CE), the author of *Kitab al-Kharāj*, and Abu Ubayd al-Qasim bin Sallam (770-838 CE), the author of *Kitab al-Amwal* (Shatzmiller, 1994). From these two classical books, the emphasis on various forms of taxes, especially, land or agricultural-based taxes such as *kharāj* and *ushr*, besides *zakāt*, indicate the active roles of the state in monitoring productive economic activities of the masses. The emphasis on fairness on taxes so as to avoid burdening or unjustly taking away their rights from hard earned labor has always been central in these works, indicating the sensitivity of Islamic rulings to ensuring the protection of property rights.

Al-Ghazali's (1058-1111 CE) *Kitāb Ādāb Al-Kasb Wal-ma'āsh* emphasizes the essential role of various crafts and trades in sustaining livelihoods and maintaining societal order. He argues that each individual's engagement in different professions is vital for the overall functioning of society. Neglecting this diversity in occupations, he suggests, would lead to the collapse of essential services and, consequently, societal deterioration. Al-Ghazali's insights contribute significantly to the understanding of economic activities not just as means of individual sustenance but as crucial components of collective prosperity (Setia, 2016). In economics, this concept was later popularized by David Ricardo as the gains or surplus from trades or exchanges.

In analyzing the work of Muhammad ibn al-Hasan al-Shaybani (750-805 CE), *Kitab al-Kasb*, Makin (1999) highlighted the significance of the contribution towards the Islamic perspective on labor and earning. Core to Shaybani's discourse is the

concept of *kasb*, or earning through labor, which Al-Shaybani positions as a crucial obligation for every Muslim to fulfill one's own needs and dependents. This assertion, founded on Qur'anic and *hadith* texts, underscores labor's importance not just for sustenance but as a vital aspect of religious life. Shaybani emphasizes that lawful earnings enable fulfilling other duties like charity and supporting family, thereby sustaining societal order. However, he cautions that in pursuing livelihoods, one's primary focus should remain on spiritual endeavors, postulating a hierarchy where religious commitments supersede economic ones. He warns against over devotion to work for wealth accumulation that distracts from religious obligations. Shaybani advocates earning to meet basic needs and duties like debts and family support, promoting moderation over excess (Makin, 1999).

Ibn Khaldun (1332-1406 CE) is widely recognized for his groundbreaking work, *Muqaddimah*, which was ahead of its time in developing economic theory. His conception of labor as a fundamental source of value in economic systems was established centuries earlier than Adam Smith's 1776 work, "An Inquiry into the Nature and Causes of the Wealth of Nations." Ibn Khaldun's insights into the division of labor emphasize its critical role in enhancing economic efficiency and productivity. He recognized that specialization in various skills and trades not only improves the quality of goods and services but also contributes to the overall economic well-being of a society. This remarkable foresight suggests that Adam Smith may have been influenced by Ibn Khaldun's earlier works, as there are notable parallels in their economic theories. (Mc Caffrey, 2014).

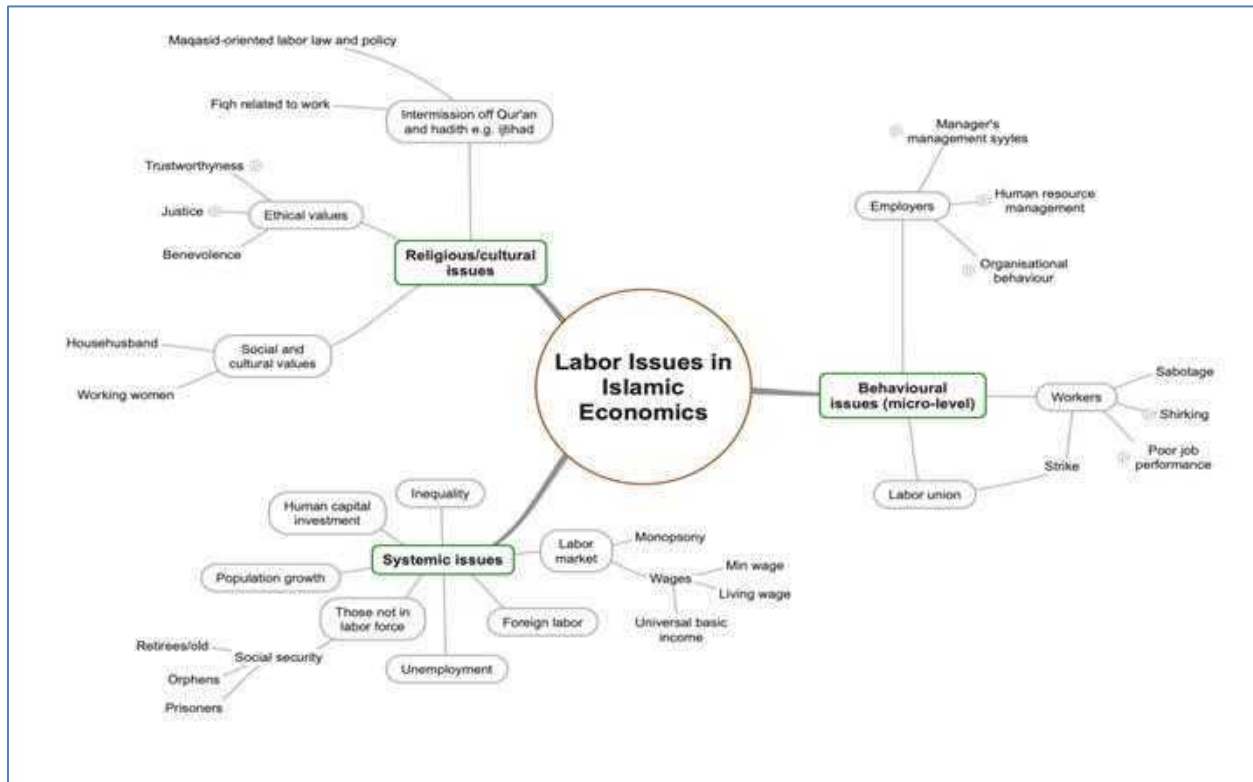
Moreover, Ibn Khaldun also established the concepts of economic surplus and taxation. He advocated for the equitable distribution of economic surplus, asserting its importance in ensuring societal welfare. His views on taxation were intuitive, where he postulated that excessive taxation could diminish labor incentives, thereby reducing overall productivity and, consequently, state revenues. This relationship between taxation levels and tax revenue

was later known as the Laffer curve, named after an economist Arthur Laffer. Ibn Khaldun also discussed the theory on wage determination and market equilibrium, emphasizing on the need to ensure fair and just wage to worker. In linking the quality and quantity of labor to the rise and fall of civilizations, Ibn Khaldun presented a holistic view of economic processes, asserting that a strong work ethic and efficient labor are vital for the prosperity and longevity of a civilization. These economic ideas later are part of the discourse in population economics, health economics and labor economics (Weiss, 1995; Boulakia, 1971).

The corpus of medieval Islamic scholarship is rich with contributions to economic thought. For example, Al-Biruni (973-1048 CE), provided an early study of the socioeconomic culture of the Indian subcontinent in *Kitab al-Hind*. Al-Jahiz (776-869 CE), Al-Shafi'i (767-820 CE), Ibn Hazm (994-1069 CE), Ibn Taymiyyah (1263-1328 CE), Ibn Al-Qayyim (1292-1350 CE) and many other earlier Muslim scholars had set forth many foundational Islamic jurisprudence, directly and indirectly influencing the economic thoughts and practices of the Muslim communities (Kizilkaya and Azid (2017) . Top of Form Bottom of Form Though some of the labor economic thoughts of the medieval scholars can be considered rudimentary by today's labor theory, their pioneering discoveries and intuitions remains relevant to be explored and studied further. Their ground-breaking observations regarding labor and value, coupled with ethical imperatives advocating for justice and societal welfare, underscore the inextricable fundamentals of the Islamic teachings. Appreciating and contextualizing their works to the contemporary analysis are therefore, crucial for meaningful progress to modern Islamic labor economics.

With the awareness of the significant contributions of the earlier scholars in mind, the study now proceeds to mind-map the surveyed contemporary literature. The discussion that follows will be based on the three main themes identified: religion/ culture, behavior, and systemic aspects, as mapped in Figure 1.

Figure 1: Literature Map



4.1 Religious and Cultural Aspects

For many Muslims, many of the difficult issues in the job market have religious or cultural roots. Often, it is challenging to discern between these problems since they are frequently entangled. A good example is the ongoing argument over whether the issue of working women is one of religion or culture (Sarwar & Imran, 2019; Alfarran et al., 2018); Shatzmiller, 1997). Religious issues can

arise as the job market changes, requiring the opinion of scholars or a *fatwa*. It is acknowledged that the works of earlier Muslim scholars continue to be a valid reference for developing modern *fatwa*. However, due to the significant changes in today's work life compared to the agricultural or trade-based work of centuries past, there is a pressing need to revise existing *fatwa* or create new ones. Examining the existing literature on the religious dimension, Figure 1 reveals a consistent emphasis on five central themes:

- I. the interpretation of the Qur'an and *hadith*,
- II. the infusion of Islamic values,
- III. the application of Islamic rulings in the realm of work (*fiqh*),
- IV. the overarching objectives of Shari'ah (*maqasid ash-shari'ah*) in resolving labor conflicts.
- V. reconciling cultural differences in the quest to understand the original text.

It is important to note here that all the five points above are interrelated in the process of interpreting the divine texts. They are components of methodology in understanding the revelations. Here, academics are expected to have a thorough understanding of fiqh methodology (*usul al-fiqh*), *fiqh* knowledge, and labor economics. Attempts to incorporate the Qur'an and *hadith* into current labor issues from an Islamic perspective appear to have made little headway, which may be attributable to the limited number of experts covering diverse disciplines of knowledge and considered an authority in various

areas of knowledge. Therefore, in the survey of the literature conducted, the efforts to 'Islamize' labor economics often only addresses the surface of the interpretation such as by discussing the normative behaviour of workers and employers at the workplace (Azid, 2016; Syed & Ali, 2010).

As stated above, the common approach to 'Islamize' labor economics, as found in the majority of literature, is to draw on specific verses from the Qur'an and *hadith* and connect them to the labor context. This approach has resulted in concentration of discussions on the behavioral norms prescribed by Islam (Syed & Ali, 2010), such as the prohibition of exploitation, the obligation to pay fair wages, and the right of workers to reasonable working conditions (Azid, 2005, 2016; Azid et al., 2007, 2013, 2021). Given the nature of the discussions, they are more suitable to be put under the subjects such as Organizational Behavior, Human Resource Management, Leadership, and Management (Beekun & Badawi, 2005; Rokhman, 2010), but with an Islamic perspective. The literature, in general, incorporates topics such as the Islamic work ethic, Islamic management principles, and Islamic human resource management (Rahman, et al., 2013; Azid et al., 2007).

Admittedly, the attitudes and behaviors of both employers and employees play a crucial role in shaping the workplace and could lead to tensions if conflict are not addressed properly. Studies in fields such as organizational behavior, human resource management, strategic management, and leadership are dedicated to effectively managing and leading people in the workplace, and are crucial in addressing behavioral issues. With an Islamic perspective, these disciplines could be further enhanced. In this paper, the extant literature with this nature has been categorized under the second theme, which is the behavioral aspect, which will be discussed in the next section.

The religious aspect also covers issues related to the *fiqh* rulings. From the survey of the extant literature, there are three concerns that should be noted. First, in relation to rulings arising from *ijtihad*. These rulings can have significant impacts on the job market and economy, but there have been limited studies to understand their implications.

We are not referring to rulings that are based on definitive texts (*qaṭ'ī* or *muḥkamāt*). Rather, the concern here is related to *fiqh* rulings that deal with ambiguous texts (*ẓannī* or *mutashābihāt*). In the literature, there are various examples of such rulings, such as the claims that "Islam permits labor unions," "Islam prohibits child labor," "Islam supports the minimum wage," "Islam supports the living wage, and many others. It is important to exercise caution in this context before attributing claims to "Islam" because such claims have divinity attributions in them. Is it Islam or the Islamic economist? The debate would be different for example when the scholar state, "Islamic economics disagree with child labor," "Islamic economics/ economists support the minimum wage" etc. Unless there is a definitive text that commanded the prohibition of certain aspect of labor activities, then only attributing it to "Islam" is justified. Therefore, there is a need to differentiate between the scholar's understanding and interpretation of Islamic rulings vis-a-vis definitive rulings of the divine texts.

Second, some of the rulings and economic understanding mentioned in the literature are far from current economic realities as they are based on past interpretations (e.g. quoting the classical scholars' view) and the issues were based on economic realities of past times (e.g. medieval Islamic period). Of course, present scholars can benefit from such studies. At the same time, the reality of labor economics deals with current issues, necessitating contemporary understanding and solutions.

The third point in relation to *fiqh* at the workplace is about the consideration of local culture (*'urf*). The most pertinent issue is in connection to female labor force participation (Moustafa, 2013; Foley, 2004; Shatzmiller, 1997)). Countries such as Saudi Arabia (Al-Rasheed, 2013), Iran (Mir-Hosseini, 2006), Afghanistan and many Middle Eastern countries (Moghadam, 2005), for example, have more stringent view on female labor participation relative to Malaysia and Indonesia. The interplay between religious and cultural values can impact the treatment of gender in the workplace, making it a critical area of consideration in promoting justice and well-being in the labor market. At the same time, since this issue involve local culture and norm, an outsider's assessment on local issue may not reflect

deep understanding or due respect towards the local culture. Nonetheless, there may still be barriers and biases that hinder progress towards female labor participation that can be addressed. It is, therefore, crucial to find solutions that are respectful and in line with local customs and beliefs to reconcile such issue.

Given the three points of concern above, here are two emerging trends that are worth pondering as examples.

- The rise of female labor force participation has been significant in many countries, especially after the end of World War II. As a consequence, many studies found in the literature focused on the issue of women at the workplace. There is a shift in traditional gender roles, with more men taking on the role of househusbands. This is often because the wife is a highly successful professional, earning a significant income. While this may be socially accepted in many Western societies, it is still frowned upon in Muslim societies. From an Islamic perspective, this is a matter that requires examination and resolution by religious scholars and Islamic economists.
- The next example is the issue of *halal* and *haram*. One instance is on the permissibility of working in conventional banks, and this is still a topic of discussion among Islamic scholars. Some argue that working within these institutions can be justified through the concept of *maqāṣid*, which seeks to protect the wealth of the Muslim community. It is important to note that this issue is an on-going debate and that no definitive answers have been reached.

In the literature, there is a paucity of research investigating the relationship between *maqāṣid ash-sharī'ah* (the objectives of Sharī'ah) and the welfare of workers (Azmi et al., 2021). *Maqāṣid* is generally seen as having a broad scope, with economic justice, welfare, and human dignity being among the most important objectives. Labor issues are often discussed in light of how to realize these objectives, such as by ensuring the welfare of workers is protected, for example, by providing fair wages (Mustafa, 2023; Azid, 2016), a conducive workplace environment, social security, and work-life balance (Azid & Rewashedah, 2018). While the Sharī'ah provides the

overarching guidance and principles of life, it also has strong codes of ethics for the economic agents in the labor market to adhere to. This theme is further discussed in the next section.

4.2 Behavioral Aspect

As stated in the previous section, most studies on labor from an Islamic perspective would discuss the ethical and normative behavior aspects of the employer-employee relationship. At the micro level, the behavior of economic agents such as the workers, employers (firms), the government, and also non-government organizations (the worker's union) are of particular interest to the discussion in this section. The connection between Islam and behavior is evident in many verses of al-Qur'ān and *ḥadīth*, as the teachings provide guidance for how each economic agent should behave in various situations. Often, many studies would focus on the Islamic ethics at the workplace either from the employer's or employee's side.

The Islamic approach to addressing behavioral issues in the workplace requires an understanding of the Islamic worldview. This entails a thorough understanding of the Islamic perspective on God, man, his purpose in life, the role of the universe, and the importance of knowledge in the process of developing man's character. In Islamic economics, the assumption about 'Islamic man' (Sholihin et al., 2023) as economic agents postulates the holistic ideal of man to achieve balance in life as well as success in this world and the hereafter. All these concepts come from the main sources of knowledge in Islam: the Qur'ān and the *sunnah*. Often, critiques of Islamic economics, or more specifically, Islamic men, point to the lack of such an ideal human being. At the same time, the conditions and characters of certain Muslims today seem to not project the true image of Islam, making integration efforts and the promotion of Islam much more challenging. The teachings of Islam must be practiced, and many studies covering the literature on the behavioral aspect basically call for this action, at least at the workplace. Only then can changes in attitudes, perceptions, and behaviors be expected. For this to happen, solutions through education, training, leadership by example, monitoring, supervision, and regulation need to be formulated. Promoting ethical behavior also requires collaboration from various parties in society.

Even in the context of secular society, the issue of ethics is crucial in ensuring system harmony. For example, in Western education, the work of Lewis (2006) has rekindled the issue of education devoid of spiritual and ethical enlightenment, particularly in the prestigious American universities. According to him, the focus on academic achievement has resulted in a lack of attention to ethical and moral development among students. The consequence of this is the alarming problems of business frauds and corporate scandals. In order to address these problems, Lewis (2006) suggests that universities must prioritize the development of ethical and moral character in their students. This point demonstrates the importance of ethics and morality in the development of human capital. Nonetheless, Lewis (2006) does not go further to discuss the kind of ethical and moral models to be taught in the development process of human capital (Ali, 2023).

In Islam, the conduct and behavior of each economic agent are guided by the religious principles and values, derived from al-Qur'an and the *sunnah* of Prophet Muhammad SAW. The code of ethics and morality as found in the divine texts covers all aspects of life, including at the workplace. While the surveyed articles on this subject have continuously emphasized about this point, most of them fall short to provide modules on character building (*tarbiyyah*) at the workplace. For this purpose, the work by Altalib (1991) to certain extent, provides training guidelines for *tarbiyyah* programmes in organizations. The author discusses topics such as planning and recruiting, training, compliance with religious discrimination laws, and volunteer programs, among others. Values such as justice, fairness, trust, honesty, commitment, and the preservation of human dignity, through the spirit of cooperation and social solidarity, have been emphasized as the core elements in building the 'Islamic workers'.

The behavior of employers and workers in the workplace can have a significant impact on the workplace environment. Issues related to management style and poor behavior from managers can cause difficulties for workers. For example, some managers may have an authoritarian management style that can be perceived as oppressive, while others may be overly demanding and prone to shouting. From an Islamic perspective, it is expected

that they show good conduct and behavior, serving as positive examples in the workplace. Likewise, the behavior of workers can also significantly affect the performance of an organization. Unethical behaviors such as shirking (e.g., tardiness, unauthorized absence, leaving work early, misuse of office facilities), poor job performance (e.g., missed deadlines, low productivity), job sabotage, and striking are some examples of harmful workers' behaviors.

It is important to note here that the nature of the discussions in the surveyed articles lacks economic insights such as theory, concept, and empirical analysis. While these behavioral issues may not be the primary discussion in labor economics (i.e. economic agents are assumed to behave rationally), they are crucial to consider as they can affect the overall productivity, well-being, and performance of the organization and the entire economy as a whole. Given the nature of the discussions in majority of the surveyed articles, I would rather consider most of the discussion more suitable to be classified under the fields of human resource management, organizational behaviour, business ethics, leadership, and management from an Islamic perspective. Of course, by developing the theories, models, and applications in those respective fields, we could promote best-practice behaviors in organisations and provide a foundation for tackling challenges as well as improving workplace conditions for all stakeholders.

The assimilation of values is crucial in the job market, such as in the employer-employee relationship. Najma et al. (2020) presented a conflict resolution strategy based on game theory, which allows both parties to identify strategies that will maximize their individual utility while also taking into consideration the interests of the other party. According to the authors, this strategy can be enhanced by incorporating Islamic ethical values into the model, such as the principles of brotherhood (*ukhuwah*), justice (*'adl*), and goodness (*ihsan*). These values emphasize the importance of taking care of one another and taking responsibility for the whole welfare, which can help to resolve conflicts in ways that prioritize mutual benefits. One unique aspect of this paper, as compared to other studies on the behavioral aspect, is the incorporation of game theory in analyzing the effect of value in conflict resolutions. Attempts to use economic tools to

discuss values from an Islamic perspective, such as in this paper, are rare. More research should therefore be geared in this direction.

To be more specific in emphasizing the need for more economic analysis related to the behavioral study of labor, let's consider verse 26 in Surah al-Qasas:

“One of the two daughters suggested, “O my dear father! Hire him. The best man for employment is definitely the strong and trustworthy one.”

Many studies, when discussing labor from an Islamic perspective, quote the above verse of the Qur'ān. As stated in the verse, the two qualities sought after by employers in a worker are strength and trustworthiness. Most of the discussion then lingers on the normative behavioral aspect of such qualities without fresh attempts to theorize or model them. Therefore, the following are some suggestions for future research to undertake this agenda with more economic insights as an objective:

- While values such as trustworthiness and reliability are crucial for a productive workplace, measuring these qualities can be difficult. Research could explore new methods for evaluating employee values and character traits.
- The hypothesis is that companies that prioritize value-driven workplaces may enjoy increased employee engagement and satisfaction, leading to higher retention rates. To promote such value, theories and empirical research on the long-term economic benefits of investing in employee values and character development are therefore crucial. Research on the impact assessment of the economic benefits of promoting ethical values in the workplace should therefore be considered.
- To be more specific to the above point, the spirits of cooperation (*taawun*) and brotherhood are essential foundation values in Islamic economics. The role of values in team building and collaboration, such as teamwork, respect, and communication, can be key factors in building successful teams in the workplace. Research could explore the economic benefits

of creating a culture that prioritizes these values and how they contribute to greater collaboration and productivity.

- Research on the economic implications of unethical behavior in the workplace should also be emphasized. The consequences of unethical behavior can be severe for companies, including legal and financial penalties, damage to reputation, and loss of trust from customers and investors. Here, research could explore the economic costs of unethical behavior.
- The challenge of identifying and addressing value conflicts in the workplace: Different employees may hold different values, and conflicts can arise when these values clash. Research could explore effective strategies for addressing value conflicts in the workplace and minimizing their negative impact on employee morale and productivity.

Realize that the above research agenda may only reflect the material cost and benefit of the study of values in labor economics. Also, be mindful that, in the Islamic faith, all intentions and actions in this world have consequences in life after death in terms of rewards and punishments. Human knowledge as a whole and, what is more, economic tools are limited in their ability to explore this dimension of knowledge. Nonetheless, behavioral research related to labor from an Islamic perspective should still move into the theoretical and empirical sides of the analysis. This research direction is crucial to reducing the gap between the normative behavioral aspect and the lack of theoretical and empirical aspects of the study (as I have found in the literature survey). Therefore, there is huge potential and need for behavioral research in Islamic economics for this agenda.

Nonetheless, there is one crucial point to note here from the literature survey conducted. There were actually some studies that pointed to the mistreatment of workers in Muslim societies (Kizilkaya & Azid, 2017). Those studies highlighted issues facing workers such as income disparity, labor rights violations, and insufficient social protection (see examples of studies by Islam and Zahid, 2012; Sohn, 2015; Halabi, 2008). Interestingly, studies like this seem disconnected from the discussion from an Islamic perspective. The studies purely focus on the

empirical research, point out the issues based on the evidence, and call for policy actions to address them without explicitly relating the discussions to an Islamic perspective. Again, searching the database by using terms such as "Islamic labor" or "labor from an Islamic perspective" would not yield search results for papers of this nature.

4.3 Systemic Aspect

The systemic aspect of the labor market refers to the underlying institutions, structures, and procedures that influence the labor market's operation (Tul, 2019). A systemic problem in the labor market occurs, for example, when there are imbalances, inefficiencies, or barriers that prevent workers or employers from progressing further from the current state of the economy. Problems such as structural unemployment, skill mismatch, income inequality, an aging population, child labor, forced labor, workplace discrimination, social security, technology-related job insecurity, brain drain, and informal employment are some signs pointing to the possibility of systemic problems in the labor market. In addressing issues due to the systemic problem, holistic and long-term considerations should be given in revamping the economic structure by considering the supply and demand for labor, working conditions, labor laws and regulations, technology, economic policies, and societal norms and values. This requires a systemic reform that address the root causes of the problems, rather than just treating the symptoms. The tasks can be difficult and time-consuming since they require a holistic approach.

The literature in labor economics from an Islamic perspective discussing the approach to systemic reform is limited in numbers. The book by Azid et al., (2021), for example, is one vital attempt to lay down a more standardized and systematic theoretical and empirical ventures into the subject. The challenge here is that many relevant studies that propose to address systemic issues, without claiming to be Islamic, may fall outside the scope of the discussion. For example, studies on policies for women's empowerment that are inconformity with Islamic principles may be overlooked in the database search when the author does not explicitly relate the discussion to Islamic perspective.

Another example is the implementation of a minimum wage policy. This policy is commonly argued as an approach to fulfilling basic needs and reducing income inequality for low-skill workers. If the policy is deemed Islamic, should Islamic economists consider these policies to be inherently Islamic or make that claim explicitly? The pitfall is that without claiming or relating the discussion "from an Islamic perspective", the study would be excluded from the Islamic categorization. Realize that there are actually many studies on labor economics with welfare considerations that are Shari'ah-compliant but written in a neutral style. Such studies are therefore 'inherently Islamic' and can easily be overlooked when searching the database for Islamic labor economics.

Table (1): Criteria for Islamic Policy Design

Policy Criteria	Description
Establishing social justice	The policy should promote fairness, equity, and inclusivity.
Adhering to ethical governance that is consistent with Islamic principles and values	The policy implementation must adhere to Islamic principles of governance and ethics, such as transparency, accountability, compassionate, and free from unethical conducts i.e. corruption.
Promoting public interest and eliminating harm in the society (e.g. <i>maqāṣid ash-sharī'ah</i>)	The policy should benefit the public interest and promote social welfare as well as eliminating harm in the society.
Prioritizing effectiveness and efficiency in the implementation	The policy should be evaluated based on its effectiveness in achieving the intended goals. The implementation also should be efficient especially in utilizing public provisions (e.g. Zero-leakage target).

The question of whether certain policies can be considered "Islamic" is a complex one that requires careful consideration. Many systemic issues can be addressed more effectively by employers and policymakers through creative and prudent decision making. For that purpose, certain key criteria need to be fulfilled. In Table 1, key criteria for labor policy with an Islamic perspective has been outlined. The criteria have been identified as a recurring point from the surveyed articles on labor economics from an Islamic perspective.

To address the systemic issues in the labor market, the design of a policy should consider all the given criteria, as presented in Table 1. First, the policy should promote fairness, equity, and inclusivity to all members of the society. In realizing that, the target should be set to achieve maximum benefits to the public and eliminate harm from society. This is the essence of the *maqāṣid ash-sharī'ah*. With this in mind, policy design should pursue Pareto improvement in any step taken. Careful assessment should be made on the impact the policy may have on the entire public so as to avoid discrimination and injustice to some groups in the society. This may include concerns over social justice, economic justice, and legal justice from the start to the final overall outcomes of the policy. At

the same time, the policy implementation must adhere to Islamic ethics, morality, and values in terms of governance and implementation. Apart from justice, the policy should emphasize compassion, tolerance, humaneness, transparency, and accountability, just to mention a few. At the same time, vice and unethical conduct such as corruption, oppression, and favoritism in the implementation of the policy must be avoided. In addition, policies must be evaluated based on their effectiveness and efficiency in achieving their intended goals. The outputs and outcomes of the policy should meet the objective. In the process, the allocation of resources for the policy's implementation should be utilized efficiently. Leakage and wastage of public funds must be avoided.

Based on the given criteria, policymakers and Islamic economists can evaluate various policies with an emphasis on Islamic perspectives in mind. In the context of labor economics, the criteria can be used to assess various policies, such as programs to reduce income inequality, the minimum wage, flexible working arrangements, employment subsidies, universal basic income, universal employment guarantee, and many other policies that have impacts on society. By doing so, they can ensure that policies are not only in line with Islamic teachings but also contribute to the betterment of society.

5. Conclusion

Research on labor economics from an Islamic perspective has the potential to drive further progress and impact in the field. In order to realize this potential, the approach taken in this study is to systematically map the existing literature and align it according to the Islamization or integration discourse within the field. This systematic mapping serves as a tool for synthesizing the current state of knowledge on the subject. It helps to identify gaps and guide future research inquiries to advance the discipline further.

Three key themes have been identified from the surveyed papers on labor economics from an Islamic perspective: religious or cultural, behavioral, and systemic aspects. The majority of the papers are mainly concentrated on the behavioral aspect (Islamic work ethics), with less emphasis on developing theories related to Islamic labor markets and labor policies. The study identified several gaps in the literature, which are limited theoretical development, lack of empirical studies and limited policy development. These gaps need to be addressed because they hinder the incorporation of Islamic principles into mainstream labor economic theory and practice.

Apart from the three themes, the intersection of these themes also offers rich ground for future research. For example, there is a need to understand how the systemic aspects are influenced by the behavioral traits shaped by religion or culture. Unfolding those interactions can clarify the complexities of labor market outcomes. This understanding, in turn, can shape regulatory frameworks to enhance labor market dynamics.

There are several limitations to this study. The literature surveyed only considered published journal articles and therefore excluded other relevant studies in the field, such as books and conference proceedings. The identified papers were also limited to the keywords used. Papers that are inherently Islamic but do not explicitly have the keywords emphasizing the Islamic nature of the study (e.g., Islamic labor) have been overlooked and excluded from this study. Despite these limitations, this paper has provided valuable insights into the current state of research in labor economics from an Islamic perspective and has emphasized the need for more impactful research to advance the discipline.

The study has revealed several gaps in the literature. There is a lack of theoretical development, empirical analysis, and policy recommendations from an Islamic perspective. Most of the literature is conceptual, focusing on normative behavioral aspects of the economic agents in the job market without depth of theoretical support. Empirical evidence is scarce, making it difficult to fully understand many labor issues to guide policy making. Future research, therefore, should focus on bridging the identified gaps by developing theoretical frameworks, conducting empirical studies, and formulating policy recommendations that are grounded in Islamic principles. Interdisciplinary research involving experts from different disciplines such as economists, sociologists, and theologians should also be considered. This could further enrich the understanding of labor economics from an Islamic perspective.

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رسم خريطة طريق لقضايا في اقتصاديات العمل: المنظور الإسلامي للبحث وتطوير السياسات

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المستخلص. هدفت هذه الدراسة إلى رسم خريطة الأدبيات حول اقتصاديات العمل من منظور إسلامي لتحديد تركيز البحث، والفجوات في الأدبيات، والعقبات الرئيسية أمام تطوير المجال، وكيف يمكن للمبادئ الإسلامية أن توجه صنع السياسات في هذا الحقل. كشف مسح الأدبيات عن ثلاث موضوعات رئيسية في رسم خريطة قضايا اقتصاديات العمل من منظور إسلامي وهي: الجوانب الدينية أو الثقافية، والسلوكية، والنظامية. يتعلق الجانب الديني بالتفسير المباشر و/أو تطبيق المبادئ الإسلامية، والأحكام والقواعد السلوكية المستخلصة من النصوص الإلهية في اقتصاديات العمل. قد يكون لدور الثقافة (العرف) تأثير على كيفية تفسير النصوص الدينية، والذي بدوره يشكل وجهات النظر الدينية. يتعلق الجانب السلوكي بدور السلوك الفردي والأخلاق والمعنويات في تشكيل نواتج سوق العمل. بالنسبة للجانب النظامي فهو يتعلق بالقصور أو الثغرات في النظام الاقتصادي التي تسبب مشاكل في سوق العمل مثل الفقر، والبطالة، وعدم المساواة. بشكل عام، وجدت الدراسة أن البحث في اقتصاديات العمل من منظور إسلامي محدود مقارنة بمجالات أخرى مثل البنوك الإسلامية والتمويل. كما أن المقالات المنشورة حول الموضوع نادرة نسبيًا، خاصة في تقديم رؤى عميقة حول المنظور النظري والتجريبي والسياسات ذات الصلة. حددت الدراسة ثلاث اتجاهات رئيسية للبحث في اقتصاديات العمل من منظور إسلامي: (أ) أخلاقيات العمل الإسلامية (ب) أسواق العمل الإسلامية و(ج) سياسات العمل الإسلامية. تركز معظم الأدبيات بشكل رئيسي على معالجة أخلاقيات العمل الإسلامية.

الكلمات الدالة: اقتصاد العمل، المنظور الإسلامي، استعراض الأدب الموضوع، التداعيات السياسية، الجانب الديني، الجانب السلوكي، الجانب المنهجي

تصنيف JEL: J0, J4, J5, J7, Z19

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Impact of Non-interest Financial Inclusion on Household Livelihood in the North-West Nigeria: A Preliminary Investigation

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ABSTRACT. The first step for building self-sufficiency and sustainable livelihood is re-establishing the necessary assets for income generation. This study assesses the likelihood impact of non-interest financial inclusion across eighty (80) selected households in the Northwest region of Nigeria. Intuitively, the study considered three dimensions through which the impact could be felt; through change in households' income, consumption, and savings. Guided by evidence in the empirical literature, the paper employs logistic regression model in its analyses. Preliminarily, the Cronbach's alpha value of 0.62 suggests good acceptability and reliability of the research instruments. Empirical results show that the household's change in income model is significantly influenced by household's age, household size and cost of obtaining non-interest facility. The household's consumption model shows that household headed by a female, those households who use public means of transportation and those able to access a non-interest facility witnessed increase in their livelihood. In the household's savings model, the study found that years of business experience increases household's savings habit, thus improves livelihood. Consequently, the study posits that measures aimed at improving access to non-interest financial services, especially for women, is capable of enhancing livelihood in the study area.

KEYWORDS: non-interest, financial, inclusion, household, livelihood, logit

JEL CLASSIFICATION: C13, C31, C83, D10, D14, G21, G51, I31

KAUJIE CLASSIFICATION: B4, B5, H24, I33, I34, K4, K5, K6

1. Introduction

The overriding recognition of the complex make up of livelihood has resulted in many new modalities and more comprehensive programmes that address not only the replacement of physical assets, but the restoration of crucial social networks, provision of financial services, and development of markets (Kofarmata & Danlami, 2021). The first step for building self-sufficiency and a sustainable livelihood is re-establishing the necessary assets for income generation. Without an income, individuals and households are obliged to depend on family, friends and other available avenues of assistance to meet their most basic needs. Where help is limited, many are forced to resort to adverse coping mechanisms, such as cutting down on meals or selling off any remaining productive assets. Without assets, earning opportunities decrease and many are forced to migrate for menial work or take on overwhelming debt. To prevent this spiral cycle of vulnerability, it is imperative to act swiftly to protect the assets people have and replace or rebuild those that have been lost (United Nation Development Programme [UNDP], nd). Furthermore, it is generally agreed that assets ownership and household wealth accumulation significantly improve the livelihood and welfare of households. This implies that the higher the number of assets and the amount of wealth accumulation, the better the livelihood of the households. However, households in the Northwest region of Nigeria have minimal possession of assets for better livelihood. In fact, in most cases, the households in the region do not even possess the basic home assets for day-to-day livelihood based on the data provided by National Bureau of Statistics (NBS, 2020).

Programming and funding for livelihood support is channeled through multiple sectors, and livelihood practitioners struggle to develop effective coordination mechanisms and tools to assess needs, evaluate impacts, and prevent overlapping and conflicting interventions. However, many of these programmes have been mostly ad-hoc and poorly sustained (Bashir & Danlami, 2022). Moreover, poverty in the Northwest region of Nigeria is so pervasive to the extent that two states (Sokoto and Jigawa) in the Northwest region occupy the first and second positions of having the highest percentage of household living below the poverty line. In Sokoto

State, 87.73% of households are poverty-stricken while that of Jigawa State is 87.02% (NBS, 2020). On a positive note, Kaduna State, in the region, recorded the least percentage of 43.5% of households living below the poverty line (NBS, 2020).

Therefore, the inability of households to attain livelihoods could lead to vulnerability, malnutrition, impoverishment, and often resulting in negative coping strategies for survival. For instance, evidence show that the average daily calorie intake per person in the region is about 1,300 calories which is much lower than the global daily average calorie intake of 2700 calories (Danlami et al., 2016; Kofarmata & Danlami, 2019). The situation is further aggravated by lack of ability to raise credit for investment in livelihood activities. This poverty trend indicates the need for higher financial inclusion of individuals in the Northwest zone to improve the livelihood of people in the area.

Against this background, this study is a preliminary investigation on the impact of non-interest transaction on the livelihoods of the clients in Northwest zone, Nigeria. The first section dwells on introduction. Section two reviews related literature while section three presents the empirical research methodology: sample description and data sources, model specification and specification of the empirical logit models. Sections four and five contain presentation of empirical findings and conclusion and recommendations, respectively.

2. Literature Review

The sustainable livelihood paradigm is framed on five independent and interrelated factors which consist of: physical, natural, social, human and financial (Department for International Development [DFID], 2001). Incidentally, these assets of livelihood coincide with the objectives of Islamic law known as *Maqasid-Shari'ah* which Islamic jurists such as Imam Al-Ghazali, and also Dusuki and Abozaid (2007) whose arguments are in course to ensuring justice in the societal socio-economic living. Evidences indicated that Islamic financing and investment systems incentivize more ethical and economically required behaviours causing poverty alleviation by way of embracing non-interest

financial resources (Al-Harran, 1999; Dhumale & Sapcanin, 1998; Akhtar, 1998; Ahmed, 2001; El-Gamal, 2006 & Miazur, 2010). Specifically, Bangladesh Institute of Development Studies (BIDS) (2001) conducted a study on microcredit, the study reported that there was a positive relationship between the microcredit and the income of the participants. In the same vein, Zaman (2001) assessed the impact of microcredit on poverty reduction and households' savings. The findings revealed that microcredit increases voluntary savings and reduces poverty among women and increases women's decision-making ability.

Additionally, Polyzos et al. (2023) conducted an empirical analysis of the impact of Islamic Banking on societal welfare using machine-learning tools. The study indicates that despite that, Islamic banking systems likely to lessen economic activity, it tends to improve societal welfare and financial stability. In another dimension, using a sample of 100 households, Hamida et al. (2023) to analyze the effect of Islamic financial inclusion on financial well-being. The results showed that access had a significant effect on financial satisfaction, financial safety and household financial worries. Moreover, Belouafi et al. (2015) concluded that there is a significant divergence between the theory and practice of Islamic Finance. Theoretical studies claim the 'superiority' of the IFS based primarily on equity and participatory modes of financing, while empirical studies are not yet conclusive.

Furthermore, a study by Amin et al. (2003) on the impact of three Islamic microfinance programmes on rural poverty eradication title: ASA Financial, Bangladesh Rehabilitation Assistance Committee (BRAC) and microcredit clients of Grameen Bank, the study concluded that the microcredit programmes were more successful in terms of reaching the poor. Moreover, Miazur (2010) concluded that productivity of crops and livestock, household income, as well as employment and expenditure of beneficiaries of Islamic microfinance facilities in Bangladesh, increased significantly as a result of the influence of changed behaviour and availability of the Islamic Micro finance. Additionally, Larry (2016) empirically established that; proper financing of non-interest transactions determines the trend of poverty reduction in Nigeria. In similar vein, Mahmood et

al.(2017) conducted a study to determine the impact of Islamic microfinance on the household welfare of the target clients by observing its impact on health, education, income, expenditures and assets of the poor who took loan from Islamic Microfinance institutions (IMFIs). The study concluded that borrowing from Islamic Microfinance institutions has not only significantly raised monthly income; expenditures on food, education and health; and incremented households' assets but also surprisingly raised borrowed amount of loan which negatively affected income.

In addition, Bhuiyan et al. (2015) empirically found that credit access significantly improved sustainable livelihood of customers of the Islamic bank microfinance schemes in Bangladesh as well as reduced the poverty incidence of same. Furthermore, the level of beneficiary's education, household savings and total amount of loan received, were among the significant determinants of livelihood status of the borrowers. Similarly, Ahmed et al. (2015) opined that the Islamic financial sector has the potential to contribute to the achievement of the Sustainable Development Goals (SDG) as long as the principles of Islamic finance that support socially inclusive and development activities. This conforms to the study by Hoffmann et al. (2018) who assessed impact of government-sponsored livelihoods projects among households and women in India. The results indicated that there is a significant positive impact on assets ownership among households.

Lastly, Jailos (2019) empirically examined the impact of financial inclusion on the livelihood of rural households in Tanzania. The results showed that, financial inclusion has a positive significant impact on rural livelihoods in Tanzania. Easy access to formal banking services leads to positive changes in the rural livelihood status of households. The study recommends aggressive strategies on financial inclusion to reduce poverty and financial access vulnerabilities. This is consistent with the findings of Bilal et al. (2020) who found a positive relationship between microfinance services and livelihood.

Based on the literature reviewed above, no study of similar kind conducted in Nigeria before. Therefore, the research fills a gap in the existing literature by examining the specific context of the

Northwest region and contributes to the understanding of the relationship between non-interest financial inclusion and livelihood improvement in terms of increase in income, savings and consumption of households.

3. Methodology

In view of the fact that the paper studies households at the micro level, this section contains the description of the methods used in data gathering as well as the model used by the study as the tool of data analysis.

3.1 Sampling and Data Source

The sampling technique used in this pilot study is the

two-stage cluster sampling. In the first stage, the whole of the study area were divided into seven clusters on the basis of the States' boundaries of the Northwest region namely; Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto and Zamfara states respectively. In the second stage, from each of the seven clusters (i.e., states) a total of 10 respondents were randomly selected from the clients of Jaiz Bank excluding Kano State, whereby by a total of 20 respondents were randomly selected, 10 respondents from the clients of Jaiz Bank and other 10 respondents from the clients of Lotus Capital. This gives the total of 80 respondents used as the samples for the pilot analysis. Table 1 gives the clear picture of the sampling apportionment as depicted below:

Table 1: Sampling Apportionment of the Pilot Study

States	Cluster One (Jaiz Bank Clients)	Cluster Two (Clients of lotus capital)	Total Pilot Samples
Jigawa	10	-	10
Kaduna	10	-	10
Kano	10	10	20
Katsina	10	-	10
Kebbi	10	-	10
Sokoto	10	-	10
Zamfara	10	-	10
Total	70	10	80

Source: Authors' Own

The pilot study was undertaken for the purpose of conducting a reliability test of instruments and also to examine the understanding of the respondents towards the designed questionnaire. The study used cluster sampling as used by some previous studies on household micro level analysis (Danlami, 2017; Tsauni & Danlami, 2016)

3.2 Model Specification

Literature is replete with the application of logit model when a researcher is confronted with discrete

$$P = E\left(Y = \frac{1}{X_i}\right) = \frac{1}{1 + e^{-(\beta_1 + \beta_2 X_i)}} \quad (1)$$

For ease of expression if $z = \beta_1 + \beta_2 X_i$

$$P = \frac{1}{1 + e^{-z_i}} = \frac{e^z}{1 + e^z} \quad (2)$$

data. Since non-interest financial services have a binary tendency of either improving clients' welfare or not, accordingly, logit model was used to assess how provision of non-interest services by financial institutions improved the livelihood of the clients in terms of change in income, consumption and savings behaviors of the clients. Following Danlami et al. (2017) and Gujarati (2004), the theoretical logit model can be expressed as follows:

If P represents the probability of occurrence (say improvement in livelihood), the probability of

$$1 - P = \frac{1}{1 + e^{z_i}} \tag{3}$$

not occurrence can be expressed as:

Hence the odds ratio between the probabilities of occurrence and non-occurrence can be expressed as:

$$\frac{P}{1 - P_i} = \frac{1 + e^{z_i}}{1 + e^{-z_i}} = e^{z_i} \tag{4}$$

Where: $P_i/(1-P_i)$ represents the odds ratio of improvement in livelihood. That is the ratio of the probability that a household experiences

improvement in livelihood to the probability of otherwise. Taking the natural log of equation (4) we obtained the following expression as:

$$L_i = \ln\left(\frac{P_i}{1 - P_i}\right) = Z = \beta_1 + \beta_2 X_i \tag{5}$$

Where:

L means the log of odds ratios, equation (5) represents what is known as the logit model

which is used when the dependent variable takes a binary value; 0 or 1.

3.3 Specification of the Empirical Logit Models

Leveraging on the applications of logistic regression models by numerous researchers, this study draws from the models by Miazur (2010) Khan (2014) and Bhuiyan et al. (2015) and integrated a number of important variables to suit the purpose of this investigation. Here, the logistic regression model

seeks to assess the impact of investment from non-interest facility and other determinants on household's income. The dependent variable is the change in the level of income witnessed by the beneficiaries of non-interest facility. The household change in income model is specified as:

$$\ln\left(\frac{P_i}{1 - P_i}\right) = \beta_0 + \beta_1 AGE_i + \beta_2 GND_i + \beta_3 INC_i + \beta_4 HHS_i + \beta_5 TRM_i + \beta_6 CFA_i + \beta_7 CNIF_i + \beta_8 NIFA_i + \beta_9 BEX_i + U_i \tag{6}$$

Where:

P_i = probability that the income of borrowers increases

$1 - P_i$ = probability of otherwise

AGE_i	=	Age of the head of the borrower measured in terms of number of years
GND_i	=	Gender of the head of the borrower coded as 1 for male, otherwise '0'
INC_i	=	Level of income average monthly, measured in Naira terms
HHS_i	=	Size of the household
TRM_i	=	Means of Transport
CFA_i	=	Current facility amount
$CNIF_i$	=	Cost of Non-interest facility
$NIFA_i$	=	Non-interest facility access
BEX_i	=	Years of business experience

$\beta_1, \beta_2 \dots \beta_{13}$ are the coefficients of the regressor variables to be estimated. The constant term or

intercept of the regression model is denoted by β_0 while U_i symbolizes the error term.

3.4 Change in Consumption Model

The empirical model estimated for the change in the household consumption as a result of patronizing the non-interest facility is expressed as:

$$\ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 AGE_i + \beta_2 GND_i + \beta_3 TRM_i + \beta_4 HHS_i + \beta_5 RFH_i + \beta_6 MIP_i + \beta_7 MCS_i + \beta_8 AMT_i + \beta_9 NIP_i + \beta_{10} COS_i + \beta_{11} BEX_i + \beta_{12} INC_i + U_i \quad (7)$$

Where:

P_i = probability that consumption of the borrowers improves

$1 - P_i$ = probability of otherwise

AGE_i	=	Age of the head of the borrower
GND_i	=	Gender of the head of the borrower
RFH_i	=	Request fully honoured
HHS_i	=	Size of the household
MIP_i	=	Mode of instalment payment (i.e. monthly, quarterly, etc.)
MCS_i	=	Membership of cooperative society
AMT_i	=	Amount of loan obtained
NIP_i	=	Number of instalment payment
COS_i	=	Cost of obtaining non-interest facility
BEX_i	=	Years of business experience
INC_i	=	Average monthly income
TRM_i	=	Means of Transport

$\beta_1, \beta_2 \dots \beta_{15}$ are the coefficients of the regressor variables to be estimated. The constant term or

intercept of the regression model is denoted by β_0 while U_i symbolizes the error term.

3.5 Household Saving's Model

The empirical model to be estimated for the change in the household savings as a result of patronizing the non-interest facility is expressed as:

$$\ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 GND_i + \beta_2 NIF_i + \beta_3 INC_i^2 + \beta_4 BEX_i + \beta_5 TRM + U_i \quad (8)$$

Where:

P_i = probability that savings of the borrowers increases

$1 - P_i$ = probability of otherwise

GND_i	=	Gender of the head of the borrower
NIF_i	=	Non-interest facility
BEX_i	=	Years of business experience
TRM_i	=	Means of transport
INC_i	=	Average monthly income

$\beta_1, \beta_2 \dots \beta_{14}$ are the coefficients of the regressor variables to be estimated. The constant term or

intercept of the regression model is denoted by β_0 while U_i symbolizes the error term.

4. Results and Discussion

To evaluate the validity of the items that are perceived by this preliminary study to be related to the livelihood impact of households' financial inclusion in non-interest financial transactions in the Northwest region of Nigeria, the pilot analysis estimated the coefficients of Cronbach's alpha using STATA software. Cronbach's alpha shows the degree to which a phenomenon measures a concept.

It is associated to the relationship of the items in the test (Danlami, 2017). Cronbach's alpha value ranges between 0 – 1, the further away the value from 0, the better the outcome (Danlami et al., 2017). Some scholars argued that a Cronbach's alpha below 0.5 is unacceptable (Gliem & Gliem, 2003). Table 2 exhibits the estimated value of the Cronbach's alpha for this pilot study.

Table 2: Estimated Cronbach's Alpha

Items	Observations	Alpha	Items	Observations	Alpha
GND	78	0.6226	RPP	53	0.6216
MST	79	0.6227	INCB4	66	0.5922
AGE	79	0.6227	INCAFTR	53	0.5776
EDU	79	0.6227	ITINC	65	0.6223
HHS	77	0.6226	CQE	71	0.6227
OCC	77	0.6225	CQTI	70	0.6226
INC	79	0.6187	MEB4	65	0.6147
NIF	64	0.6223	MEAFTR	61	0.6101
INIF	74	0.6220	ASTOWNB4	54	0.6219
FRH	58	0.6216	ASTOWNB4 ²	54	0.6219
LOC	77	0.6225	MCS	53	0.6212
BEX	78	0.6227	MRSB4	51	0.6166
CRF	47	0.5565	MRSAFTR	51	0.6130
NIP	44	0.6209	MIRSB4	42	0.6103
MIP	54	0.6216	MIRSAFTR	41	0.6081
CNI	45	0.5019	MTSAFTR	51	0.6002
MTSB4	51	0.6060	Test scale		0.6216

Note: GND=gender, MST=marital status, AGE=age, EDU=level of education, HHS=household size, OCC=occupation, INC=income, NIF=non-interest facility, INIF=investment in non-interest facility, FRH=full request honored, LOC=household location, BEX=years of business experience, CRF=current facility, NIP=Number of repayment instalment, MIP=mode instalment payment, MTSB4=monthly total savings before, RPP=repayment plan, INCB4=total monthly income B4, INCAFTR=total income after, ITINC=increase in total income, CQE=consumption quality enhance, CQTI=consumption quantity increase, MEB4=monthly expenditure before, MEAFTR=monthly expenditure after, ASTOWNB4=assets own before, MCS=membership of cooperative society, MRSB4=monthly regular saving before, MRSAFTR=monthly regular saving after, MIRSB4=monthly irregular savings before, MIRSAFTR=monthly irregular savings after, MTSAFTR

Source: Authors' Own

Furthermore, this study uses different logit models to examine the result of the assessment of some factors influencing households' livelihood impact of financial inclusion in Northwest region of Nigeria, which may serve as an exploratory analysis for the

main analysis. Table 3 contains the results of the estimated model for household change in income which suggest improvement or otherwise in the livelihood of the households.

Table 3: Estimated logit model for household's change in income

VARIABLES	(1)	(1)	(2)	(2)	(3)	(3)
	COEF	ME	COEF	ME	COEF	OR
GND	0.937	0.103				
	(1.162)	(0.0983)				
AGE	0.0602*	0.00811*				
	(0.0354)	(0.00478)				
HHS	0.118*	0.0159*				
	(0.0695)	(0.00968)				
INC	-0.0476	-0.00641				
	(0.626)	(0.0842)				
BEX			0.0739	0.00759	-0.0164	0.984
			(0.140)	(0.0146)	(0.140)	(0.138)
TRM			-0.274	-0.0287		
			(0.937)	(0.0997)		
CFA			-8.94e-07**	-9.19e-08**	-4.95e-06***	0.999***
			(4.20e-07)	(3.60e-08)	(1.88e-06)	(1.88e-06)
CNIF					3.40e-06**	1.000**
					(1.48e-06)	(1.48e-06)
NIFA					0.211	1.234
					(0.749)	(0.924)
Constant	-5.083		-1.012		-1.272	0.280
	(7.038)		(1.030)		(3.248)	(0.910)
Observations	63	63	42	42	39	39

Note: Robust standard errors in parentheses*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' Own

Table 3 above shows that household head age has a significant positive impact on the livelihood of the household at the 10% level of significance. The estimated value of coefficient of age indicates that the higher the age of the household head, the higher the log odd of increase in the household income. That is, a one-year increase in the age of the household head will lead to an increase in the log odd of increase in income by 0.06 units, all things

being equal. This finding is in line with a priori expectation that as the age of household head increases, the household's income ten to increase. This is in line with the findings of Amendola et al. (2016). Moreover, the estimated marginal effect of this variable indicates a 1 percent increase in the age of the household head leads to about 0.8 percent change in the probability of the household income to increase.

Furthermore, the estimated coefficient of household size was found to be statistically significant at the 10% level. The coefficient of this variable was found to have a positive relationship with the odd of household change in income. The result indicates that increase in the number of household size by one unit increases the log odd of improvement in income by about 0.12 units all things being equal. This is in line with a priori expectation that when the size of the household increases, the income of the household will increase if the various household members would engage in an income generating activity. In addition, the estimated marginal effect of this variable was found to be statistically significant at the 10% level, the result indicates that increase in the household size by 1 percent leads to increase in the probability of increase in income by about 1.59% all things being equal.

Additionally, the coefficient of the variable current non-interest facility was found to be statistically significant at the 1% percent level. The result indicates that there is a negative relationship between the amount of current non-interest facility obtain and the log odd of improvement in the household income. The higher the amount of the non-interest facility obtained, the lower the log odd of increase in the household income by an insignificant figure of about 0.00005 units. This is contrary to a priori expectation because, it was initially expected that the current non-interest facility obtained to increase the log odd of increase in income. This may be as a result of the fact that the economy in general is facing recession which affects the performance of

various businesses in the country. In the same vein, the estimated odd ratio of this variable was found to be statistically significant at the 1% level. The estimated model indicates that a one Naira increase in the amount of current facility leads to a decrease in the odd of improvement in income by about 0.999 times lower, all things being equal. This finding also contradicts the finding of Miazur (2010).

Cost of non-interest facility, this variable represents the total cost of obtaining a particular non-interest facility, from the non-interest service provider measured in money terms (Naira value). The estimated logit model indicates that the coefficient of this variable was found to have significant impact of household livelihood at the 5% level. The result indicates that there is a positive relationship between the cost of obtaining a non-interest facility and the log odd of improvement in the income of the households, all things being equal. All things being equal, a one Naira increase in the cost of non-interest facility increases the log odd of improvement in the earning of the household by about 0.000034 units, all things being equal. This, however, does not conform to a priori expectation of the study, because the study expected that the higher the higher the cost of obtaining a facility, the lower the probability of the household livelihood improvement. This finding could be as a result of the fact that those facilities with higher cost have higher rate of return when utilized as investment. This finding contradicts that of Miazur (2010). Furthermore, Table 4 reports results of the estimated models for change in household's consumption.

Table 4: Estimated logit model for household's change in consumption

VARIABLES	(M1)	(M1)	(M2)	(M2)	(M3)	(M3)
	COEF	ME	COEF	OR	COEF	OR
GND	-1.625**	-0.255				
	(0.815)	(0.166)				
AGE	0.000989	0.000106				
	(0.0435)	(0.00464)				
HHS	0.182**	0.0195**				
	(0.0814)	(0.00866)				
INC	-7.61e-06	-8.12e-07				
	(9.76e-06)	(1.12e-06)				
BEX	0.142	0.0152				
	(0.138)	(0.0156)				
TRM	-2.403***	-0.329***				
	(0.852)	(0.125)				
NIP			-0.211***	0.810***		
			(0.0725)	(0.0587)		
RFH			-1.978*	0.138*		
			(1.102)	(0.153)		
AMT			-8.17e-07*	1.000*		
			(4.79e-07)	(4.79e-07)		
MIP ₂					18.10***	7.234e+07***
					(1.340)	(9.694e+07)
MIP ₅					17.67***	4.703e+07***
					(1.714)	(8.061e+07)
COS					-0.279	0.756
					(0.364)	(0.275)
MCS					-15.32***	2.23e-07***
					(0.926)	(2.07e-07)
Constant	-0.996		3.355**	28.65**	1.030	2.801
	(1.651)		(1.449)	(41.51)	(3.780)	(10.59)
Observations	69	69	39	39	31	31

Note: Robust standard errors in parentheses*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' Own

Based on the result obtained from the estimated models, the coefficient of variable gender was found to be statistically significant at the 5% level of significance. The result indicates that when the household heads gender of the household is male, the log odd of change in the household consumption is higher by 1.625 unit compared to when the head is male. This is in line with a priori expectation that households that are headed by male have more tendency of livelihood improvement than otherwise.

This finding conforms to the findings reported by Hoffmann et al. (2018).

In the same vein, the estimated coefficient of the variable household size was found to be statistically significant at the 5% level. The result indicates that there is a positive relationship between the size of the household and the log odd of change in household consumption. An increase in the size of household by one person increases the log odd of change in consumption by 0.182 units all things being equal.

Similarly, the estimated marginal effect of this variable was also found to be statistically significant at the 5% level. The result indicates that a 1 percent increase in the number of household members leads to an increase in the probability of change in the consumption of the household by about 1.95% percent all things being equal. This is inline with a priori expectation.

Furthermore, the estimated model indicates that the coefficient of the ownership of the main means of transportation was found to be statistically significant at the 1% level. The estimated coefficient of this variable was found to have a negative relationship with the odd of improvement in the household consumption. The estimated result indicates that households that have ownership of their major means

of transport have lower log odd of change in consumption compared to otherwise by about 2.403 units all things being equal. Additionally, the estimated discrete effect of this variable was also found to have a negative statistical impact on the odd of change in the household consumption at 1% level of significance. The result shows that those households that own their main means of transport have about 33 percent lower probability of having change in consumption compared to otherwise.

Table 5 exhibits the estimated coefficients and the marginal effects from the logit model for household livelihood's improvement from patronizing non-interest financial transactions measured by the households' change (improvement) in savings. The estimated results are shown in the Table 5:

Table 5: Estimated logit models for household's change in savings

VARIABLES	(1)	(2)
	COEF	ME
NIF	-0.0799	-0.0182
	(0.230)	(0.0517)
GND	-1.442*	-0.342*
	(0.866)	(0.197)
income2	-3.29e-11	-7.48e-12
	(5.75e-11)	(1.32e-11)
BEX	0.241**	0.0547**
	(0.106)	(0.0246)
TRM	-0.0802	-0.0182
	(0.665)	(0)
Constant	-0.820	
	(0.951)	
Observations	48	48

Note: Robust standard errors in parentheses*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' Own

The estimated logit model in Table 5 indicates that the coefficient of variable gender was found to be statistically significant at the 10% level. The estimated coefficient of gender was found to have a negative relationship with the odd of change in household savings. The result shows that when the household head is a female, the household has lower log odd of experiencing increase in savings by about

1.44 units, all things being equal. This is in line with the a priori expectation that when a household is headed by a male in the study area, the tendency for the household savings to increase is high because the income earned by men usually is higher than that of women. This contradicts the findings of Mirach and Hailu (2014). Similarly, the estimated discrete effect of this variable was found to be statistically

significant also at the 10% level and has a negative relationship with the probability of change in the household savings. The estimated result indicates that the households that are headed by female has about 34% lower probability of experiencing improvement in their livelihood via change in the household's savings than those headed by male, all things being equal.

Furthermore, the estimated logit coefficient of the variable years of business experience was found to be statistically significant at the 5% level. The result indicates that this coefficient was found to have a positive relationship with the odd of household saving's improvement. The result indicates that an additional year of business experience leads to an increase in the log odd of household savings by about 0.241 units, all things being equal. This is in line with a priori expectation because the higher the years of business experience, the higher will be the income earned from the business leading to an increase in the rate of savings by the households all things being equal. Furthermore, the estimated marginal effect of this variable indicates that an additional year of business experience increases the probability of savings by about the 5% all things being equal.

5. Conclusion and Summary

This study is a preliminary investigation that seeks to assess the impact of non-interest financial services on household livelihood in the North-west Region, Nigeria. Therefore, it is a first step towards a broader study on financial inclusion and the livelihood impact of non-interest financial services in the Northwest zone in Nigeria. Based on the values of the estimated Cronbach's alpha coefficients, the result indicates that a full investigation on the impact of non-interest financial services on household livelihood using the selected predictor variables. Hence, an empirical investigation on the relationship between non-interest financial services and the household livelihood in north-west Nigeria is worth conducting, feasible and may likely reach a valid conclusion that can benefit the households that are clients, or the prospective clients of the services rendered by non-interest financial services providers in the study area.

Meanwhile, based on the pilot estimations, the logit model for household change in income indicates that age, household size and the cost of obtaining the non-interest facility exert positive and significant impacts on household's livelihood via household income enhancement. Additionally, household head being female, using of commercial means of transportation, improvement in the customers non-interest facility request and abstinence from cooperative societies induce improvement in household's livelihood in the study area. Equally, the estimated household savings model shows that an additional year of business experience is capable of improving household livelihood by enhancing the level of household savings.

Instructive from the findings is the fact that measures aimed at easing access and cost of non-interest financing, especially for large families, could induce positive impact on livelihood. Reducing gender imbalance in access to Islamic financial services is capable of improving household consumption cum livelihood. Therefore, a special package of Islamic mode of financing and financial inclusion for women entrepreneurs will create a better non-interest financial transaction that will have higher impact on household livelihood. Islamic banks should also give a special consideration to household enterprises with more years of business experience in their dealings. In addition, since increase in income was found to have significant impact in household welfare increase, policies and programmes aimed at raising income earnings of individuals should be embarked upon to improved household's livelihood. Income can be increased via employment generation, wealth creation, increase in government expenditure, empowering small and medium scale industries and skills development. Finally, as a limitation, this study is solely a pilot analysis based on a sample size of 80 non-interest financial services clients, a number which is inadequate to denote the true picture of households that are clients of non-interest financial services in the Northwest region of Nigeria. Consequently, there is an essential need for further study in the study area.

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تأثير الشمول المالي غير الربوي على معيشة العوائل في شمال غربي نيجيريا:

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المستخلص. تتمثل الخطوة الأولى لبناء الاكتفاء الذاتي والمعيشة المستدامة إعادة تأسيس الأصول اللازمة لتوليد الدخل. تقوم الدراسة بتقييم تأثير الشمول المالي غير الربوي عبر ثمانين (٨٠) أسرة مختارة في المنطقة الشمالية- الغربية من نيجيريا. نظرت الدراسة في ثلاثة أبعاد يمكن من خلالها الشعور بالتأثير، من خلال التغيير في دخل الأسر، واستهلاكها وادخارها. تسترشد الورقة بأدلة في الأدبيات التجريبية، لذلك استخدمت الورقة نموذج الانحدار اللوجستي في تحليلات البيانات. تشير قيمة كرونباخ ألفا البالغة (٠,٦٢) إلى مقبولية وموثوقية جيدة لأدوات البحث. تظهر النتائج التجريبية أن تغيير نموذج الدخل يتأثر- بشكل كبير- بعمر الأسرة وحجمها، وتكلفة الحصول على تسهيلات غير ربوية. يوضح نموذج الاستهلاك بأن الأسرة التي تدير شؤونها أنثى، وكذلك الأسر التي تستخدم وسائل النقل العامة، والقادرين للوصول إلى تسهيلات غير ربوية شهدت تحسناً في طرق عيشها. وفي نموذج الادخار الأسري، وجدت الدراسة أن سنوات الخبرة في العمل تزيد من عادة الأسر في الادخار، وبالتالي تحسن سبل عيشها. وبناءً على ذلك، تفترض الدراسة أن التدابير التي تهدف إلى تحسين الوصول إلى الخدمات المالية غير الربوية، خاصة للنساء، قادرة على تعزيز سبل العيش في منطقة الدراسة.

الكلمات المفتاحية: غير ربوي، المالية، الشمول، الأسرة، معيشة، لوجت

تصنيف JEL: C13, C31, C83, D10, D14, G21, G51, I31

تصنيف KAUIE: B4, B5, H24, I33, I34, K4, K5, K6

Determinants for Acceptance and Use of Sharī'ah Banking Digital Services in Indonesia: Applying UTAUT 3, Trust, and Sharī'ah Compliance

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ABSTRACT. Digital banking is one of the services of sharī'ah banking, so the quality of these services needs to be considered. This study investigates the determinants of intention and use of sharī'ah banking digital services by Indonesian Muslims, using the modified unified theory of technology acceptance and use (UTAUT) 3 model with sharī'ah compliance and trust variables. The model was empirically tested in the Jakarta Metropolitan area using 129 responses from a field survey. The collected data were analyzed using partial least squares structural equation modeling. The results show that habit, personal innovativeness, and trust significantly influence the intention to use sharī'ah banking digital services. Performance expectations, personal innovativeness, and sharī'ah compliance significantly affect the actual use of sharī'ah banking digital services. The

results of this study also prove the role of shari'ah compliance in moderating the effect of business expectations on the intention to use shari'ah banking digital services. The practical implications of the results of this study can be used to encourage the development of shari'ah banking digital services and decision-making in formulating strategies to increase the acceptance and use of shari'ah banking digital services. This research also contributes to the development of literature as an initial effort to investigate the factors that influence the acceptance and use of shari'ah banking digital services using the modified UTAUT 3 model with shari'ah compliance and trust variables.

KEYWORDS: UTAUT 3, Shari'ah Compliance, Digital Banking, Shari'ah Banking

JEL CLASSIFICATION: G21, G40

KAUJIE CLASSIFICATION: B4, I1, J2

1. Introduction

Shari'ah banking is an emergent dynamic segment in the finance sector. Alongside the conventional system, it also provides the products and services needed by the community (Mufraeni et al., 2019; Mulazid et al., 2020). Compared to conventional banking, it has unique operational characteristics, and its activities depend on shari'ah principles or shari'ah law, which serves as the main guide (Muhammad et al., 2021; Ullah, 2014). The prohibition of usury-based financial transactions in Islam and the aspirations of Muslims to realize religious values have made shari'ah banking a key player in global financial circles over the past four decades (Zouari & Abdelhedi, 2021). Referring to the State of the Global Islamic Economy 2019/2020, Thomson Reuters reported that shari'ah banking is the most important sector in developing the Islamic economy. It contributes 71% or USD 1.72 trillion of the industry's total assets (Bella & Himmawan, 2021).

As a country with the highest population of Muslims in the world, Indonesia should be a reference in terms of Islamic finance (Mulazid et al., 2020). With a total financial asset of US\$99 billion in 2019, compared to the US\$86 billion recorded in 2018, Indonesia was the seventh country with the world's most significant total Islamic financial assets in 2019. The shari'ah banking sector recorded the most prevalent proliferation with an increase of US\$ \$10 billion from US\$28 billion in 2018 to US\$38 billion in 2019 (Bank Indonesia, 2020). Furthermore, in 2021 an index that ranks the conditions of shari'ah banking and finance in various countries, namely the Islamic Finance Country Index (IFCI), puts Indonesia in the first place, which is an increase of 1 position

from 2020 (Bank Indonesia, 2021). The Global Islamic Fintech (GIFT) Index places Malaysia, Indonesia, and the United Kingdom in the top five most conducive countries for the Shari'ah Fintech market and ecosystem growth.

However, weak supervisory activities and low shari'ah compliance are still the main challenges in implementing Shari'ah Fintech, while compliance is the core principle of its financial regulation (Muryanto, 2022). Indonesia, a country dominated by Muslims, has 175.4 million active internet users. With a significant market share, shari'ah banking digital services should be more important than conventional banks. However, conventional banks are more widely. With the current challenges, shari'ah banks are expected to innovate to improve their service efficiency. These efforts include offering various services to customers by utilizing currently developed technology to remain competitive in the digitization era (Berraies et al., 2015).

The preferences and acceptance of digital services changed a lot, especially during the pandemic. Bank Indonesia recorded that the volume of digital banking transactions since April 2020 has increased significantly yearly by 37.35% (Riza, 2021). Digital banking transactions are banking transactions carried out using electronic or digital facilities owned by the Bank, and/or through digital media owned by prospective customers and/or Bank customers, which are carried out independently. By using digital banking services, prospective customers and/or bank customers can obtain information, communicate, register, open accounts, banking transactions, and close accounts, including obtaining

other information and transactions outside of banking products, such as financial advisory, investment, e-commerce transactions, and other needs of Bank customers (OJK, 2016). The digitization trend during the pandemic significantly increased the number of internet users and mobile connections. A survey on digital equity, utilization, and security by the Institute of Social Economic Digital (ISED) in 2020, showed that 66% of the respondents trusted internet or mobile banking personal data, and 41.8% relied on digital money applications (OVO, Dana, iSaku, and others), 32% on the marketplace, and 9% on absolute distrust. It was discovered that respondents were highly reliant on mobile banking, irrespective of the several obstacles encountered. This includes the affordability of smartphones and poor internet connectivity, concerns about security, data privacy, and trust in the use of mobile banking (Chawla & Joshi, 2019). Furthermore, mobile banking is also inseparable from shari'ah compliance, which can affect customers (Martasari & Mardian, 2015). Responding to various changes caused by the digital economy, shari'ah banking also provides digital services to accommodate public needs by following shari'ah provisions and principles (Bank Indonesia, 2020). Given that technology development requires significant investment, it is important to understand the motives behind consumer decisions to accept and use shari'ah banking digital services. Therefore, to obtain this information, it is necessary to research the acceptance and use of shari'ah banking digital services. Some preliminary research conducted on the process of verifying the acceptance and use of technological innovations adopted by financial institutions usually employed the UTAUT 2 model (Anggraeni et al., 2021; Kholid, 2019; Kusumawati & Rinaldi, 2020; T. T. Nguyen et al., 2020; Raza et al., 2018; Suma vally & Shankar, 2020; Yahaya & Ahmada, 2019). On the contrary Anggraeni et al., (2021); Raza et al., (2018); Suma vally & Shankar, (2020) adopted the UTAUT 2 model, Nguyen et al., (2020) used the UTAUT2 model to examine the effect of performance expectancy, effort expectancy, social influence, facilitating condition, hedonic motivation, price value, habit, and additional variable of trust on Vietnamese customer behavior. The findings show that performance and effort expectancies, hedonic motivation, habit, and trust significantly and positively affected the customer's intention to use

digital banking services. Meanwhile, no research has investigated the process of verifying the acceptance and use of shari'ah banking digital services by employing the UTAUT 3 model with additional variables of shari'ah compliance and trust. This model is the most comprehensive approach to validating alternative perspectives on the desirability to use and accept technological innovations (Farooq et al., 2017; Gunasinghe et al., 2020). Trust and shari'ah compliance are also considered essential variables due to their influence on consumer intention and the decision to select Islamic financial products and services (Rabbani et al., 2021; Raza et al., 2021; Ribadu & Wan Ab. Rahman, 2019). Several works of literature highlight trust and shari'ah compliance as important variables used to predict the intentions and actual behavior of shari'ah products. However, literature shows that research involving shari'ah compliance variables is still limited, especially in the case of using technology at the shari'ah banking. The only literature comes from (Pahlevi et al., 2023) which study the effect of shari'ah compliance on *Intention to use Fintech Services for Shari'ah Bank in Indonesia*.

Usman et al., (2022) which study the effect of shari'ah compliance on customer satisfaction of Islamic banks using e-banking in Indonesia. Meanwhile, other studies link shari'ah compliance and satisfaction use in a different context. In the context of shari'ah hotels, (Sobari et al., (2017), Usman et al., (2020) reveal that the influence of shari'ah compliance on the satisfaction of hotel guests. Therefore, this research elaborates on applying the UTAUT 3 model with the addition of trust and shari'ah compliance variables to create a new framework that contributes to the acceptance and use of innovative technology in a shari'ah financial institution. This comprehensive study applies to the Islamic finance industry.

UTAUT 3 is a technology adoption model whose core determinants have undergone several changes and have been refined by theory from some previous research, including TAM (Davis, 1989), UTAUT (Venkatesh et al., 2003), and UTAUT 2 (Venkatesh et al., 2012) . This model and additional variables, namely shari'ah compliance and trust, were adopted to identify the determinants that trigger the acceptance and use of shari'ah banking digital

services by customers in Indonesia. This research also investigates the role of shari'ah compliance in moderating the effect of effort expectancy on the intention of customers to use shari'ah banking digital services.

2. Literature Review

2.1. Shari'ah Digital Banking Services

Shari'ah digital banking is banking that operates almost all of its activities and services such as opening new accounts, sending documents, deposits, loans, biometric identification, and transaction activities through online channels (Adenia et al., 2022). In general digital banking refers to the banking services delivered to the customer using digital channels that comprise internet banking and mobile banking. Likewise, shari'ah banking digital services also have mobile banking and internet banking. Internet banking is defined as the remote delivery channel using the Internet for banking services in which customers perform online transactions through a bank's websites using a computer, personal computer, or laptop anytime and anywhere. Mobile banking refers to the channel used by customers to interact with the bank in order to obtain banking services using a mobile device or mobile telecommunications such as a cell phone, smartphone, or tablet, normally by downloading the mobile application (Hidayat & Kassim, 2023). Although some researchers consider conventional mobile banking and shari'ah mobile banking equivalent. However, it is noted that Shari'ah mobile banking is quite different from conventional mobile banking (Septiani et al., 2022). Usman et al., (2022) mentioned that shari'ah compliance is the main differentiation between Shari'ah banking and conventional banking, including in the provision of technology-based services, such as internet banking and mobile banking.

2.2. Shari'ah Compliance

In the context of shari'ah finance, implementing the concept of shari'ah compliance is a must for every shari'ah financial institution (Atal et al., 2022) including in the use of financial technology (Usman et al., 2022). Compliance with shari'ah principles is an absolute requirement that must be implemented by any entity that applies shari'ah principles. The

implementation of all these shari'ah principles is to express the characteristics and a form of integrity and credibility of the company itself, especially with regard to shari'ah finance (Pahlevi et al., 2023). AAOIFI Shari'ah Standard No. 38 about Online Financial Dealings provides almost shari'ah compliance aspects regarding online contracts and online dealing with financial transactions. It also contains an online platform for other requirements, either through commercial sites or online access services. Concerning contracts, this standard specifies in detail various aspects that follow shari'ah, including determining the timing of the start of the contract, ownership procedures after signing the contract, and protection of online financial transactions. All online contracts made between the institution and its clients, such as opening accounts, remittances, and signing commercial contracts must comply with the general rules of Islamic financial transactions (Usman et al., 2022). AAOIFI in 2017 also emphasized that shari'ah allows commercial sites, as long as they are free from practices that are contrary to shari'ah itself. For example, the promotion of *haram* goods and services or using unauthorized means to promote *halal* goods and services. This standard also emphasizes the prohibition of infringing trade names, trade addresses, trademarks, and all other similar rights. Institutions that provide website services are required to build a system to prevent clients from making mistakes, such as providing a step for acceptance confirmation. The institution should use all possible measures of website protection, to safeguard its rights as well as the client's rights protection. Also, agencies are strictly prohibited from selling or sending data without the permission of the owner, as well as the prohibition of trespassing commercial websites and data theft (Usman et al., 2022).

Shari'ah banking, too, in carrying out its business activities must be based on Islamic guidelines (Ullah, 2014). Shari'ah banks must operationally comply with various restrictions that have been established in Islamic law known as shari'ah compliance. Shari'ah compliance in Shari'ah bank operations includes not only products but also systems, techniques, and corporate identities (Usman et al., 2022). Failure to fulfill shari'ah requirements will lead to negative perceptions (Hidayat & Kassim, 2023). Shari'ah

compliance is the primary differentiation between shari'ah banking and conventional banking, including the provision of technology-based services, such as Internet banking and mobile banking (Usman et al., 2022). Some literature highlights it as an essential variable used to predict shari'ah products' intention and actual behavior (Aji et al., 2020; Raza et al., 2021). Kaakeh et al., (2019) carried out research in the United Arab Emirates and discovered the existence of a positive and significant relationship between shari'ah compliance and an individual's intention to use shari'ah banking products. Pahlevi et al., (2023) found shari'ah compliance has a positive relationship with the Intention to use Fintech Services for shari'ah bank. Furthermore, it is also an attraction for customers to use Islamic financial services (Alam et al., 2022; Ayedh et al., 2018; Johan et al., 2020). The more compliant shari'ah banking is to Islamic principles, the greater the number of consumers who use its products (Atal et al., 2022; Sulaeman et al., 2021). It is also possible that this variable moderates the relationship between intention and actual use of digital banking services. Therefore, this led to the following hypotheses:

H1 Shari'ah compliance positively affects the customer's intention to use shari'ah banking digital services

H2 Shari'ah compliance positively affects the actual behavior of using shari'ah banking digital services

H3 Shari'ah compliance plays a role in moderating the relationship between intention and actual use of shari'ah banking digital services.

2.2. Trust and Behavioral Intention

In the implementation of digital banking services in Indonesia, it is very important for all parties to ensure the reliability of the security factor of digital banking service transactions in order to gain the trust of all parties, especially customers of digital banking services (OJK, 2016). Trust is the accumulation of beliefs in one's integrity and virtue and the ability to trigger the desire to depend on technology (Alalwan et al., 2017). Some research stated that it is an essential component in economic relations because of the uncertainty and risks associated with the online environment (Dakduk et al., 2020). Anggraeni et al.,

(2021); Kusumawati & Rinaldi, (2020); Nguyen et al., (2020); Tugade et al., (2021) stated that trust has a significant impact on the intention to use digital banking. In addition, Alalwan et al., (2017); Kusumawati & Rinaldi (2020); Nguyen et al., (2020); Tugade et al., (2021) stated that trust affects the customer's intention to use shari'ah banking digital services. This led to the following hypothesis.

H4 Trust positively affects the customer's intention to use shari'ah banking digital services

2.3. UTAUT 1, UTAUT 2, and UTAUT 3

The Unified Theory of Acceptance and Use of Technology (UTAUT) model has attracted innumerable attention, and its successful application has been confirmed in certain empirical research (Oliveira et al., 2016; Venkatesh et al., 2012). Some preliminary research stated that UTAUT provides a better understanding of how users accept, adopt, and use technology. Incidentally, acceptance, adoption, and utilization have diverse definitions. Acceptance is the initial decision to interact with technology. Adoption occurs after having direct experience, while utilization refers to the judgment to continue using the technology afterward and acquire significant knowledge (X. Chao et al., 2021). In search of a more comprehensive technology acceptance model, Venkatesh et al., (2003) presented UTAUT by reviewing related research, conducting empirical analyses, and synthesizing some elements of the eight behavioral intention models used in the previous context.

These include Theory of Reasoned Action (TRA), Technology Acceptance Model (TAM), Motivational Model (MM), Theory of Planned Behavior (TPB), the combination of TPB-TAM, Model of Personal Computer Utilization (MPCU), Innovation Diffusion Theory (IDT), and Social Cognitive Theory (SCT) (Savić & Pešterac, 2019). UTAUT is applied to unify existing theories of how users accept and use technology (C. M. Chao, 2019; Venkatesh et al., 2003). This model consists of six primary constructs, namely performance and effort expectancies, social influence, facilitating condition, intention, and behavior (C. M. Chao, 2019).

Rahadi & Nainggolan (2022) stated that performance and effort expectancies, social influence, and facilitating conditions are widely used to determine

their effect on behavioral intention. In addition, intention and facilitating conditions are broadly used to evaluate behavior. Based on a systematic analysis, Venkatesh et al., (2003) stated that this integrated model (UTAUT) is used to explain 70% of the user intention variance. The empirical research showed that it is the most effective model for analyzing technology acceptance.

Furthermore, most follow-up research focused on refining the UTAUT model to boost technology acceptance and usage (Gunasinghe et al., 2020). Venkatesh et al., (2012) modified the UTAUT model into UTAUT 2 by adding three variables, namely hedonic motivation, price value, and habit (Alkawsi et al., 2021). These were used to clarify acceptance Alalwan et al., (2017) and utilization of technology from a consumer's perspective (Kusumawati & Rinaldi 2020). UTAUT 2 has been widely accepted and used in other contexts, such as consumer technology. This involves high cost given a large number of technology devices, applications, and services targeting consumers.

The theoretical constructs provided by the UTAUT 2 model, including hedonic motivation, cost, and habit, which are not available in TAM or UTAUT, are also found to significantly impact consumer decision-making to use technology (Chang, 2012). Furthermore, Farooq et al., (2017) developed UTAUT 3 to explore the causal relationship between the constructs in UTAUT 2, such as performance and effort expectancies, social influence, facilitating condition, habit, hedonic motivation, and price value. This is in addition to personal innovation in technology and information, intention, and behavior of using Lecture Capture System (LCS) in the education environment in Malaysia. The UTAUT 3 model consisting of eight variables, namely performance and effort expectancies, social influence, facilitating condition, habit, hedonic motivation, price value, and personal innovation, is then used by Gunasinghe et al., (2020) to test the acceptance of Virtual Learning Environment and interpret e-Learning adoption in private environments in Sri Lanka.

Performance Expectancy and Actual Behavior

Performance expectancy is defined as a person's general perspective of the easiness of the new

technology. It reflects the perceived utility and the extracted value. This specifically applies to the assumption that the use of technology services is easy (Rahadi & Nainggolan, 2022). Performance expectancy is the level of individual confidence in the use of a system that will improve performance. When the user's level of trust in a system is high, he will tend to use the technology offered regularly (Kumala et al., 2019). Performance expectancy is also defined as using technology to increase productivity, effectiveness, and efficiency (Gunasinghe et al., 2020; Venkatesh et al., 2012). This is also in line with research conducted by Harahap et al., (2023) that performance expectancy has a positive influence on the intention to use Shari'ah digital banking. Referring to the description, the researcher formulates the hypothesis as follows:

H5 Performance expectancy positively affects the customer's intention to use shari'ah banking digital services

Effort Expectancy and Behavioral Intention

Effort expectancy is the ease of use associated with the technical features of a system (Rahadi & Nainggolan, 2022). In the context of digital banking, it is also understood as the extent to which a person believes it is easy to use and requires little effort (T. T. Nguyen et al., 2020; Suma vally & Shankar, 2020). Effort expectancy is also a challenge because potential consumers will adopt and implement technology if the system and technical features are easy to use and understand (Ribadu & Wan Ab. Rahman, 2019). Some preliminary research stated that effort expectancy strongly impacts a person's intention to use technology. Riza, (2021); Suma vally & Shankar, (2020; Van et al., (2020) proved that effort expectancy has a positive impact on a person's intention to use digital banking.

Consumer experience is personal and implies one's involvement at different levels, such as rational, emotional, sensory, physical, and spiritual aspects. Consumer experience is an internal and subjective response from the customers after making direct or indirect contact with the company. Direct communication is generally initiated by the consumers and occurs during purchasing or enjoying the service. Meanwhile, indirect contact often involves unplanned meetings with representatives of

companies, services, or brands (Verhoef et al., 2009). Likewise, consumers' response to effort expectancy, shari'ah compliance, and intention can be based on a series of processes that involve elements within the individual. These are conveyed through sensory, emotional, cognitive, physical, and social aspects that tend to interact.

When consumers respond to effort expectancy as a cognitive element, it is likely to be influenced by an assessment of shari'ah compliance, representing an emotional element (Usman et al., 2022). Based on this assumption the relationship between effort expectancy and intention to use shari'ah banking digital services may be moderated by shari'ah compliance. Hence research involving shari'ah compliance to explain the intention and actual use, investigate its role in moderating the impact of effort expectancy on intention, and the effect of intention on the actual use of shari'ah banking digital services have not been carried out in Indonesia. Therefore, this led to the following hypothesis:

H6 Effort expectancy positively affects the customer's intention to use shari'ah banking digital services

H7 Shari'ah compliance plays a role in moderating the relationship between effort expectancy and intention to use shari'ah banking digital services

Social Influence and Behavioral Intention

Social influence is the extent to which consumers presume that family and friends believe they should use technology (Venkatesh et al., 2012). It reflects the effect of the environment, such as family, friends, relatives, and superiors, on behavior (Oliveira et al., 2016). In this research, social influence is a variable that appears when customers use shari'ah banking digital services because they are influenced by other people in their environment, such as friends, parents, relatives, neighbors, etc. Xie et al., (2021) stated that it is strongly related to the intention to adopt FinTech. Nguyen et al., (2020); Riza, (2021); Suma vally & Shankar, (2020) also proved that social influence can influence a person's intention to use digital banking. This led to the following proposed hypothesis:

H8 Social influence positively affects the customer's intention to use shari'ah banking digital services

Facilitating Condition and Actual Behavior

Facilitating condition (FC) describes how people acknowledge that the infrastructure and information technology supports those (Xie et al., 2021). It is also characterized by the extent to which a person assumes that the existence of organizational and technological frameworks facilitates the use of the system (Rahadi & Nainggolan, 2022). In this research, the facilitating condition is customers' perception of the resources and basic knowledge needed to use shari'ah banking digital services. These include smartphone devices compatible with the operating system, internet network providers, and an adequate understanding of how to operate shari'ah banking digital services. Nguyen et al., (2020); Riza, (2021); Suma vally & Shankar, (2020) stated that facilitating condition significantly affects a person's intention to use digital banking. Therefore, the following hypothesis was proposed:

H9 Facilitating condition positively affects the customer's intention to use shari'ah banking digital services

Hedonic Motivation and Behavioral Intention

Venkatesh et al., (2012) defined hedonic motivation as the pleasure of using technology. In this research, the joy emerges from using shari'ah banking digital services. Hedonic motivation has been proven to play an essential role in determining the acceptance and use of information technology. Nguyen et al., (2020); Riza, (2021); Suma vally & Shankar, (2020) stated that this type of motivation affects a person's intention to use digital banking. This led to the following proposed hypothesis:

H 10 Hedonic motivation positively affects the customer's intention to use shari'ah banking digital services.

Price Value and Behavioral Intention

In marketing research, price or cost is conceptualized along with the product or service quality to determine the perceived value (Karambut, 2021). However, in this research, price value is the satisfaction felt by users because the cost incurred is proportional to the benefits obtained. Shari'ah banking customers feel that the cost incurred to register a new account is proportional to the benefits obtained, where they can properly make transfers. Some preliminary research

stated that it positively impacts behavioral intention when the benefits of the technology used are more significant than the cost paid (Venkatesh et al., 2012). Suma vally & Shankar (2020) and Nguyen et al., (2020) reported that price value positively affects a person's intention to use digital banking. Based on these results, the following hypothesis was proposed:

H 11 Price value positively affects the customer's intention to use sharī'ah banking digital services

Habit and Behavioral Intention

Habit is a repetitive action based on knowledge, experience (Raza et al., 2018), and previous learning (Venkatesh et al., 2012). This research depends on the fact that the customers are accustomed to using sharī'ah banking digital services daily. O. T. Nguyen, (2020); Suma vally & Shankar, (2020) stated that habit is a significant factor that affects a person's intention to use digital banking. This led to the proposed hypothesis:

H 12 Habit positively affects the customer's intention to use sharī'ah banking digital services

Personal Innovation, Behavioral Intention, and Actual Behavior

One of the differences between UTAUT 3 and UTAUT 2 is the personal innovation variable, a person's willingness to try new technologies (Oliveira et al., 2016). Some research confirmed that personal innovation affects technology adoption (Farooq et al., 2017; Gunasinghe et al., 2020) and behavioral

intention (Hidayat-Ur-Rehman et al., 2022). Kumar et al., (2020) proved that personal innovation positively and significantly impacts the intention to adopt mobile banking. Based on the acquired results, the following hypotheses were proposed:

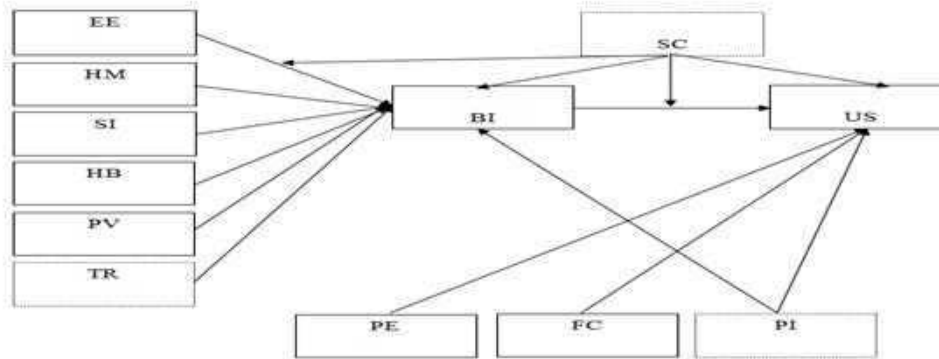
H 13 Personal innovation positively affects the actual behavior of customers using sharī'ah banking digital services

H 14 Personal innovation positively affects the customer's intention to use sharī'ah banking digital services

Behavioral Intention and Actual Behavior

Behavioral intention, a critical variable, is defined as the extent to which a person consciously formulates a plan, whether or not to exhibit a certain attitude in the future (Anggraeni et al., 2021; C. M. Chao, 2019; Raza et al., 2018). Meanwhile, actual behavior is the individual's willingness to accept or reject technology (Raza et al., 2018). Anggraeni et al., (2021) and Raza et al., (2018) stated that intention has a significant and positive relationship with the actual use of digital banking. Based on these results, it was presumed that intention significantly affects the actual use of sharī'ah banking digital services. Therefore, this led to the formulation of the following hypothesis:

H 15 Intention has a positive impact on the actual use of sharī'ah banking digital service

Figure 1: Research Model

Note: Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), Facilitating Condition (FC), Hedonic Motivation (HM), Price Value (PV), Habit (HT), Personal Innovation (PI), Trust (TR), Shari'ah Compliance (SC), Behavioral Intention (BI), Actual Use (US)

Source: Authors' Own

3. Method

This descriptive-exploratory research used a quantitative method. In order to test the theoretical research framework, a survey questionnaire was developed. To examine the determinants of intention to use shari'ah banking digital services in Indonesia, 41 items were ranked based on a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. Five-points is a type of Likert scale that is most widely used in various social studies that use a Likert scale. It is also easier to use because it can map respondents' choices into five clear options, ranging from strongly disagree to agree strongly. If the number is seven or even 11, it will be difficult for respondents to make choices (Edmondson, 2005; Mumu et al., 2022). The target population in this study is Shari'ah bank customers who use shari'ah banking digital services in Indonesia. This research employed a non-probability sampling method with purposive and judgmental sampling techniques to get respondents who fit the criteria (Cooper, D. R., Schindler, P. S., & Sun, 2006).

The sample criteria are Muslims at least 18 years old, Shari'ah bank customers, and domiciled in the Jakarta metropolitan area. Because in line with the development of the banking sector, Jakarta has become the best place for shari'ah banks. In 2019 the

Shari'ah Banks in Jakarta contributed approximately 54,82% of the total assets in Indonesia with a total of 265 Shari'ah bank service offices (Mulazid et al., 2020). Questionnaires are distributed to online respondents via e-mail or WhatsApp. The researcher shares questionnaires with colleagues via e-mail and WhatsApp groups. They will circulate to their colleagues, friends, or relatives. Up to the specified time limit, respondents returned as many as 129 completed questionnaires. Shari'ah banking customers who used digital services during the COVID-19 pandemic were required to fill out the online questionnaires provided using Google Forms. This research acquired a good sample size because it exceeded the minimum. According to Churchill and Iacobucci (2010), a sample size of 50 to 100 SEM tends to function effectively (Raza et al., 2018). A total of 333 respondents participated in this research. After filtering the data, 129 shari'ah banking customers from Jakarta, Bogor, Depok, Tangerang, South Tangerang, and Bekasi were selected, while the remaining 204 did not participate because they were not shari'ah banking customers. Data analysis was performed using PLS-SEM. According to Raza et al., (2018), this method has the following advantages: fewer constraints on the measurement scale, sample size, data distribution, and normality.

4. Results and Discussion

4.1 Characteristics of Respondents

Descriptive statistical analysis was performed on data from 129 respondents to examine their demographic characteristics, such as gender, age, domicile, education, occupation, income qualification, and experience as shari'ah banking customers. These results are presented in Table 1. Most respondents were female, about 55.04% and the remaining 44.96 % were male.

The age range of most respondents is between 18 and 24 years old, which shows that customers generally accept the technology and lifestyle within this age range (Pahlevi et al., 2023). Understanding the factors that influence the acceptance and use of shari'ah digital banking services is important for shari'ah banks to successfully implement a fintech strategy.

Table 1: Demographic Profile of Respondents

Measurement	Item	Number	Percentage
Gender	Male	58	44.96%
	Female	71	55.04%
Domicile	Jakarta	42	32.56%
	Bogor	20	15.50%
	Depok	15	11.63%
	Tangerang	13	10.08%
	South Tangerang	35	27.13%
	Bekasi	4	3.10%
Age	18-24	96	74.42%
	25-34	16	12.40%
	35-44	8	6.20%
	45-54	6	4.65%
	55-64	3	2.33%
Education	Undergraduate	75	58.14%
	Graduate	17	13.18%
	Postgraduate	3	2.33%
	Senior High School	34	26.36%
Occupation	Lecturer	6	4.65%
	Employee	14	10.85%
	Student	96	74.42%
	Entrepreneur	3	2.33%
	Civil servant	10	7.75%
Income	< IDR 1,500,000	88	68.22%
	IDR 1,500,001-IDR 5,000,000	22	17.05%
	IDR 10,000,001-IDR 15,000,000	5	3.88%
	IDR 5,000,001-IDR 10,000,000	9	6.98%
	> IDR 15,000,000	5	3.88%
Experience	< 6 months	78	60.47%
	>3 years	4	3.10%
	1 year – 2 years	12	9.30%
	2 years – 3 years	9	6.98%
	6 months – 1 year	26	20.16%

Source: Data processed by the authors

4.2. PLS SEM

To test the research hypotheses, the PLS-SEM method is used. The SMARTPLS 3.0 software is used as follows: 1) Evaluation of the outer (measurement) model: Individual item reliability, internal consistency (construct reliability), average variance extracted (AVE), and discriminant validity; 2) Evaluation of the inner (structural) model: path coefficient, collinearity, effect size (f^2), coefficient of determination (R^2 value), and predictive relevance (Q^2).

Measurement Model

Hulland (1999) stated that the adequacy of the measurement model can be determined by obtaining

item reliability and internal consistency, as well as convergent and discriminant validities. Chin (1998) stated that to determine the reliability of items, the threshold value of each of them needs to be greater than 0.7. As shown in Figure 2, all items (41) exceeded the threshold value indicating that the survey instrument was adequately used to measure each construct. Furthermore, the internal consistency reliability was checked by determining the composite reliability (CR). In this research, all the CR was above the minimum value of 0.80, as shown in Table 2. This indicated that the construct size had high internal consistency reliability.

Table 2: PLS Analysis Results: Measurement Model

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
EE	0.934	0.953	0.835
FC	0.864	0.907	0.710
HB	0.845	0.906	0.762
HM	0.865	0.917	0.787
INT	0.838	0.925	0.860
PE	0.905	0.934	0.779
PI	0.820	0.917	0.847
PV	0.772	0.898	0.814
SC	0.934	0.946	0.685
SI	0.893	0.949	0.903
TR	0.888	0.931	0.818
US	0.865	0.917	0.786

Note: Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), Facilitating Condition (FC), Hedonic Motivation (HM), Price Value (PV), Habit (HT), Personal Innovation (PI), Trust (TR), Shari'ah Compliance (SC), Intention (INT), Actual Use (US)

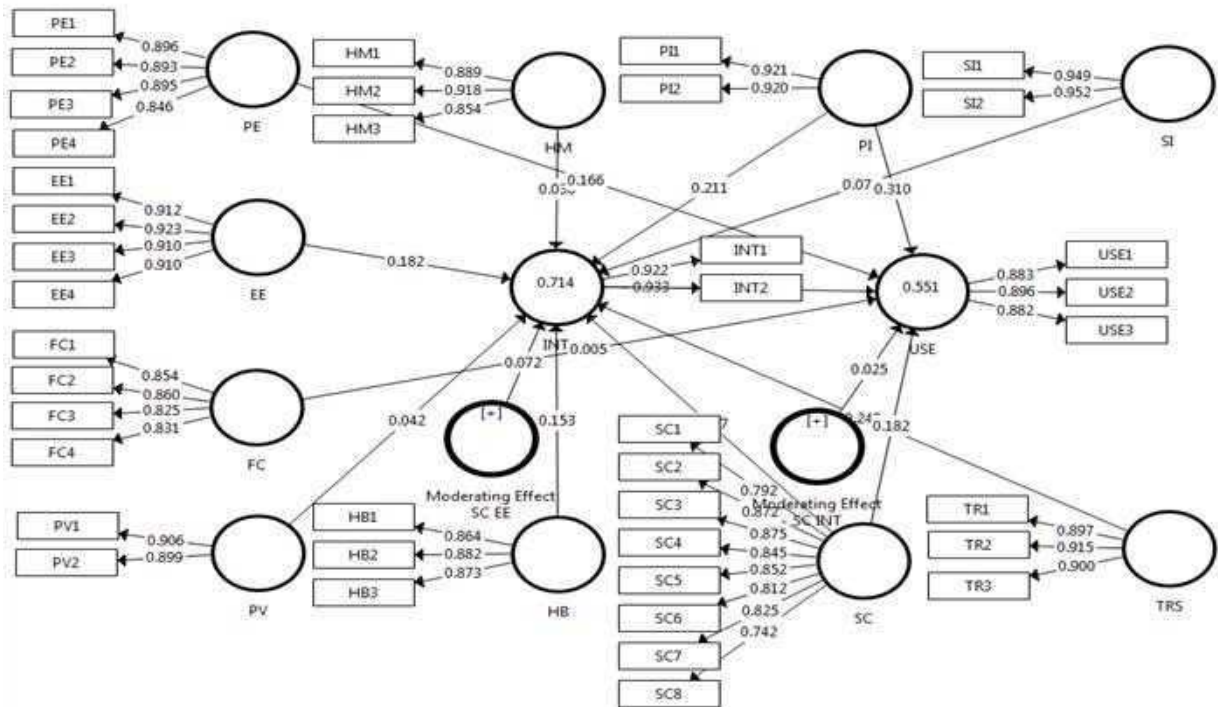
Source: Data processed by the authors

Convergent Validity

Fornell & Larcker (1981) established three conditions regarding the adopted convergent validity measures. *First*, item reliability was viewed from the loading factor using the validity indicator. A loading factor is defined as a number that shows the correlation between the score of a question item and the indicator that measures the construct. The measurement design is considered acceptable if the loading factor for each item is 0.7 and relevant at a minimum level of 0.5 (Mohamed & Wee, 2020). *Second*, internal consistency reliability was checked by determining composite reliability (CR). *Third*, the Average

Variance Extracted (AVE) should be greater than 0.50. Figure 2 and Table 2 show that the loading factor, composite reliability, and AVE exceed 0.708, 07, and 0.5, respectively. This is in line with the research carried out by (Hair et al., 2014). Figure 2 shows that the loading factor varies from 0.796 to 0.941 and is above the minimum value. Table 2 shows that the construct has high internal consistency reliability, where the CR ranges from 0.898 to 0.953 and above 0.70. The AVE also varies from 0.685 to 0.903, meaning that in this research, it is also more significant than the minimum 0.50.

Figure 2: PLS-SEM Measurement Model



Note: Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), Facilitating Condition (FC), Hedonic Motivation (HM), Price Value (PV), Habit (HT), Personal Innovation (PI), Trust (TR), Shari'ah Compliance (SC), Behavioral Intention (BI), Actual Use (US)

Source: Data processed by the authors

Table 3: PLS-SEM Measurement Model

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
EE	0.934	0.953	0.835
FC	0.864	0.907	0.710
HB	0.845	0.906	0.762
HM	0.865	0.917	0.787
IN	0.838	0.925	0.860
PE	0.905	0.934	0.779
PI	0.820	0.917	0.847
PV	0.772	0.898	0.814
SC	0.934	0.946	0.685
SI	0.893	0.949	0.903
TR	0.888	0.931	0.818
US	0.865	0.917	0.786

Note: Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), Facilitating Condition (FC), Hedonic Motivation (HM), Price Value (PV), Habit (HT), Personal Innovation (PI), Trust (TR), Shari'ah Compliance (SC), Behavioral Intention (BI), Actual Use (US)

Source: Authors' Own

Discriminant Validity

Discriminant validity was evaluated for each construct by observing the square root of the AVE, a diagonal line in Table 3, which should be greater

than the correlation between the construct and others. The discriminant validity of the construct is shown in Table 3.

Table 4: Fornell-Larcker Criterion

	EE	FC	HB	HM	IN	PE	PI	PV	SC	SI	TR	US
EE	0.914											
FC	0.709	0.843										
HB	0.631	0.651	0.873									
HM	0.698	0.682	0.664	0.887								
IN	0.696	0.682	0.704	0.691	0.928							
PE	0.778	0.645	0.642	0.626	0.685	0.883						
PI	0.557	0.607	0.684	0.613	0.711	0.576	0.920					
PV	0.598	0.577	0.689	0.689	0.667	0.611	0.650	0.902				
SC	0.576	0.677	0.593	0.672	0.663	0.529	0.642	0.634	0.828			
SI	0.623	0.655	0.595	0.681	0.635	0.678	0.593	0.575	0.548	0.950		
TR	0.738	0.761	0.621	0.752	0.746	0.682	0.627	0.662	0.733	0.648	0.904	
US	0.550	0.560	0.614	0.512	0.661	0.582	0.670	0.497	0.603	0.509	0.573	0.887

Note: Performance Expectancy (PE), Effort Expectancy (EE), Social Influence (SI), Facilitating Condition (FC), Hedonic Motivation (HM), Price Value (PV), Habit (HT), Personal Innovation (PI), Trust (TR), Shari'ah Compliance (SC), Intention (INT), Actual Use (US)

Source: Data processed by the authors

Structural Model

Bootstrapping was carried out using 5,000 samples to determine the significance of the paths in the structural model. In addition to the single-path test, the amount of variance explained by the independent variable was measured using the coefficient of determination R^2 from the dependent. Analysis of variance (R^2) or determination test was used to ascertain the effect of the independent variable on the dependent one. The SmartPLS algorithm function was used to obtain this value, while the t-statistic was realized using the SmartPLS bootstrap.

The r-square value showed that performance expectancy, facilitating condition, personal innovation, and shari'ah compliance could explain the variability of the actual use construct by 55.1%. The remaining 44.9% was illustrated by other external constructs. Meanwhile, the r-square value of the independent variables including performance expectancy, effort expectancy, facilitating condition, social influence, habit, price value, hedonic motivation, personal innovation, shari'ah compliance, and trust could explain the variability of the intention construct by 71.4%. The remaining 28.6% was analyzed by other external constructs.

4.3. Discussion

In order to test the causal relationship between hypotheses, we followed the bootstrapping procedure with a resample of 5,000 (Hair et al., 2014). Table 5 shows that the path between shari'ah compliance and intention is positive although insignificant therefore, H1 was rejected ($\beta = 0.077$, $t = 1.085$, $p > 0.05$). This result contradicts the research by Kaakeh et al., (2019); Raza et al., (2021) that a significant and positive relationship exists between shari'ah compliance and intention to use its products.

Second, the path between shari'ah compliance and actual use was positive and significant therefore, H2 was accepted ($\beta = 0.182$, $t = 2.151$, $p < 0.05$). This

is in line with Alam et al., (2022); Ayedh et al., (2018) and Johan et al., (2020) that shari'ah compliance has the ability to attract customers to use shari'ah financial services.

Third, the moderating effect of shari'ah compliance on intention and actual behavior was insignificant therefore, H3 was rejected ($\beta = 0.025$, $t = 0.707$, $p > 0.05$). *Fourth*, the significant effect of trust on the intention to use shari'ah banking digital services was found in this research ($\beta = 0.249$, $t = 3.516$, $p < 0.05$) therefore, H4 was accepted.

Fifth, performance expectancy was found to have a significant impact on the actual behavior of using shari'ah banking digital services ($\beta = 0.166$, $t = 2.239$, $p < 0.05$), therefore, H5 was accepted. This result is consistent with that of Rahadi & Nainggolan (2022) that performance expectancy significantly affects actual use.

Sixth, effort expectancy was reported to have a significant effect on the intention to use shari'ah banking digital services ($\beta = 0.182$, $t = 2.324$, $p < 0.05$) therefore, H6 was accepted. This result is supported by Kholid, (2019); Raza et al., (2018); Riza, (2021), who also stated that effort expectancy had a significant effect on the intention to use shari'ah banking digital services.

Seventh, the role of shari'ah compliance in moderating the effect of effort expectancy on the intention to use shari'ah banking digital services was found to have a significant and positive effect, thereby supporting H7 ($\beta = 0.072$, $t = 2.210$, $p < 0.05$). *Eighth*, social influence was reported to have an insignificant effect on the intention to use shari'ah banking digital services ($\beta = 0.076$, $t = 1.348$, $p > 0.05$) therefore, H8 was rejected. This result is in line with Kholid, (2019); Raza et al., (2018), stating that social influence had an insignificant effect on intention. This is because the environment and other people have not been a reason to use shari'ah banking digital services (Kusumawati & Rinaldi, 2020).

Ninth, the facilitating condition had an insignificant effect on the actual use of shari'ah banking digital services ($\beta = 0.005$, $t = 0.065$, $p > 0.05$) therefore H9 was rejected. This is in line with Anggraeni et al., (2021), stating that facilitating conditions had an insignificant impact on the use of digital banking services. *Tenth*, hedonic motivation was found to have an insignificant effect on the intention to use shari'ah banking digital services ($\beta = 0.036$, $t = 0.479$, $p > 0.05$) therefore, H 10 was rejected. This result contradicts that of Anggraeni et al., (2021) and Kusumawati & Rinaldi (2020) that hedonic motivation had a significant effect on the intention to use shari'ah banking digital services. *Eleventh*, the price value was stated to have an insignificant effect on intention ($\beta = 0.042$, $t = 0.615$, $p > 0.05$) therefore, H11 was rejected. This finding is consistent with Anggraeni et al., (2021) and Kusumawati & Rinaldi (2020), who further reported that the price value had an insignificant effect on the intention to use digital banking. *Twelfth*, habit was reported to have a significant effect on intention, thereby supporting H12 ($\beta = 0.153$, $t = 2.710$, $p < 0.05$). This finding is consistent with Anggraeni et al., (2021) and

Kusumawati & Rinaldi (2020), and Raza et al., (2018), that habit had a significant effect on behavioral intention.

Thirteenth, the intention to use shari'ah banking digital services was discovered to be significantly affected by personal innovation ($\beta = 0.211$, $t = 3.371$, $p < 0.05$), therefore, H13 was accepted. This result is in line with Hidayat-Ur-Rehman et al., (2022) and Kumar et al., (2020) that personal innovation significantly affected intention. This result implies that innovative respondents have the intention to try new products and technologies (Leicht et al., 2018).

Fourteenth, personal innovation was also found to affect actual use ($\beta = 0.310$, $t = 3.692$, $p < 0.05$) therefore, H14 was accepted. This is in line with the research by Farooq et al., (2017); Gunasinghe et al., (2020) that personal innovation affected technology adoption. *Fifteenth*, intention was discovered to have a significant effect on actual use (US), thereby supporting H1 ($\beta = 0.203$, $t = 2.426$, $p < 0.05$). This result is in line with Anggraeni et al., (2021); C. M. Chao, (2019), and Raza et al., (2018), stating that intention had a significant effect on actual use.

Table 5: PLS-SEM Structural Model

	Original Sample	T Statistic	P Value	Decision
H1: Shari'ah Compliance -> Intention	0.077	1.085	0.278	Rejected
H2: Shari'ah Compliance -> Use	0.182	2.151	0.032	Accepted
H4: Trust -> Intention	0.249	3.516	0.000	Accepted
H5: Performance Expectancy -> Use	0.166	2.239	0.025	Accepted
H6: Effort Expectancy -> Intention	0.182	2.324	0.020	Accepted
H8: Social Influence -> Intention	0.076	1.348	0.178	Rejected
H9: Facilitating Condition -> Use	0.005	0.065	0.949	Rejected
H 10: Hedonic Motivation -> Intention	0.036	0.479	0.632	Rejected
H 11: Price Value -> Intention	0.042	0.615	0.539	Rejected
H 12: Habit -> Intention	0.153	2.710	0.007	Accepted
H 13: Personal Inovation -> Intention	0.211	3.371	0.001	Accepted
H 14: Personal Inovation -> Use	0.310	3.692	0.000	Accepted
H 15: Intention -> Use	0.203	2.426	0.015	Accepted

Note: * $p < 0.05$

Source: Data processed by the authors

Table 6: Moderating Effect

	Original Sample	T Statistic	P Value	Decision
H3: * Shari'ah Compliance, Intention -> Use	0.025	0.707	0.480	Rejected
H7:* Shari'ah Compliance, Effort Expectancy -> Intention	0.072	2.210	0.027	Accepted

Note: * $p < 0.05$

Source: Data processed by the authors

5. Conclusion

This research has succeeded in investigating the phenomenon of acceptance and the use of shari'ah banking digital services among its customers. The findings show that effort expectancy, habit, personal innovation, and trust can affect customers' intention to use shari'ah banking digital services.

The findings also show that intention, performance expectancy, personal innovation, and shari'ah compliance can affect the actual use of shari'ah banking digital services. Furthermore, the role of shari'ah compliance in moderating the effect of effort expectancy and intention to use shari'ah banking digital services is also reported in this research. The theoretical implications of this research contribute to the literature on UTAUT 3, trust, and compliance in the context of shari'ah banking digital services. The results support nine of the fifteen hypotheses proposed in the research. It also shows the importance of intention, performance expectancy, and shari'ah compliance in explaining the actual use of shari'ah banking digital services, the relevance of effort expectancy, habit, personal innovation, and trust in explaining the acceptance of shari'ah banking digital services.

This is in addition to the importance of shari'ah compliance in moderating the effect of effort expectancy on intention to use shari'ah banking digital services. Practically, the results are expected to be used as a reference for shari'ah banking managers to formulate policies and determine strategies to develop and improve digital banking

services that are safe, reliable, easy, inexpensive, and in accordance with shari'ah rules and principles.

Improving the quality of shari'ah digital banking services, which are easy, effective, efficient, and enjoyable, is not enough to explain variations in acceptance and use of shari'ah digital banking services. This research even shows the importance of trust in differences in customer acceptance of shari'ah banking digital services. In addition, this research shows the importance of shari'ah compliance in moderating the influence of effort expectations on intentions to use shari'ah banking digital services. Shari'ah compliance may serve as a surrogate for expectation efforts in influencing intentions to use shari'ah banking digital services. In other words, shari'ah banks can rely on shari'ah compliance as their advantage in competing with conventional banks. Although this research provides some interesting insights into the acceptance and use of shari'ah banking digital services, it also has certain limitations.

First, data were collected from only 129 shari'ah banking customers domiciled in Jakarta, Bogor, Depok, Tangerang, South Tangerang, and Bekasi. Therefore, future research needs to be conducted using more respondents. *Second*, this research only uses the UTAUT 3 theoretical model and additional variables, namely shari'ah compliance and trust. Therefore, future research can add other variables relevant to the context of shari'ah banking digital services, such as religiosity, government support, security, and perceived risk that need to be considered to enrich the research.

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العوامل المحددة للقبول واستخدام خدمات البنوك الإسلامية الرقمية في إندونيسيا: تطبيق النظرية الموحدة المعدلة لقبول التكنولوجيا واستخدامها (UTAUT 3)

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المستخلص. تعتبر الخدمات المصرفية الرقمية واحدة من الخدمات المتعددة التي تقدمها البنوك الإسلامية، لذلك يجب مراعاة جودة هذه الخدمات. تقوم هذه الدراسة بفحص محددات الرغبة في استخدام خدمات البنوك الإسلامية الرقمية من المسلمين الإندونيسيين باتباع نموذج النظرية الموحدة المعدلة لقبول التكنولوجيا واستخدامها مع متغيرات الامتثال للشريعة والثقة. تم اختبار النموذج تجريبيًا في منطقة جاكرتا الكبرى استنادًا إلى ١٢٩ استجابة من استطلاع ميداني. تم

تحليل البيانات المجمعة عن طريق نمذجة معادلات الانحدار الهيكلي بالمربعات الصغرى. أظهرت النتائج أن العادة والابتكار الشخصي والثقة تؤثر بشكل كبير على الرغبة في استخدام خدمات البنوك الإسلامية الرقمية. تتأثر توقعات الأداء والابتكار الشخصي والامتثال للشريعة بشكل كبير بالاستخدام الفعلي لخدمات البنوك الإسلامية الرقمية. كما أظهرت نتائج هذه الدراسة أيضاً دور الامتثال للشريعة في تعديل تأثير توقعات الأداء على رغبة استخدام خدمات البنوك الإسلامية الرقمية. يمكن توظيف الآثار العملية لنتائج هذه الدراسة لتعزيز تطوير خدمات البنوك الإسلامية الرقمية واتخاذ القرار في صياغة استراتيجيات لزيادة قبول واستخدام خدمات البنوك الإسلامية الرقمية. يساهم هذا البحث أيضاً في تطوير الأدبيات كمحاولة أولية لاستقصاء العوامل التي تؤثر في قبول واستخدام خدمات البنوك الإسلامية الرقمية من خلال نموذج النظرية الموحدة المعدلة لقبول التكنولوجيا واستخدامها مع متغيرات الامتثال للشريعة والثقة.

الكلمات الدالة: النظرية الموحدة المعدلة لقبول التكنولوجيا واستخدامها، الامتثال للشريعة، الخدمات البنوك الإسلامية الرقمية، البنوك الإسلامية

تصنيف JEL: G21, G40

تصنيف KAUIE: B4, I1, J2

Sharī'ah-Compliant Investing: Examining Ijārah-Şukūk Market Determinants in Pakistan

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ABSTRACT. This study explores the influence of Ijārah-Şukūk market determinants on Sharī'ah-compliant investments in Pakistan during a significant financial crisis that the country witnessed over the past two years (2022-2023). Utilizing a modified questionnaire, the research gathered data from three hundred (300) şukūk investors, analyzed using SmartPLS software. The study identifies Sharī'ah Compliance as the most influential factor in the restructured Islamic Market of Pakistan, followed by secondary market impact and credit ratings. The introduction of Sharī'ah-compliant securities is expected to attract investors to the benefits of structured markets, including yield, market liquidity, and balance in both long and short-term şukūk instruments. The application of this research in Pakistan's emerging Islamic Market highlights the role of şukūk market determinants in Sharī'ah-compliant investment. The findings are valuable for countries developing Islamic banking systems and policymakers. The study also highlights the role of şukūk market determinants in Sharī'ah-compliant investment. The findings are valuable for countries developing Islamic banking systems and policymakers endeavoring to expand Islamic financial instruments. The research emphasizes the market's pivotal factor, Sharī'ah Compliance, and its influence over secondary market dynamics and credit ratings. The study, examining the impact during a financial crisis, reveals that the introduction of Sharī'ah-compliant securities is likely to draw investors to the advantages of well-structured markets, such as yields, liquidity, and balance in şukūk instruments. The results offer insights for enhancing market environments and regulatory measures to create an attractive investment landscape.

KEYWORDS: Ijārah, Şukūk, Sharī'ah compliance, credit ratings, secondary markets, institutional support, investor confidence, Sharī'ah compliant Investment

JEL CLASSIFICATION: G10, G15, G20, G21, G23

KAUJIE CLASSIFICATION: E23, H55, I0, I3, I6, J4, K0, K16

1. Introduction

Ijārah ṣukūk is an Islamic financial instrument that represents fractional ownership of underlying assets. It is a type of ṣukūk that is based on the concept of Ijārah, which is a lease or rental agreement. In an Ijārah ṣukūk transaction, the issuer (ṣukūk holder) purchases the underlying assets and then leases them back to the lessee (ṣukūk issuer) for a predetermined period of time. The lessee makes periodic rental payments to the ṣukūk holder, and at the end of the lease term, the ownership of the underlying assets is transferred to the lessee. Ijārah ṣukūk can be used to finance a variety of assets, including real estate, infrastructure, and equipment. They offer a number of advantages over conventional debt financing, such as, they are compliant with Islamic law, which makes them attractive to Muslim investors. They can be used to finance assets that would not be available to conventional lenders, such as real estate and infrastructure. They can offer a higher rate of return than conventional debt instruments.

The Ijārah Ṣukūk market in Pakistan, situated within the broader realm of Islamic finance, stands as an intriguing subject for academic exploration. Positioned as a burgeoning ecosystem, this market exhibits inherent potential while grappling with early growth challenges. Unlike established financial instruments, Ijārah Ṣukūk, as a newcomer, is poised on the periphery, keen to participate in the financial landscape while still deciphering its rules. With undeniable promise, it attracts investors seeking Shari'ah-compliant avenues and issuers in pursuit of innovative financing solutions. Despite government support and guidance, the market remains in its nascent phase compared to global counterparts, encountering occasional challenges in its developmental journey. Characterized as a resilient journey of discovery, the market faces initial obstacles such as limited awareness and product offerings. Continuous innovation and education act as agile navigators, steering the market toward smoother progression. Looking ahead, the future of Pakistan's Ijārah Ṣukūk market holds potential for vibrant growth with sustained support, intellectual exploration, and a commitment to ethical development. Beyond providing opportunities for Shari'ah-compliant investment, it reflects Pakistan's financial ambition and entrepreneurial spirit. A comprehensive

examination of this market requires transcending statistical analysis to understand it as a dynamic space, evolving daily and intricately woven into the fabric of human progress and ethical financial solutions. Contributing to this narrative ensures the transformation of this fledgling entity into a robust fixture, providing both shelter and sustenance to the financial ecosystem it inhabits.

The Ijārah Ṣukūk market in Pakistan experienced noteworthy growth, with total outstanding issuance reaching USD 969 billion by December 2023, marking a substantial 30% increase from the beginning of the year. Notably, the government maintained a dominant position as the primary issuer, contributing 75% of the market share, while corporate issuances constituted the remaining 25%. Product innovation in the market included diversification of tenors, with short-term ṣukūk (maturities under 3 years) amounting to PKR 100 billion and longer-term instruments (maturities exceeding 5 years) totaling PKR 50 billion. Specialized ṣukūk structures, particularly those based on Musharakah and Muḍārabah, gained traction, offering alternative Shari'ah-compliant financing options. In terms of investor participation, institutional investors, particularly pension funds and banks, played a predominant role, representing over 60% of total investments. Retail investor participation showed a modest increase, attributed to heightened awareness and improved product offerings. The regulatory landscape, actively shaped by the State Bank of Pakistan (SBP), saw the establishment of a dedicated 'Shari'ah Financial Products Unit' within the SBP to streamline issuances and enhance market transparency. Efforts to establish standardized documentation and reporting practices further contributed to strengthening investor confidence. Despite positive trends, challenges such as limited awareness persist, necessitating widespread dissemination of information and concerted efforts in investor education. The future outlook remains optimistic, with sustained emphasis on investor education, ongoing product innovation, and continued regulatory support positioning the Ijārah Ṣukūk market for substantial growth in the upcoming years, playing a pivotal role in shaping Pakistan's Islamic finance industry.

1.1. Research Gap

Shaikh (2023) investigated the dynamics of Islamic banking's market growth in Pakistan. He analyzes how economic shocks like changes in benchmark and exchange rates, along with internal factors like efficiency, profitability, and asset quality, influence the industry's development. Shaikh (2023) highlighted the need of substantial growth of Islamic banking in Pakistan by understanding the Shari'ah compliant behavior (gap 1), as many Muslims prefer Islamic banking due to its adherence to Sharia principles. In the context of future work, he stated that the researchers should explore the long-term sustainability of Islamic banking in Pakistan, considering evolving market conditions (gap 2) and regulatory frameworks (gap 3). Additionally, investigating the social and economic impacts of Islamic banking on a broader scale, beyond financial inclusion and capital formation (gap 4), could provide a more comprehensive understanding of its role in shaping the country's economic landscape.

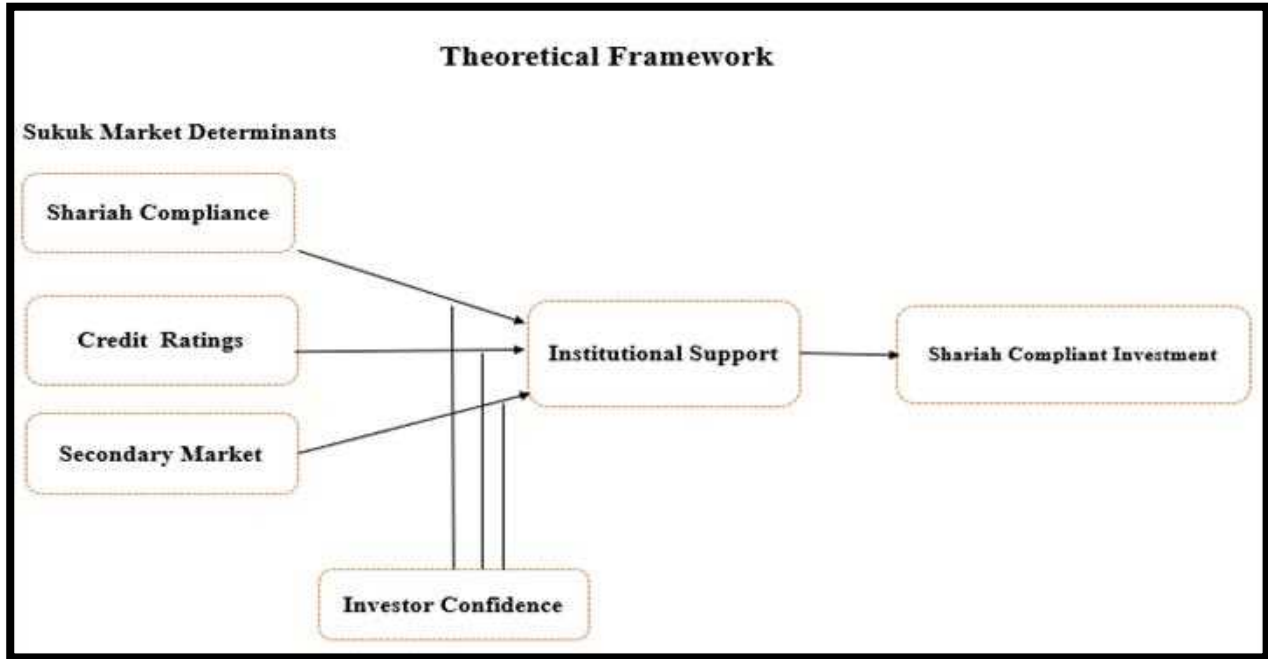
1.2. Present Study Contribution and Significance

According to the Fitch Rating Dubai data, Pakistan initiated in Ijārah Şukūk in 2020. The infant market has made tremendous progress in last three years. One of the main reasons of its progress is the Shari'ah Compliant behavior of Investors in Pakistan which has encouraged by the State Bank to work on more Shari'ah Compliant Product to meet domestic need of funds. In the last three years the Ijārah Şukūk were held by institutional investors which slow down the development of full-fledged market mechanisms for Ijārah Şukūk. This 2023 is the first year in which Ijārah Şukūk step down in Pakistan Stock Exchange

to attract the common investor. This immense development has made very important to conduct study on Ijārah Şukūk on macro level keeping the other macro-economic factors to add enhancement in "Shari'ah Compliant investment" as an important economic indicator for Pakistan. Thus, the objectives of this study are twofold. Firstly, it seeks to identify the factors and mechanisms that come into play once the initial structure of the Islamic Market is established. This objective is driven by the desire to meet the expectations of the target audience, specifically investors interested in Islamic Products. Notably, the decision to employ Ijārah financing is motivated by the intent to lower the borrowing costs of national institutions while simultaneously sharing the risks associated with underlying assets in the context of Ijārah Financing. Secondly, the investor confidence on the development and progress on Islamic Capital markets. To address these research gaps, the present study adopts an exploratory approach utilizing a case study technique supplemented by semi-structured interviews, following the methodology proposed by Creswell (2022).

Furthermore, this research intends to add on currently available literature in Islamic Finance, specifically regarding the Ijārah-şukūk market characteristics which can help the policy maker to work on structuring the Ijārah-şukūk market not on national as well as international market. Following this, the findings will assist government towards strategic implementation for continuous improvement in şukūk market.

Figure -(1) - Theoretical Framework



Source: Authors' Own

2. Literature Review

2.1. Theoretical Review

According to TPB, three important variables influence human behavior: beliefs, personal standards, and perceived behavioral control. When discussing Ijārah sukūk investments, attitudes would refer to a person's opinions on the advantages and disadvantages of making such investments in Islamic financial instruments. Ijārah sukūk investment views may be influenced by elements like anticipated earnings, risk perception, and religious value (Almaskati, 2022)s. The sense of social obligation from significant persons or organisations, like friends, relatives, religious leaders, or advisors in finance, as well as their endorsement or condemnation of buying Ijārah sukūk, are all considered subjective norms (Surachman et al., 2023). These social influences can significantly impact an individual's Sharī'ah Compliant Investment -making process. Perceived behavioral control relates to an individual's assessment of their ability to perform a specific behavior and overcome potential obstacles or

constraints (Naeem et al., 2023). In the case of Ijārah sukūk investment, perceived behavioral control could include factors like familiarity with Islamic finance, access to information, and the availability of Islamic investment platforms (Wei et al., 2022).

By applying the TPB framework, researchers can investigate how these factors influence individuals' Sharī'ah Compliant Investment s in Ijārah sukūk. For instance, a study might examine how positive attitudes towards the financial benefits of Ijārah sukūk, strong subjective norms from influential individuals promoting Islamic finance, and individuals' perceived control over their Sharī'ah Compliant Investment s collectively shape their intentions and subsequent behavior regarding Ijārah sukūk investments. This analysis can contribute to a deeper understanding of the factors that influence individuals' Sharī'ah Compliant Investment s in the context of Islamic finance and assist in developing targeted interventions or strategies to promote Ijārah sukūk investment.

2.2. Empirical Review.

Shari'ah-Compliance judgement involves a great deal of subjectivity. Delle Foglie & Keshminder (2022) conducted research on the effect of Shari'ah-compliant stocks on Malaysian stock market performance. They discovered that stocks that adhered to Shari'ah had a favourable and significant impact on market returns, demonstrating that investors view these investments as advantageous choices (Ridwan & Barokah, 2023). Gundogdu (2023) compared the financial success of Islamic banks to those of conventional banks. They discovered that Islamic banks had higher levels of stability and profitability, indicating that adhering to Shari'ah principles may help businesses perform better financially. Fitrah & Soemitra (2022) looked into the connection between Pakistan's stock market performance and adherence to Shari'ah. The study found a positive and significant correlation between Shari'ah-compliant stocks and returns on markets, indicating that investments that adhere to Islamic law can provide investors with favourable returns

2.2.1 Shari'ah Compliance and Institutional Support

Two interrelated ideas that are important in the framework of Islamic finance and governance are Shari'ah compliance and support from institutions (Juisin et al., 2023). To draw and keep clients committed to Islamic finance, Islamic financial institutions (IFIs) must adhere to Shari'ah law. IFIs, however, also require strong institutional backing in order to properly manage the risks related to Shari'ah compliance (Sairally & Rassool, 2022). Institutional support can assist IFIs in a number of ways to attain Shari'ah compliance. First, institutional backing may guarantee that IFIs have the ability to access the knowledge and materials needed to put Shari'ah compliance adheres to into practice (Nouman & Ullah, 2023). Second, institutional support might contribute to the development of a compliance culture inside IFIs, hence reducing the likelihood of unintended Shari'ah law transgressions.

Hypotheses 1(H1) *The Shari'ah Compliance has positive effect on Institutional Support.*

2.2.2 Credit Ratings and Institutional Support

The interaction between credit ratings and institutional support has a considerable impact on capital access and risk perception in the financial architecture (Paltrinieri et al., 2023). Credit rating agencies wield considerable power in predicting the possibility of repayment of debt by institutions ranging from businesses to sovereign governments. These evaluations rely substantially on, and so reinforce, the perceived efficacy of the institutions in which the business functions (Jobst et al., 2008). Strong legal structures, robust central banks, and fair regulatory organizations can improve an entity's creditworthiness, resulting in a virtuous cycle of greater investment and additional institutional strengthening (Oseni & Hassan, 2015a). However, this reliance on outside assistance has its own set of difficulties. The excessive focus on organizational prowess may conceal internal flaws, giving the impression of security. This was demonstrated during the 2008 financial crisis, when "implicit government guarantees" underlying sophisticated financial products proved to be false, demonstrating that an entity's own financial stability should not be overlooked (Warsame & Ileri, 2016). Navigating this complex relationship necessitates a critical eye that carefully assesses both the entity's inherent creditworthiness and the underneath integrity of its institution superstructure.

Hypotheses 2(H2) *The Credit Rating has positive effect on Institutional Support.*

2.2.3 Secondary Market and Institutional Support

The strength of secondary market is linked to the presence of supporting institutions. This is because these institutions have the ability to facilitate efficient asset pricing and trading mechanisms (Oseni & Hassan, 2015b). The other reasons include the infrastructure, because infrastructure is underpinned by the trust and transparency and that is crucial element for efficient marketplace. To begin with the trustworthy clearing and settlement with the firms which serve as reducing country party risk, guaranteeing seamless and impartial middlemen (Zulhibri, 2015). As a result, the investors can feel

more confident that can increase liquidity and promote involvement to a healthy secondary market. Transparent and fair rules of trading can be always established by the efficient and proper regulatory and legal structures. Which are pushed into place by firms such as commissions and state banks (Chowdhury & Salema, 2023). Through minimizing systemic risk and promoting equal competition, the rules application for investor safety, market dynamics and reporting responsibilities (Zahra et al., 2022). These entities establish environment needed for successful price detection, where these assets are priced fairly in accordance to both supply and demand thereby minimizing disparities in information and preventing uncertainty. In a result, a healthy secondary encourages economic growth by channeling funds regarding investments that are profitable and stimulating stability in economy (Wei et al., 2022). But ignoring the functions of institutions can cause serious problems for the market. Inadequate clearance procedures and ambiguous ownership right combined with fragmented infrastructure might increase the risk of settlement and deter participation. In a similar vein, loose regulatory framework that are riddled with exception and susceptible to vested interest capture can lead to systemic weakness and undermine investor trust (Hoffmann, 2023a). These flaws have the potential to impair financial stability and impede economic growth by causing illiquidity, market failures and violent price swings. Consequently, maintaining a thriving secondary market require a persistent dedication to creating and fortifying a strong network of auxiliary institutions. Then this important financial system component will be able to realize its full potential as a catalyst for effective resource allocation and long-term but steady growth (Hoffmann, 2023b).

***Hypotheses 3(H3)** The Secondary Market has positive effect on Institutional Support.*

2.2.4 Relationship among perceives Ijārah-Şukūk Market Determinants, Investor Confidence and Institutional Support

The complex relationship between investor confidence, institutional support and perceived market forces which creates the convoluted web for financial stability (Hoffmann, 2023b). The dynamics of supply and demand, economics trends and geopolitical risks are all examples of market forces

that are always changing the fundamental environment on which investors are based. A strong economy with the promising growth prospects boosts confidence, which in turn stimulates investment and raises asset prices (Bağış et al., 2022). On the other hand, impending slumps or market downturns create doubts, driving investors to seek out safe havens and avoid riskier assets. This results in a vicious cycle of falling confidence and sliding values. In a market environment that is constantly shifting, having strong institutions in place is essential (Gupta et al., 2023). A sense of stability and predictability is provided by autonomous central banks, strong regulatory and open legal framework, which reduce uncertainty and promote confidence (Kumar, 2022). This strong institutional support system can act as a partial hedge against unfavorable market attitude. The awareness that reliable institutions are on guard, prepared to step in and stop a systemic collapse, boots investor confidence (Kumar, 2022). On the other hand, weak or challenged institutions have the potential to worsen crises by undermining trust and increasing volatility in the market. This tendency was aptly demonstrated by the financial crises of 2008, when a dearth of regulatory supervision and confusing financial products attracted the investor fear and caused the world economy to spiral out of control (Kumar, 2022). So, managing the intricate interplay among market dynamics, investor assurance and institutional backing necessitates a compressive strategy. Acknowledging the constantly fluctuating nature of the market, it is imperative to acknowledge the indispensable function of strong institution in stabilizing investor trust and guaranteeing financial stability (Harris & Mazibas, 2022). No one can guarantee that investor sentiment and market forces interact on a stage of long-term stability unless law authorities need to be determined to fortify institutional structures and promote transparency.

***Hypotheses 4(H4)** Investor Confidence moderate the relationship between Ijārah-Şukūk Market Determinants and Institutional Support.*

2.2.5 Institutional Support and Shari'ah Compliant Investment

Institutional backing can, in fact, help with investing decisions. The term "institutional support" describes the help, direction, and materials offered by numerous organisations, including governmental entities, regulatory authorities, financial institutions,

and trade groups (Hariyani, 2023). Providing accurate and current information on investment opportunities, market trends, and legislative changes is a common component of institutional support (Kiaee, 2022). By lowering uncertainty and deepening their comprehension of the financial environment, this knowledge can assist investors in making well-informed decisions (Kiaee, 2022). To assess risks and prospective returns and make better investing decisions, one needs access to thorough and reliable information (Seth et al., 2022). Financial market laws are created and enforced in large part by institutions like regulatory organisations and government agencies (Bin-Nashwan et al., 2022). A well-established and transparent regulatory structure offers a setting of security and stability for investors. By protecting investors from fraud, speculative activity, and unfair practices, it fosters market confidence. Increased investor confidence can positively impact investment decisions when there is a strong regulatory foundation (Bin-Nashwan & Muneeza, 2023). In many cases, institutional support includes protecting investors' interests. Investor protection measures including deposit protection, securities regulation, and dispute resolution processes make it feasible for investors to operate in a safer environment (Bin-Nashwan & Muneeza, 2023). When investors feel reassured and are confident that their legal entitlements are protected, they are more likely to engage in activities related to investment, which boosts investment levels. Institutional support is needed to more readily create and sustain a strong financial infrastructure. In order to achieve this, reliable custodial services, efficient payment methods, and functional exchanges must be offered.

Hypotheses 5(H5) The Institutional Support has positive effect on Shari'ah Compliant Investment.

2.2.6 Relationship among perceives Ijārah-Şukūk Market Determinants, Institutional Support and Shari'ah Compliant Investment.

The relationship between perceived Ijārah-Şukūk Market Determinants, institutional support and investor confidence in the developing field of Shari'ah-Compliant investment reveals a distinctive dynamic (Paltrinieri et al., 2023). The perceived pressures of the market, which include global financial volatility, legal uncertainty, and economic trends have a substantial impact on the attractiveness of Shari'ah-Compliant products. Positive economic

forecasts have the power to increase trust in industries that are in line with Islamic Law (Jobst et al., 2008), generating demand and maybe exceeding traditional asset classes. On the other hand, risk aversion may be sparked by geopolitical unrest or disruptions in important industry sectors, which would reduce investor interest in Shari'ah-Compliant products (Oseni & Hassan, 2015a). Strong institutional support act as a vital anchor for confidence among investors in the face of these fluctuating support acts as a vital anchor for confidence among investors in the face of these fluctuating market current. Robust legislative frameworks and regulatory agencies that focus on Shari'ah-Compliant products (Warsame & Ileri, 2016). Strong institutional support acts as a vital anchor for confidence among investors in the face of these fluctuating market current. Robust legislative framework and regulatory agencies that focus on Shari'ah Compliant finance contribute to transparency and reduce uncertainty, giving investors' confidence in the legitimacy of assets and their ethical compliance (Oseni & Hassan, 2015b). Ensuring compliance to Islamic principles, strong control by regulatory councils and recognized experts of Shari'ah further bolsters investor confidence. Taken together, these elements have the ability to draw in more investors, which can lead to higher levels of liquidity and even an increase in the price of Shari'ah-Compliant Investments (Zulkhibri, 2015). Nonetheless, the expansion of Shari'ah Compliant investment can be seriously hampered by disregarding the importance of institutional support. Inadequate due diligence methods, divergent understanding of Shari'ah principles, and fragmented regulatory frameworks can plant doubts that discourage mainstream investors and impede market growth (Chowdhury & Salema, 2023). This can lead to a vicious cycle in which a lack of liquidity inhibits investment and growth, therefore maintaining the gap between prospective and performance. As such, managing the interplay among assumed market forces, institutional support and investor trust in Shari'ah-Compliant investments that require a multifaceted strategy (Zulkhibri, 2015). Building a robust and dynamic ecosystem requires constant reinforcement of institutional framework, the promotion of convergence of Shari'ah interpretations, and improved investor education. By taking care of these fundamental steps, state can maximize the

possibility of Shari'ah – Compliant investment to prosper in uncertain market, adding to the overall stability and diversification of the world financial System (Oseni & Hassan, 2015b).

Hypotheses 6(H6) *Institutional Support mediate the relationship between Ijārah-Şukūk Market Determinants and Shari'ah Compliant Investment.*

3. Research Methodology

This section contains information about the study's methodology, instrument, collection of data tool, and sampling strategies. The research examines the connections between investor characteristics such as Shari'ah compliance, Credit Rating and, Secondary Market, institutional support, and Shari'ah Compliant Investment. The study uses Investor Confidence moderator variable in the context of Ijārah Şukūk investors in Pakistan. The study employs a methodology based on positivism to deal with the unbiased nature of the study's issues, as advised by experts. According to positivism's ontological and epistemological viewpoints, the link between the researcher and the research is a unique reality. The study is objective and detached. The positivistic paradigm has been used in this study to examine how different variables relate to one another. In positivist theory, the researcher takes on an objective role and writes formally according to predetermined rules (Nagano, 2022). The present investigation is unbiased and practical in nature, making the quantitative technique the preferred method for achieving the research goals of the study. The deductive approach is also the most effective way to accomplish the generalization objective. The present study is transparent as a result, and it confirms positivism as the proper research methodology to carry on with data collection and sampling.

3.1 Instrument

The instrument used to obtain the data is one of the study's most vital and important elements. A closed-ended questionnaire was employed to gather the data for this investigation. The study aid can be divided into five main parts: The demographic data on the respondents is included in Section 1 of the survey, covering their age, gender, occupation, level of experience, and allegiance with a particular religion, among other things. Section 2 elaborates on the investor characteristics (a). Shari'ah Compliance

(Balli et al., 2022; Nouman & Ullah, 2023; Sairally & Rassool, 2022). (b). Credit Rating (Duku, 2023; Romadhon & Mutmainah, 2023; Sayyid et al., 2023) (c). Secondary Market (Bala & Kaoje, n.d.; Karina et al., 2023). Section 3. Institutional Support (Cahyono & Hidayat, 2022; Karimu et al., 2022; Naz & Gulzar, 2022), Section 4 explains the Investor Confidence (Kumar et al., 2022; Omran et al., 2022; Pitluck, 2023), and Section 5 explains Shari'ah Compliant Investment (Hariyani, 2023; Kusuma Wardhana & Heru, 2022; Rohmania & Ghoniyah, 2022). The study paradigm was taken into consideration when creating the closed-ended questionnaire to ensure that the participants provided honest feedback. A five-point Likert scale, with a value ranging from strongly disagree to strongly agree, and a scale from one to five, with one being the least and five being the most, are both used in the inquiry. The survey was contextually changed and adjusted as a consequence of expert advice and the results of the pilot study. Pilot research involving 50 individuals was done to make sure the instrument was appropriate. In order to choose a group for the pilot study, random sampling was used. A pilot investigation was carried out to evaluate the fundamental research procedures, specifically the instrument's suitability or need for improvement. The researchers carried out more research based on the results of the pilot study. The same individuals were employed in the initial data collection process as well. To finish the pilot study, a random sample selection approach was used.

3.2. Sampling

The Investor Portfolio Securities account is necessary for investing in GOP Ijārah Şukūk. Primary dealers hold GOP Ijārah Şukūk in IPS accounts on behalf of their customers that's why these primary dealers were selected to send survey form for data collection. In order to get a representative sample of individuals from these colleges, a purposive sampling strategy was used. Respondents in the study were Islamic investors. Respondents for this survey were investors with at least two years of experience. Rao-soft software was used to determine the sample size, which shows that there are enough responders. Forty five percent of the questionnaires were received from top management (Director and Portfolio manager), while Thirty percent were received from Corporate

Investor and fifteen from SME’s entrepreneur. The questionnaire was correctly completed and returned by a total of 300 respondents. The respondents completed the questionnaire in 55 days. The fact that the respondents either worked directly on systems of a similar sort or had the cognitive capacity to understand and use the instrument confirmed their familiarity with the instrument's principles.

4. Analysis

In order to evaluate the measurement approaches and the structural equations of modelling, this study used the Smart-PLS-3 structural modelling (SEM) software. Through structural equation modelling, both the measurement model and the structural model may be evaluated using algorithms and boots trapping. The decision to use SMART-PLS was made because it has some benefits over other software, including the ability to handle complex models, the ability to handle tiny amounts of data, and the lack of a consistency requirement. Many investigators prefer to utilise Smart-PLS over alternative software since it is convenient and user-friendly.

4.1. Descriptive Statistics of Respondents

Table 1 lists the demographic information about the people who participated, 63% of whom were men and 37% of whom were women. In all, 30% of respondents were under the age of 30, 15% were between the ages of 31 and 40, 45% were between the ages of 41 and 50, and 10% were over the age of 50. 42% of respondents with master's degrees, 43% with M.Phil.’s, and 15% with doctorates in their fields of specialization make up the respondents' educational level. In representing the level in organization in the organization, 20% were executive, 25% were entrepreneur, 10% were non-team lead, 35% were portfolio manager, 15% Director and 10% were non-team leads. The work experience represents 35% of employees who ‘have less than 5 years’ experience, 35% of the employees have between 6 and 10 years, and the rest (30%) have above 10 years. Whereas 80% of participants are practicing Muslim, 15% of participant are non-practicing Muslim and 5% of participant were converted Muslims.

Table (1) Descriptive Statistics of Respondents

He	Description	Percentage
Gender	Male	63%
	Female	37%
Age	Less than 30	30%
	31-40	15%
	41-50	45%
	Above 50	10%
Education Level	Masters	42%
	M.Phil.	43%
	Doctoral.	15%
Investment Experience	Beginner	28%
	Intermediate	31%
	Experienced	41%
Religious Affiliation	Practicing Muslim	80%
	Non-Practicing Muslim	15%
	Converted Muslim	5%
Levels in Organization	Executive	20%
	Entrepreneur.	25%
	Non-Team Lead	10%
	Portfolio Manager	35%
Work Experience	Less than 5 Years	35%
	6 to 10 Years	35%
	Above 10 Years	30%

Source: Authors’ Estimates

4.2 Assessment of Measurement Model

The measuring model's validity for content, discriminant reliability, and convergent validity were all examined to ensure its validity. To determine whether the tools accurately measured the variables, they were put to the test. Statistics including cumulative reliability, Average Variance Extracted (AVE), and factor loadings were taken into account to guarantee convergent dependability. The factor loadings were found to be the most crucial validity indicator; the value should be more than 0.70. The researcher can, however, discard up to 20% of the

items if the AVE values remain below the threshold, and an outside leading threshold value of at least 0.50 can be acceptable. Data is stored for items with values larger than 0.50. Furthermore, the composite reliability (CR) numbers are substantially greater than the acceptable cut-off value of 0.70. Third, AVE values that are more than 0.50 are considered acceptable (Hair et al. 2019). Further analysis can be done because Cronbach's Alpha is higher than 0.70, so it's sufficient. This is the third sign of convergent validity. The details of the convergent validity are shown in Table 2.

Table (2) Reliability and Convergent Validity

	Cronbach's alpha	(rho_a)	Composite reliability.	Average variance extracted (AVE)
Investor Confidence	0.820	0.841	0.875	0.586
Sharī'ah Compliant Investment	0.855	0.864	0.896	0.634
Institutional Support	0.876	0.878	0.910	0.670
Secondary Market	0.820	0.825	0.875	0.585
Credit Rating	0.887	0.901	0.924	0.753
Sharī'ah Compliance	0.710	0.732	0.810	0.463

Source: Authors' Estimates

4.3 Factor Loadings

The figures for each for all outer factor loadings are shown in the data table in Appendix A. The values depict how much the construct contributed to the primary variables. The factor loadings' values must all be larger than or equally equal to 0.60. The numbers show that every value is higher than the cutoff point of 0.60. The minimum value in the variable 'Investor Confidence' is 0.585, and the maximum value is 0.779. Similarly, the maximum value of the 'Sharī'ah Compliance' is 0.749, and the minimum value is 0.754. Moreover, the values of the 'Secondary Market' fall between 0.789 and 0.793. Similarly, the values of 'Sharī'ah Compliant Investment' are between 0.778 and 0.725. Additionally, the values of "Secondary Market" and "Credit Rating" are both in the range of 0.62 and 0.88. Due to their undesirable contributions, two elements are removed from the loadings because we have a 20% margin to do so.

4.4 Discriminant Validity

The two methods that were most frequently employed in assessing discriminant reliability were the Fornel-Larcker criteria and the cross-loading assessment. On the other hand, Janadari et al. (2018) found that the Fornel-Larcker technique failed to appropriately measure the discriminant validity. To assess discriminant validity in the current study, additional alternative methods, such as the multitrait-multimethod matrix, were employed. Also used was the Heterotrait-Monotrait correlation ratio. According to Ringle et al., (2014) , in order to show the discriminant validity in the context of discriminant validity, the HTMT, also known as the heterotrait-to-monotrait ratio, needs to be less than 0.85. Table 3's values are all less than 0.85, consequently, the discriminant validity is unaffected by this. It's crucial to consider discriminant reliability when estimating the measurement error's size. It is required to account for the audio signal attenuation in order to determine if the two notions are connected or unconnected.

Table (3) Fornell–Larcker Criterion

	Investor Confidence	Sharī'ah Compliant Investment	Institutional Structure	Secondary Market	Credit Rating	Sharī'ah Compliance
Investor Confidence	0.766					
Sharī'ah Compliant Investment	0.667	0.796				
Institutional Support	0.605	0.589	0.818			
Secondary Market	0.538	0.576	0.762	0.765		
Credit Rating	0.506	0.455	0.593	0.656	0.868	
Sharī'ah Compliance	0.462	0.479	0.640	0.675	0.531	0.681

Source: Authors' Estimates

The HTMT ratio was employed in this study alongside to the Farnell and Larcker criterion to determine the discriminant validity. Ringle et al. (2015) state that the values should be smaller than 1.

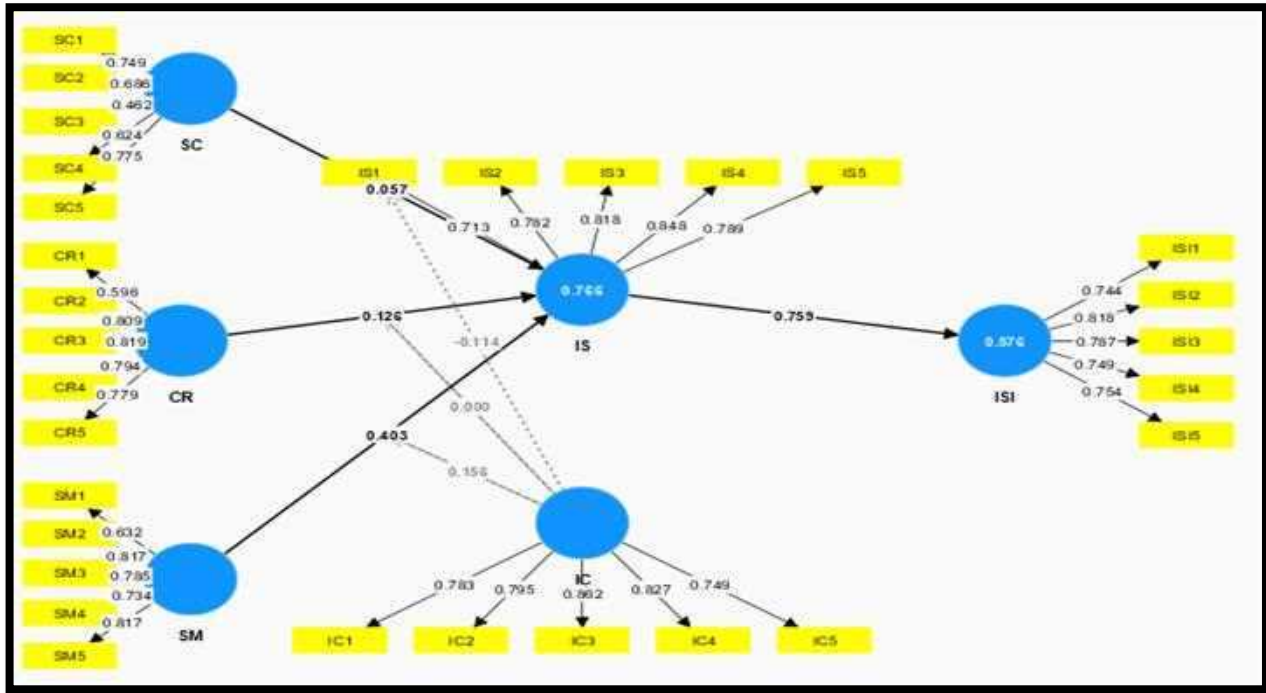
Despite the fact that several writers recommend using values lower than 0.90, this research meets the requirements for using less than 1.

Table (4) HTMT Matrix

	Investor Confidence	Sharī'ah Compliant Investment	Institutional Support	Secondary Market	Credit Rating	Sharī'ah Compliance
Investor Confidence	0.766					
Sharī'ah Compliant Investment	0.667	0.796				
Institutional Support	0.605	0.589	0.818			
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Credit Rating	0.506	0.455	0.593	0.656	0.868	
Sharī'ah Compliance	0.462	0.479	0.640	0.675	0.531	0.681

Source: Authors' Estimates

Figure (2) Partial Least Square Structural Equation Modelling (PLS-SEM)



Source: Authors Own

4.5 Regression Analysis

The structural model assessment (SEM) of the research project was assessed using path coefficients and t-statistics (Table 5). As mentioned before, the bootstrapping approach was employed to achieve this objective. According to Hair et al., (2019), the study's hypotheses are two-tailed, and each one must have a t-value above 1.96 at a level of significance of 5%. The influence on the endogenous (dependent) variables is anticipated to be stronger the higher the magnitude of the route coefficient. Table 6 provides detailed information on the results of the bootstrapping technique. Given that the 'Institutional Support -> Shari'ah Compliant Investment' has been demonstrated to be accepted (p = 0.001, t = 3.380), hence, H1 is considered accepted. The values of the second variable, 'Shari'ah Compliance-> Investor

Confidence & Institutional Support', are (p= 0.825, t = 0.221), which indicates that the Sharia Compliance is not strongly associated with Investor Confidence and Institutional Support. The third variable, 'Secondary Market -> Institutional Support' is also accepted (p= 0.000. t = 11.436), is supported by the data. Furthermore, variable, which examines the relationship between the Credit Rating, demonstrates a statistically insignificant relationship (p = 0.609, t = 0.159). Moreover, 'Secondary Market -> Investor Confidence & Institutional Support', is positively connected (p = 0.000, t = 3.579). Furthermore, the values of the 'Credit Rating -> Investor Confidence & Institutional Support' depicts that there is relationship, therefore, the hypothesis is accepted as per the values (p=0.000, t =3.522).

Table (6) Mean, STDEV, t-Values, and p-Values

	Original Sample	Sample mean	Standard deviation	T statistics	P values
Investor Confidence-> Institutional Support	0.237	0.244	0.070	3.380	0.001
Institutional Support-> Sharī'ah Compliant Investment	0.589	0.595	0.052	11.436	0.000
Secondary Market -> Institutional Support	0.538	0.537	0.077	6.956	0.000
Credit Rating -> Institutional Support	-0.035	-0.035	0.069	0.512	0.609
Sharī'ah Compliance -> Institutional Support	0.150	0.149	0.057	2.660	0.008
Investor Confidence x Sharī'ah Compliance -> Institutional Support	-0.013	-0.010	0.058	0.221	0.825
Investor Confidence x Secondary Market -> Institutional Support	0.265	0.249	0.074	3.579	0.000
Investor Confidence x Credit Rating -> Institutional Support	-0.210	-0.201	0.060	3.522	0.000

Source: Authors' Estimates

4.6 Mediation Effect

Table 7 indicates the mediating effect of the variables. In this study, Investor Confidence and Institutional Support is the mediating variable between Sharī'ah Compliance and Sharī'ah Compliant Investment. The existence of mediation explains the relationship between the other variables. The following tables indicate that the indirect effect is positive in the five variables; Secondary Market -> Institutional Support & Sharī'ah Compliant Investment, Investor Confidence & Credit Rating -> Institutional Support -> Sharī'ah Compliant Investment. Investor Confidence and Secondary

Market -> Institutional Support -> Sharī'ah Compliant Investment, Sharī'ah Compliance -> Institutional Support -> Sharī'ah Compliant Investment as their values are significant at level > 0.05 it indicates that a mediation relationship exists. Additionally, the variables; Investor Confidence & Sharī'ah Compliance -> Institutional Support -> Sharī'ah Compliant Investment and Credit Rating -> Institutional Support-> Sharī'ah Compliant Investment explains no mediation effect, as their values are above the significant values.

Table (7) Mediation effect

	Original sample.	Sample mean.	Standard deviation	T statistics	P values
Investor Confidence x Sharī'ah Compliance -> Institutional Support-> Sharī'ah Compliant Investment	-0.008	-0.006	0.035	0.217	0.828
Credit Rating -> Institutional Support-> Sharī'ah Compliant Investment	-0.021	-0.020	0.041	0.506	0.613
Secondary Market -> Institutional Support-> Sharī'ah Compliant Investment	0.317	0.319	0.050	6.390	0.000
Investor Confidence x Credit Rating -> Institutional Support-> Sharī'ah Compliant Investment	-0.124	-0.119	0.037	3.387	0.001
Investor Confidence x Secondary Market -> Institutional Support-> Sharī'ah Compliant Investment	0.156	0.148	0.046	3.432	0.001
Sharī'ah Compliance -> Institutional Support-> Sharī'ah Compliant Investment	0.089	0.089	0.035	2.541	0.011
Investor Confidence -> Institutional Support-> Sharī'ah Compliant Investment	0.140	0.146	0.047	3.003	0.003

Source: Authors' Estimates

5. Discussion

The initiation of Ijārah Şukūk by Meezan Bank in Pakistan was a landmark event in the development of the Islamic finance industry in the country. The success of the şukūk helped to pave the way for the issuance of other Sharī'ah-compliant investment products in Pakistan. Meezan Bank was the first bank in Pakistan to issue Ijārah Şukūk, in 2002. The şukūk were structured as a lease-to-own arrangement, with the bank leasing assets to the government of Pakistan and then selling them back to the government at a predetermined price. The şukūk were well-received by investors and were oversubscribed by more than 10 times. There are a number of factors that contributed to the successful acceptance of Ijārah Şukūk in Pakistan. One factor was the growing demand for Sharī'ah-compliant investment products. As the Islamic finance industry in Pakistan has grown, so too has the demand for investment products that are compliant with Islamic law. Ijārah Şukūk are a popular choice for investors who want to invest in Sharī'ah-compliant products.

Another factor that contributed to the success of Ijārah Şukūk in Pakistan was the strong track record of Meezan Bank. Meezan Bank is the first and largest Islamic bank in Pakistan, and it has a long and successful track record. This gave investors' confidence in the şukūk and helped to ensure their success. Finally, the role of investor Sharī'ah compliant attitude also played a role in the successful acceptance of Ijārah Şukūk in Pakistan. Many investors in Pakistan are concerned about the Sharī'ah compliance of their investments. Ijārah Şukūk are a popular choice for these investors, as they are a Sharī'ah-compliant investment product. The success of Ijārah Şukūk in Pakistan has helped to raise awareness of Islamic finance among investors. This is likely to lead to increased demand for other Sharī'ah-compliant investment products in the future.

In this paper, the researcher investigated the mechanisms through which investor characteristics affects Ijārah Şukūk Investment. We tested the model involving the investor characteristics, Investor Confidence and Ijārah şukūk Sharī'ah Compliant Investment in Islamic Banking context. Our first finding is that a Sharī'ah Compliant feature of investor is positively associated with Ijārah şukūk

investment (H1). After the declaration of an "Islamization Emergency" by Zia-ul-Haq, Islamic banking was initiated in 1881, but the process of converting conventional system into Islamic was very slow. Slow conversion process had many reasons, but the most important reason was "the lack of interest from state department/s" (Fitrah & Soemitra, 2022). There was also a strong lobby behind the slow growth. So, it is very important that Sharī'ah Compliant attitude is strongly associated with Institutional Support which is our second hypotheses (H2). This confirms that Institutional Support can influence on Sharī'ah Compliant characteristics of interested investor (H3). Our second hypothesis is also positive because it confirms that investor welcome and warmly acknowledged the efforts of State Banks, because these investors want to invest in "Islamic Investments" even with low returns as compared to Conventional Returns (Almaskati, 2022). We then examined H3, which is also accepted because normally, businessman is very much interested in any investment when complete market or structure is available to keep the flow of commodity and for developing securities market without Secondary Market, it could be useless to initiate Islamic Securities if the complete Secondary Market is not provided by the state (Surachman et al., 2023). That is why our third H3 is accepted. H4 is rejected which consist of the relationship between Credit Rating and Institutional Support, the reason is that Institute or Institutional Support and Secondary Market are more important or reliable or trustworthy than to find or rely on Credit Rating (Naeem et al., 2023). The CR has no worth when SM or IS are not there. So, a system is more important than individual asset. H5 is also accepted because there is also strong association between Sharī'ah Compliance and Institutional Support (Delle Foglie & Keshminder, 2022). Without strong institutional support, investors can't rely or buy on Sharī'ah Compliance products. It was also a main reason why there was slow growth in Islamic Market even when the state declares "Islamization Emergency" means state attention is most important. Our H6 is rejected, in which Investor Confidence mediate the relationship between Sharī'ah Compliance and Institutional Support (Sayyid et al., 2023). This is due to the political unrest persist in

Pakistan since 2018. Our H7 hypothesis is also accepted which included the mediation of Institutional support between CR and SCI. This is due to the role of institutional support in enhancing the credibility of sharia compliant investments and its impact in aligning this investment with broader financial standards and credit worthiness criteria.

Our last hypotheses are accepted which mediate the relationship of Institutional Support between SM, SC and SCI. The results also indicated that the Investor Confidence consistency strengthens two relationships SM and SC—IS and SCI (H8).

The Theory of Planned Behavior (TPB) is a social psychological model that explains the relationship between an individual's attitude, subjective norms, and perceived behavioral control, and their intention to perform a behavior (S. S. Ibrahim & Sanusi, 2022). The TPB has been used to explain a wide range of behaviors, including health behaviors, financial behaviors, and environmental behaviors. In the context of the COVID-19 pandemic, this theory could be used to explain why some countries have implemented financial measures to help individuals and businesses cope with the economic hardship (S. S. Ibrahim & Sanusi, 2022), while others have not. Countries that have implemented financial measures may have a more positive attitude towards government intervention in the economy, and they may believe that these measures are necessary to control inflation and reduce unemployment. They may also believe that these measures will help to reduce the concentration of wealth, and that they will make the financial system more equitable. On the other hand, countries that have not implemented financial measures may have a more negative attitude towards government intervention in the economy (Arzmyra et al., 2022), and they may believe that these measures will be ineffective or even harmful. They may also believe that these measures will increase the national debt, and that they will lead to inflation (Duku, 2023). The Theory could also be used to explain why the problem of concentration of wealth has not been solved by the financial measures that have been implemented (S. N. Ibrahim et al., 2022). The Theory suggests that intention is not the only factor that determines behavior. Perceived behavioral control is also important, and it is possible that individuals and

businesses do not believe that they have the control to change their financial situation (Ali et al., 2023). This could be due to several factors, such as the lack of access to credit, the high cost of living, or the lack of job opportunities. The TPB is a useful tool for understanding the factors that influence individual behavior (Ramdhani et al., 2022). It could be used to help countries develop more effective financial policies to address the economic problems that have been exacerbated by the COVID-19 pandemic. In addition to the TPB, other theories could also be used to explain the relationship between the financial measures that have been implemented during the COVID-19 pandemic and the problem of concentration of wealth (Imad et al., 2022). For example, the political economy theory could be used to explain how the interests of different groups, such as the wealthy and the poor, influence the development of financial policy (Ayo et al., 2022). The social justice theory could be used to explain how the distribution of wealth is affected by social, political, and economic factors. By understanding the factors that influence individual behavior and the distribution of wealth, countries can develop more effective financial policies to address the economic problems that have been exacerbated by the COVID-19 pandemic.

5.1 Theoretical Implications:

The research contributes to the theoretical understanding of how institutional support influences Shari'ah Compliant Investments, specifically in the context of GoP Ijārah Şukūk. Secondary Market and Credit Rating foster economic growth through Shari'ah Compliant Investments. Islamic Economic System focuses on social well-being rather individual benefit. The countries where the culture is founded on strong religious basis, people prefer lessor benefit rather than excessive (Haram) benefit. The State is responsible for developing such structures, economic policies which cater each and every person living in society. So, every person can work and enjoy what he or she strives for. It will also help the economy to maintain the balance of wealth. The study also provides theoretical insights into how supportive structures, resources, and networks can spur economic growth, job creation, and sustainable development.

5.2 Practical Implications

The practical implications for the topic "Role of Institutional Support in Economic Development: Investor Perspective. A Case of GoP Ijārah Shukūk" involve actionable recommendations and strategies that can be implemented to enhance institutional support and drive economic development. This may include establishing dedicated support units, providing tailored assistance for investors, and offering resources such as educational programs, investment guides, and networking opportunities. Strengthening institutional support can attract more investors and foster economic development. There is a dire need for institutions to enhance communication and transparency with investors regarding the availability and scope of institutional support. This involves clear and accessible information about the types of support offered, eligibility criteria, application procedures, and the expected outcomes of the support provided. Transparent communication can build trust and confidence among investors, driving economic development.

The research recommends fostering collaborative partnerships between institutions and stakeholders involved in GoP Ijārah Shukūk. This could involve collaboration with regulatory bodies, industry associations, financial institutions, and relevant government agencies. By working together, these entities can leverage their resources, expertise, and networks to provide comprehensive and effective institutional support for economic development initiatives. The development and implementation of capacity building programs aimed at enhancing the knowledge and skills of investors in the context of GoP Ijārah Shukūk. These programs could focus on areas such as investment literacy, risk management, financial analysis, and Shari'ah compliance. By empowering investors with the necessary skills and knowledge, institutions can facilitate informed Shari'ah Compliant Investments and contribute to economic development. Institutions can establish practical feedback mechanisms to gather input from investors regarding their experiences with institutional support. This can involve periodic surveys, investor consultations, or dedicated feedback channels. By actively seeking and incorporating investor feedback, institutions can identify areas for improvement, address investor concerns, and enhance the effectiveness of their support programs.

6. Conclusion

The success of Meezan Bank's Ijārah Shukūk issuance in 2002 and its subsequent positive reception by investors have contributed to raising awareness of Islamic finance in Pakistan. As a result, the demand for Shari'ah-compliant investment products has grown, leading to the issuance of other Shari'ah-compliant instruments. The strong track record of Meezan Bank played a vital role in instilling confidence among investors, contributing to the success of the shukūk issuance. The study on the role of institutional support in the economic development of the Pakistani business environment, focusing on the case of GoP Ijārah Shukūk initiated by Meezan Bank, provides valuable insights into the significance of Shari'ah compliance, Secondary Market, and the Credit Ratings in driving investor decision-making and fostering economic growth. The findings highlight that Shari'ah compliance holds the greatest influence and predictive power within the recently reorganized Islamic market of Pakistan, followed by Secondary Market and the Credit Ratings. The successful acceptance of Ijārah Shukūk in Pakistan was facilitated by the growing demand for Shari'ah-compliant investment products, the strong track record of Meezan Bank, and the investors' Shari'ah-compliant attitude. The study represents a pioneering effort in Pakistan and holds potential value for countries at early stages of establishing Islamic banking cultures, providing beneficial insights for policymakers seeking to expand the range of Islamic instruments available to investors.

Limitations and Future Work:

However, the study acknowledges certain limitations, which may warrant further exploration in future research. First, the research focused on Ijārah Shukūk and the impact of institutional support on investor perspectives in the Islamic market of Pakistan. Future studies could extend the analysis to other types of shukūk and investment products to gain a broader understanding of the role of institutional support in different financial contexts. Second, the study utilized a questionnaire-based approach to gather data from shukūk investors. While this method provides valuable insights, future research could explore additional data sources and employ qualitative methods to gain deeper insights into the dynamics of investor

decision-making and the role of institutional support. Third, the study focused on the influence of Shari'ah compliance, Secondary Market, and Credit Ratings on investor behavior. Future research could consider incorporating other factors, such as macroeconomic indicators, global financial trends, and political stability, to create a comprehensive model for predicting investor behavior in Islamic finance. Finally, while the study provides insights into the impact of institutional support on economic development, further research could delve into the specific mechanisms and policies that institutions can adopt to enhance their support structures and foster

sustainable economic growth through Shari'ah-compliant investments.

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الاستثمار المتوافق مع أحكام الشريعة الإسلامية:

دراسة محددات سوق صكوك الإجارة في باكستان

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المستخلص. تستكشف هذه الدراسة تأثير محددات سوق صكوك الإجارة على الاستثمارات المتوافقة مع الشريعة الإسلامية في باكستان خلال أزمة مالية كبيرة شهدها البلد في السنتين الأخيرتين (٢٠٢٢-٢٠٢٣ م). باستخدام استبانة معدلة، جمع البحث بيانات من ثلاثمائة (٣٠٠) مستثمر في الصكوك، وتم تحليلها باستخدام برنامج (SmartPLS). وتحدد الدراسة الالتزام بالشريعة باعتباره العامل الأكثر تأثيراً في إعادة هيكلة السوق الإسلامية في باكستان، يليه تأثير السوق الثانوي، ثم التصنيفات الائتمانية. ومن المتوقع أن يجذب طرح الأوراق المالية المتوافقة مع الشريعة الإسلامية المستثمرين إلى فوائد الأسواق المهيكلية، بما في ذلك العائد وسيولة السوق والتوازن في سندات الصكوك الطويلة والقصيرة الأجل. يُسلط تطبيق هذا البحث في السوق الإسلامية الناشئة في باكستان الضوء على دور محددات سوق الصكوك في الاستثمار المتوافق مع الشريعة الإسلامية. تعتبر النتائج ذات قيمة بالنسبة للبلدان التي تعمل على تطوير الأنظمة المصرفية الإسلامية وصانعي السياسات. كما يسلط البحث الضوء على دور محددات سوق الصكوك في الاستثمار المتوافق مع الشريعة الإسلامية. تعتبر هذه النتائج ذات أهمية بالنسبة للبلدان التي تسعى إلى تطوير أنظمة مصرفية متوافقة مع الشريعة، وصانعي السياسات الذين يسعون إلى توسيع الأدوات المالية الإسلامية. ويؤكد البحث على العامل المحوري للسوق، وهو الالتزام بأحكام الشريعة الإسلامية، وتأثيره على ديناميكيات السوق الثانوية والتصنيفات الائتمانية. وتكشف الدراسة أن طرح الأوراق المالية المتوافقة مع أحكام الشريعة الإسلامية من المرجح أن يجذب المستثمرين إلى مزايا الأسواق جيدة التنظيم، كالعوائد والسيولة والرصيد في أدوات الصكوك. وتقدم النتائج رؤى لتعزيز بيئات السوق والتدابير التنظيمية لإيجاد بيئة استثمارية جذابة.

الكلمات الدالة: صكوك الإجارة، الالتزام الشرعي، التصنيف الائتماني، السوق الثانوية، الدعم المؤسسي، ثقة المستثمر، الاستثمار المتوافق مع الشريعة

تصنيف JEL: G10, G15, G20, G21, G23

تصنيف KAUIE: E23, H55, I0, I3, I6, J4, K0, K16

Determinants of Intention to Adopt Auto Insurance (*Takāful*) Business Among Vehicle Owners in Nigeria

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ABSTRACT. Despite the recent surge in global growth and the increasing role played by the Islamic financial system, particularly *Takāful*, within the international financial landscape, there has been limited attention directed towards *Takāful* in Nigeria. This study aims to identify the factors influencing the intention of vehicle owners to adopt Auto Insurance (specifically *Takāful*) in Nigeria. Employing a survey research design, the study targeted the population of twelve million registered vehicles in Nigeria, with

a sample size of four hundred (400) respondents. Data were collected using a questionnaire, and multiple regression analysis was conducted using SPSS version 26 to test the research hypotheses. The regression results revealed that awareness, relative advantage, and social influence significantly influence vehicle owners' intention to adopt Auto Insurance (Takāful) in Nigeria. However, factors such as religiosity, perceived compatibility, perceived complexity, and perceived risk did not exhibit a significant influence on vehicle owners' intention to adopt auto insurance in Nigeria. The study recommends robust public awareness campaigns by each auto Takāful-insurance company to highlight the advantages of Takāful products and services over conventional insurance. Additionally, it suggests that the government formulate supportive laws to encourage the establishment of more Takāful companies in Nigeria, given the limited presence of such entities in the country.

KEYWORDS: Insurance, Perceived compatibility, Perceived risk, Relative advantage, *Takāful*

JEL CLASSIFICATION: G22

KAUJIE CLASSIFICATION: I65

1. Introduction

The concept of *Takāful* (Insurance), a cooperative risk-sharing model based on Islamic principles, is not directly mentioned in the Qur'ān or Ḥadīth. However, the foundational elements of *Takāful* are derived from various Sharia principles outlined in these sacred texts. The concept is based on '*Ijtihad*' [an Islamic legal term that refers to the independent reasoning or exertion of a jurist's utmost effort to arrive at a legal ruling on a matter that is not explicitly addressed in the primary sources of Islamic law, namely the Qur'ān and Ḥadīth. It involves a thorough process of interpretation and analysis of these sources, as well as consideration of the opinions of other jurists and the specific circumstances of the case at hand (Kamali, 2017)]. Unlike the issue of interest (usury) which is out-rightly prohibited (Qur'ān, 2: 275) and many Ḥadīths of prophet Muhammad (S.A.W). This explains why there is limited awareness and understanding about the practice of *Takāful* among Muslim faithful in Nigeria.

In the ever-evolving landscape of financial risk management, *Takāful*, an Islamic alternative to conventional insurance, has emerged as a dynamic and rapidly growing market segment. Its foundation lies in the principles of mutual cooperation and shared responsibility, offering a distinct approach to financial protection that resonates with not only

Muslim communities but also individuals seeking ethical and transparent financial solutions. It explains how individuals are responsible to co-operate and protect one another against losses or damages. *Takāful* as a Sharī'ah compliant mutual assurance contractual structure where participants contribute their resources to mitigate against future risks based on agreed terms (COMCEC, 2019). *Takāful* is also an arrangement of joint guarantee by group of participants based on mutual – agreement to indemnify one another in the event of defined loss (Ardo & Saiti, 2017).

The modus-operandi of conventional insurance has attracted the attention of Muslim scholars across the world because of its association with '*gharar*' and interest (usury) which is against the Islamic law. Islamic communities at the time of prophet Muhammad (S.A.W), his companions and Muslims that lived after them ensure that every member of the community is insured by his relatives, neighbours and the Islamic state against any misfortune that may befall the member through provision of payment of '*Diya*' (blood money) when a family member commits murder in error to the family of the deceased, '*zakāh* and *ṣadaqah*' to the needy in the community, '*Waqf*' for those who need accommodation, '*Takāful Ijtima'i*' for social solidarity etc.

The advent of colonization and Western civilization see the eroding of the Islamic Communities social cooperative system that ensured that every member of the community is insured by his family members, neighbours and the Islamic state. People no longer insure their relatives let alone being their neighbours' keepers. This situation makes it absolutely necessary to structure a modern form of insurance (*Takāful*) to take care of every member of the society [Standing Committee for Economic and Commercial Cooperation of the Organisation of Islamic Cooperation-(COMCEC, 2019)].

The need to provide backup against unforeseen damages or losses have been the major aim of insurance coverage. Insurance is a policy in which the policyholder (individual or organisation) acquires financial protection against losses or damages from policy provider (insurance company). Auto insurance policy is one of the most patronized insurance policies in Nigeria. This is connected with the fact that Section 68(1) of the insurance Act 2003 made third party property damage insurance mandatory for every vehicle owner in Nigeria.

According to the National Bureau of Statistics - NBS (2022b) and (2022c) report on road transport data for Q4 2020, Q1 and Q2 2021 as well as Q3 and Q4 2021 respectively depict that Nigeria recorded a total of 20,596 vehicles involved in road traffic crashes in 2021. 6,205 persons lost their lives while 38,073 persons have various degrees of injuries. However, the number of individuals who got indemnity from conventional insurance companies is very insignificant due to unfavourable tactics used by some conventional insurance companies to evade payment of claims of policyholders when accidents occurred. The option of auto *Takāful* is a clear distinction from conventional auto insurance policies. The auto *Takāful* policy is a win – win situation where the policyholder receive benefit even when his vehicle does not engage in any form of accident. What the policyholder contributes to the insurance company in the event of no accident is shared among the policyholder and the insurance company on agreed ratio. The premium contributed by the policyholders is not seen as income by the insurance

company, rather it is view as a capital that would be invested in any of the *Takāful* models. In the event that the investment made profit or loss, the profit or loss is what the company share with the policyholders. Auto insurance, better known as motor vehicle insurance, is a must have policy by every vehicle on the Nigerian road under the Nigerian law. A motor vehicle, as defined by Nigerian constitution refers to not only cars, but also, motorcycles and tricycles. A motor vehicle on Nigerian road is expected to have at least a third-party insurance coverage against damage to the property of third parties. The average third party insurance yearly premium costs about \$5.24 with minimum coverage liability of about \$1,194.97. Corruption, delay in payment of claims and sharp practices by some conventional insurance companies couple with the existence of fake third-party insurance negate the contribution of insurance companies to the National GDP in Nigeria (NBS, 2022b; NBC, 2022c). Bankole (2022) reported that only about 2.53 million out of the 12 million registered vehicles plying Nigerian roads have genuine motor vehicle insurance. The remaining 9.5 million vehicles are uninsured or insured by predatory insurance companies.

The insurance industry in Nigeria recorded 13.61% growth rate in the Q4 of 2021 to boost the finance and insurance sector contribution to the real Growth Domestic Product (GDP) to 3.66%. The financial institutions contributed 92.18% of the total 3.66% while the insurance industry contributed 7.82% of the sector to the GDP (NBS, 2022a). Despite the increase in growth rate in the insurance industry and the significant influence Islamic financial system have on the global financial system in recent decades, *Takāful* as one of the components of Islamic financial system has received little attention in this part of the world and thereby making its impact unnoticed on Nigerian GDP. This trend may be as a result of lack or inadequate awareness about *Takāful* and its benefits to policyholders. Also, investors are yet to explore the large market share in *Takāful* industry leaving a large vacuum to be filled.

Empirically, to the best of this study's knowledge, there were few or no studies concerning insurance (*Takāful*) business in Nigeria. Even, empirical studies such as Shabiq and Hassan (2016) in maldives; Kaabachi and Obeid (2016) in Tunisia; Bananuka, Kaawaase, Kasera and Nalukenge (2019) in Uganda as well as Areeba, Hafiz, Rana and Saba (2020) in Pakistan that was conducted outside Nigeria produced mixed findings which created gaps for another study. This study intends to fill the gaps identified empirically by investigating the factors that influence the adoption of auto *Takāful* – insurance policy among vehicle owners in Nigeria. This study will be beneficial to policyholders like National Insurance Commission (NAICOM), Federal Road Safety Corps (FRSC) and Vehicle Investigation Officer (VIO) and potential academic researchers as reference point of knowledge.

The main objective of this study is to determine factors that influence vehicle owners' Intention to Adopt Auto Insurance (*Takāful*) in Nigeria.

The following null hypotheses are put forward for testing in order to achieve the specific objective.

- Ho₁:** Awareness has no significant influence on vehicle owners' adoption of auto insurance (*Takāful*) in Nigeria.
- Ho₂:** Religiosity has no significant influence on vehicle owners' adoption of auto insurance (*Takāful*) in Nigeria.
- Ho₃:** Relative advantage has no significant influence on vehicle owners' adoption of auto insurance (*Takāful*) in Nigeria.
- Ho₄:** Perceived compatibility has no significant influence on vehicle owners' adoption of auto insurance (*Takāful*) in Nigeria.
- Ho₅:** Social influence has no significant influence on vehicle owners' adoption of auto insurance (*Takāful*) in Nigeria.
- Ho₆:** Perceived complexity has no significant influence on vehicle owners' adoption of auto insurance (*Takāful*) in Nigeria.
- Ho₇:** Perceived risk has no significant influence on vehicle owners' adoption of auto insurance (*Takāful*) in Nigeria.

2. Literature Review and Theoretical Framework

This part reviews empirical literature and theory that underpinned the study.

2.1 Review of Empirical Literature

Echchabi and Ayedh (2015) studied factors influencing the Yemeni customers' intention to adopt *Takāful* products. The aim of the study was to determine factors that influence customers' intention to adopt *Takāful* in Yemeni. The study used quantitative design. The study used 200 respondents as sample size. The study used structural equation model to test the hypotheses. The findings reveal that only compatibility significantly influence customers' intention to adopt *Takāful* in Yemen, while awareness, uncertainty, social influence and relative advantage do not influence customers' intention to adopt *Takāful*. However, the study did not indicate how the study sample size was determined and selected. Kaabachi and Obeid (2016) assessed the determinants of Islamic banking adoption in Tunisia. The study used survey research designed and sampled 239 respondents located in Tunis city. The regression result shows that Islamic bank reputation, relative advantage of Islamic banking and its compatibility with consumer religious beliefs, values, lifestyle and banking habits influence positively the intention to adopt Islamic banking in Tunisia. But the study was carried out in Tunisia in 2016. Shabiq and Hassan (2016) examined factors affecting adoption of *Takāful* (Islamic insurance) in the Maldives. The research used explanatory research design. The study sampled 340 respondents in Male', capital city of the Maldives. The data collected were analysed by mean of regression through SPSS 21. The regression result shows that attitude and Compatibility have a positive and significant influence on adoption of *Takāful*. Conversely, the research did not find any significant impact of awareness, relative advantage and social influence on adoption of *Takāful* in the Maldives. However, the study did not mention how the study sample size was determined and selected.

Bananuka *et al.* (2019) investigated determinants of the intention to adopt Islamic banking in a Non-Islamic in Uganda. The study used a cross-sectional and correlational research design. Copies of questionnaire were distributed to 258 managers of

their own micro businesses. The result shows that attitude and religiosity are significant determinants of the intention to adopt Islamic banking in Uganda. However, the study was conducted in Uganda and not Nigeria. Hafiz and Sayyed (2019) investigated factors influencing the investors' intention to adopt *Takāful* (Islamic insurance) products: A survey of Pakistan. The aim of the study was to determine the individual's behaviour of Pakistani toward usage of *Takāful* insurance. The study used descriptive and explanatory research designs. Questionnaire was used to collect primary data from a sample size of 345 individuals through snowball and judgmental sampling techniques. The study used descriptive and inferential statistics through SPSS 21 to analyse the data. The findings of the study reveal that relative advantage, compatibility, social influence, awareness and religiosity have significant effects on investors' intention to adopt *Takāful* products in Pakistan. The study also found that the level of awareness is low and is negatively affecting *Takāful* penetration in Pakistan. But the study did not indicate how the study sample size was determined and the non-probability sampling technique used has the tendency of biasness. Shaikh, Noordin, Arijio, Shaikh and Alsharief (2019) examined factors predicting customers' adoption towards family *Takāful* scheme in Pakistan using diffusion theory of innovation. The study aimed at examining the determinants influencing customers' adoption of family *Takāful* scheme. The study used quantitative research design. The study used structured questionnaire to collect primary data from 282 respondents as sample size through convenience sampling technique. The findings of the study reveal that perceived relative advantage, perceived compatibility, awareness and religiosity have significant effect on adoption of family *Takāful*. However, gender, age and education do not moderate the family *Takāful* adoption by the customers. However, the study did not mention how the study sample size was determined and the non-probability sampling technique used has the tendency of biasness. Ali, *et al.*, (2019) examined consumer acceptance toward *Takāful* in Pakistan. The objective of the study was to determine the factors influencing customer adoption toward *Takāful* products in Pakistan. The study used quantitative research design. 365 questionnaires were retrieved from respondents. The hypotheses of the study were tested

using the structural equation modelling. The findings of the study show that awareness, relative advantage, compatibility, observability, religiosity and trialability have positive and significant influence on customers' adoption of *Takāful*, whereas complexity has negative effect on customers' adoption of *Takāful*. But the study did not indicate how the study sample size was determined and selected.

Khan *et al.*, (2020) studied the determinants of customer perception about adoption of Islamic insurance (*Takāful*) in Pakistan. The objectives of the study were to assess the response level of individuals concerning *Takāful* and factors affecting customers' adoption of *Takāful* in Pakistan. The study used quantitative research design. Data were collected through the use of questionnaire. A sample size of 300 respondents was adopted for the study. Partial least square – structural equation modelling was used to test the study hypotheses. The findings indicate that awareness, customer satisfaction and compatibility affects customer's adoption of *Takāful*, while risk perception does not affect customers' adoption of *Takāful* in Pakistan. However, the study failed to indicate how the study sample size was adopted. Sarfraz and Khurshid (2021) investigated the impact of values on consumer adoption of *Takāful* with mediating role of religiosity and moderating role of confusion. The study used quantitative research design and sampled 768 respondents from rural and urban areas. Close-ended questionnaire was the instrument for data collection. The result of mediation analysis reveals that religiosity plays a vital role in activating the goals of tradition value, which motivates consumers to adopt *Takāful* services. But the tradition value shows a negative effect on consumer adoption of *Takāful*. Again, the confusion negatively moderates the association between tradition value and consumer adoption of *Takāful*. Lastly, the stimulation value also reflects a negative effect on consumer adoption of *Takāful* services. However, the study did not indicate how the study sample size was determined and selected.

2.2 Theory Underpinning the Study

This study adopted the theory of Diffusion of Innovation (DOI) as *Takāful* is considered to be new innovation in insurance industry when compare to

conventional insurance schemes. The DOI theory was propounded by Everett M. Rogers – a professor in Communication and Journalism department, University of New Mexico in 1962. This theory describes the pattern and rate at which new innovations and products spread across population. Rogers (2003) reports that DOI attempts to provide explanation on how and why new ideas and practices are adopted among human beings. The theory is widely applied in marketing to help generate understanding and promote the adoption/acceptance of new products. The key players in DOI theory are innovators, early adopters, early majority, late majority and laggards. The stages by which an individual adopts an innovation include awareness of the need for an innovation, decision to adopt or reject the innovation, initial test of the innovation, continue using the innovation (Wayne, 2019). Adoption of new idea or product is a gradual process in which some people are more apt to adopt the innovation than others. Diffusion of Innovation (DOI) theory assumes that for a new innovation or product to gain maximum market share, the process has to be influenced by five elements – the innovation itself, adopters, communication channels, time and a social system. Also, the theory identified five main factors that influence adoption of an innovation in each of the five adopter categories – relative advantage, compatibility, complexity, trialability and observability.

3. Methodology

3.1 Research Design, Population, Sample Size and Sampling Technique

The study adopts quantitative and survey research designs. The population of the study is 12,000,000 registered vehicles in Nigeria as reported by Bankole (2022) and Modestus (2022). The sample size is 400 vehicle owners in Nigeria, using the sample size estimation formula of Taro Yamane. The sample size was selected using purposive random sampling technique.

3.2 Data Collection Instrument and Measurement of Variable

The study used a structured questionnaire to collect data from the respondents. The questionnaire was grouped into two sections. Section ‘A’ focused on bio-data while section ‘B’ focused on the study variables built on 5 – point Likert’s scale statements.

The independent variable was measured using seven measurement variables: awareness, religiosity, relative advantage, perceived compatibility, social influence, complexity and perceived risk. The awareness scale consists of 5 items adapted from the study of Areeba *et al.* (2020); and Sudarsono, Tumewang and Kholid (2021). The second measurement scale – religiosity consist of 6 items adapted from the research of Kaabachi and Obeid (2016); Areeba *et al.* (2020) and Sudarsono *et al.* 2021. The third measurement scale – relative advantage is made up of 5 items adapted from the works of Faisal, Akhtar, and Rehman, 2014; Sudarsono *et al.* (2021). The fourth measurement scale – perceived compatibility consists of 4 items adapted from the study of Kaabachi and Obeid (2016) and Areeba *et al.* (2020). Fifth measurement scale – social influence is made up of 3 items adapted from the research of Kaabachi and Obeid (2016). Sixth measurement scale – Perceived complexity is made up of 4 items adapted from the study of Kaabachi and Obeid (2016); and Sudarsono *et al.* (2021). Seventh measurement scale – Perceived risk is made up of 4 items adapted from the research of Kaabachi and Obeid (2016) and Sudarsono *et al.* (2021).

The dependent variable measurement scale – Intention to Adopt Auto Insurance-IAAI (*Takāful*) consists of 4 items adapted from the works of Kaabachi and Obeid (2016); Bananuka *et al.* (2019) Sudarsono *et al.*, 2021 and Areeba *et al.* (2020).

3.3 Reliability Test

Table 1 shows the result of Cronbach alpha reliability test.

Table (1) Cronbach alpha Reliability Test

Variable	Number of items	Scale reliability coefficient
Awareness	5	0.881
Religiosity	6	0.836
Relative advantage	5	0.891
Perceived compatibility	4	0.929
Social influence	3	0.841
Perceived complexity	4	0.855
Perceived risk	4	0.925
Intention to adopt auto Takaful	4	0.843

Source: Authors’ Own

3.4 Method of Data Analysis and Decision Rule

The study used descriptive statistics (mean, standard deviation) and inferential statistics (ANOVA, correlation and multiple linear regression analysis). Any mean score between 1.00 - 3.00 entails poor level of awareness, 3.01 - 3.49 low level of awareness, 3.50 – 3.99 moderate level of awareness, 4.00 – 5.00 high level of customers’ awareness of Auto Insurance (*Takāful*). In the aspect of inferential

statistics, the study used multiple regressions at 5% level of significance. Any p – value above 0.05 means the model has no significant effect and such, the null hypothesis is accepted or otherwise rejected and alternate hypothesis accepted and vice versa. The data analysis was aided through the use of Statistical Packages for Social Sciences (SPSS version, 26). The regression model is given below:

$$IAAI = \beta_0 + \beta_1A + \beta_2R + \beta_3RA + \beta_4PC + \beta_5SI + \beta_6PCO + \beta_7PR + e$$

Where:

IAAI = Intention to Adopt Auto Insurance; β_0 = constant; β_1 to β_7 - coefficients; A – Awareness; R – Religiosity; RA – Relative advantage; PC – Perceived compatibility; SI – Social influence; PCO – Perceived complexity; PR – Perceived risk; and e – error term.

4. Results and Discussions

This section analyses and discusses the results of this study in order to test the study

hypotheses and draw conclusions (See Table 2, 3 and 4).

Table 2 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.675 ^a	0.456	0.444	2.141	1.651
a. Predictors: (Constant), Perceived Risk, Relative Advantage, Religiosity, Awareness, Perceived Compatibility, Social Influence, Perceived Complexity					
b. Dependent Variable: Intention to Adopt Auto Insurance					

Source: Authors’ Own

The regression result from model Summary^b Table 2 shows a multiple correlation of $R = .675$, $R^2 = .456$, Adjusted $R^2 = .444$ and Std Error of the estimate = 2.141. R value of 0.675 indicates a good level of prediction. The R^2 value of 0.456 shows that the independent variable explains 46% of the variability of the dependent variable – Intention to

Adopt Auto Insurance-IAAI. The adjusted R^2 indicates that 44.4 % of the variability in Intention to adopt auto insurance (*Takāful*) (dependent variable) is accounted for by the perceived risk, relative advantage, religiosity, awareness, perceived compatibility, social influence, and perceived complexity.

Table 3 ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1214.822	7	173.546	37.869	0.000 ^b
	Residual	1448.150	316	4.583		
	Total	2662.972	323			
a. Dependent Variable: Intention to Adopt Auto Insurance						
b. Predictors: (Constant), Perceived Risk, Relative Advantage, Religiosity, Awareness, Perceived Compatibility, Social Influence, Perceived Complexity						

Source: Authors' Own

The ANOVA in Table 3 indicates that the model is statistically significant with F value (37.869) and P – value (.000). We can conclude that the seven

independent variables together predict the changes in the dependent variable [Intention to Adopt Auto Insurance (*Takāful*)].

Test of Hypotheses

The results regarding test of research hypotheses are presented in Tables 4 below:

Table 4 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	Collinearity Statistics	
	B	Std. Error	Beta	t		Tolerance	VIF
(Constant)	6.069	0.973		6.238	0.000		
Awareness	0.110	0.030	0.208	3.659	0.000	0.534	1.873
Religiosity	0.007	0.032	0.011	0.223	0.824	0.746	1.341
Relative Advantage	0.114	0.057	0.160	1.994	0.047	0.268	3.738
Perceived Compatibility	0.080	0.046	0.107	1.751	0.081	0.461	2.170
Social Influence	0.332	0.066	0.328	5.042	0.000	0.406	2.462
Perceived Complexity	0.008	0.052	0.010	0.149	0.882	0.389	2.568
Perceived Risk	0.011	0.043	0.016	0.256	0.798	0.466	2.147
a. Dependent Variable: Intention to Adopt Auto Insurance							
Source: Authors' Own							

Table 4 reveals that awareness has positive and a significant influence on the vehicle owners' Intention to Adopt Auto Insurance (*Takāful*) in Nigeria. ($\beta_1 = .110$; $t = 3.659$; $p = .000 < \alpha = 0.05$). This indicates that an increase in customers' Awareness by 1 unit will increase vehicle owners' Intention to Adopt Auto Insurance (*Takāful*) services in Nigeria by 0.110 units. With this result, the null hypothesis is therefore rejected and the alternate accepted. This finding is similar with the findings of Khan *et al.* (2020); Ali *et al.* (2019); Hafiz and Sayyed (2019); Shaikh *et al.* (2019). However, the finding is in contrast with the findings of Echchabi and Ayedh (2015); and Shabiq and Hassan (2016) studies which reveals that awareness has no significant effect on intention to adopt *Takāful* services.

In addition, result from Table 5 further shows that religiosity has no significant influence on vehicle owners' Intention to Adopt Auto Insurance (*Takāful*) in Nigeria. ($\beta_2 = 0.007$; $t = .223$; $p = .824 > \alpha = 0.05$). This indicates that an increase in religiosity by 1 unit will not increase vehicle owners' Intention to Adopt Auto Insurance (*Takāful*) services in Nigeria by 0.007 units. With this result, the null hypothesis is therefore accepted and the alternative rejected. This finding is in agreement with the finding of Ali *et al.* (2019); Hafiz and Sayyed (2019) and Shaikh *et al.* (2019) that religiosity has no significant effect on customers' intention to adopt *Takāful* - Insurance services.

Furthermore, Table 4 shows that relative advantage (Relative Advantage) has significant influence on vehicle owners' adoption of auto insurance (*Takāful*) in Nigeria. ($\beta_3 = 0.114$; $t = 1.994$; $p = .047 < \alpha = 0.05$). This indicates that an increase in relative advantage (Relative advantage) by 1 unit will increase vehicle owners' Intention to Adopt Auto Insurance-IAAI (*Takāful*) services in Nigeria by 0.114 units. With this finding, the null hypothesis is therefore rejected and the alternate accepted. This finding is in line with the findings of Ali *et al.* (2019); Hafiz and Sayyed (2019); and Shaikh *et al.* (2019). However, the finding is in contradiction with the findings of Echchabi and Ayedh (2015); and Shabiq and Hassan (2016) which reveal that relative advantage has no significant effect on customers' adoption of *Takāful*.

Also, Table 4 shows that perceived compatibility has no significant influence on vehicle owners' Intention to Adopt Auto Insurance (*Takāful*) services in Nigeria ($\beta_4 = .080$; $t = 1.751$; $p = .081 > \alpha = 0.05$). This indicates that an increase in Perceived compatibility by 1 unit will not affect Intention to Adopt Auto Insurance-IAAI (*Takāful*) in Nigeria by .080 units. With this result, the null hypothesis is therefore accepted and the alternative rejected. This finding is in disagreement with the findings of Khan *et al.* (2020); Ali *et al.* (2019); Echchabi and Ayedh (2015); Shabiq and Hassan (2016); Hafiz and Sayyed (2019); and Shaikh *et al.* (2019) which revealed that perceived compatibility has significant effect on customers' intention to adopt *Takāful*.

Social influence (Social influence) has significant influence on vehicle owners' adoption of auto insurance (*Takāful*) in Nigeria. ($\beta_5 = .332$; $t = 5.042$; $p = .000 < \alpha = 0.05$). This indicates that an increase in social influence (Social influence) by 1 unit will increase vehicle owners' Intention to Adopt Auto Insurance-IAAI (*Takāful*) services in Nigeria by 0.332 units. With this finding, the null hypothesis is therefore rejected and the alternative accepted. This finding is in line with the finding of Hafiz and Sayyed (2019). However, the finding is in contradiction with the findings of Echchabi and Ayedh (2015); and Shabiq and Hassan (2016) which reveal that social influence has no significant effect on customers' adoption of *Takāful*.

More so, result from table 5 indicates that perceived complexity (Perceived complexity) has no significant influence on vehicle owners' adoption of auto Insurance (*Takāful*) in Nigeria. ($\beta_6 = .008$; $t = .149$; $p = .882 > \alpha = 0.05$). This indicates that an increase in perceived complexity (Perceived complexity) by 1 unit will not increase vehicle owners' Intention to Adopt Auto Insurance-IAAI (*Takāful*) services in Nigeria by 0.008 units. With this finding, the null hypothesis is therefore accepted and the alternative rejected. This finding is in line with the finding of Ali *et al.* (2019) that perceived complexity has no significant effect on customers' adoption of *Takāful*.

Lastly, the result from Table 4 shows that perceived risk (Perceived risk) has no significant influence on vehicle owners' adoption of Auto Insurance

(*Takāful*) in Nigeria. ($\beta_7 = .011$; $t = .256$; $p = .798 > \alpha = 0.05$). This indicates that an increase in perceived risk (Perceived risk) by 1 unit will not increase vehicle owners' intention to adopt auto insurance (*Takāful*) services in Nigeria by .011 units. With this finding, the null hypothesis is therefore accepted and the alternative rejected. This finding is in line with the findings of Khan *et al.*, (2020) and Echchabi and Ayedh (2015) that perceived risk has no significant effect on customers' adoption of *Takāful*.

From Table 4, it can be seen that the tolerance values are all well above 0.1 and do not indicate any Collinearity problem in the data. Also, VIF values are well below 10 implying no concern over multicollinearity. This indicates that both the tolerance and VIF for the predictors have satisfied the conditions for non-multicollinearity (Pallant, 2001 & Hair *et al.*, 2014).

5. Conclusion and Recommendation

Takāful, an ethical insurance model based on Islamic principles, has remained relatively understudied in Nigeria, despite forming a core pillar of the Islamic

financial system. This study investigated the primary factors influencing vehicle owners' intention to adopt *Takāful*-based auto insurance in Nigeria. Our findings unveiled that three key determinants significantly impact customers' intention: awareness, relative advantage, and social influence. Interestingly, religiosity, perceived compatibility, perceived complexity, and perceived risk did not demonstrate a significant influence on adoption.

Based on the study findings, the study recommends focusing on strategies to enhance awareness, emphasize the relative advantages of *Takāful* and leverage social influence to positively impact customers' intention to adopt. Additionally, efforts may be more effective if directed towards addressing factors such as religiosity, perceived compatibility, perceived complexity, and perceived risk, as these were not found to be significant influencers in the adoption process. Continual monitoring and adaptation of marketing and educational initiatives based on these determinants can optimize *Takāful* adoption rates.

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العوامل المؤثرة في عزم اعتماد التأمين التكافلي للسيارات من قبل مالكي المركبات في نيجيريا

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المستخلص. على الرغم من النمو الكبير في الآونة الأخيرة والدور المتزايد على المستوى العالمي للنظام المالي الإسلامي، وخاصة التكافل، فقد حظي التكافل في نيجيريا باهتمام محدود. تهدف هذه الدراسة إلى تحديد العوامل التي تؤثر في نية (عزم) مالكي المركبات اعتماد التأمين على السيارات (التكافل تحديداً) في نيجيريا. باستخدام تصميم بحث استكشافي، استهدفت الدراسة تعداد اثني عشرة (١٢) مليون مركبة مسجلة في نيجيريا، بعينة حجمها أربع مائة (٤٠٠) مستجيب. تم جمع البيانات باستخدام استبانة، وتم إجراء تحليل الانحدار المتعدد بواسطة برنامج التحليل الإحصائي في العلوم

الاجتماعية (SPSS) الإصدار السادس والعشرون (٢٦) لاختبار فرضيات البحث. كشفت نتائج الانحدار أنَّ الوعي، والميزة النسبية، والتأثير الاجتماعي تؤثر بشكل كبير على نية مالكي المركبات اعتماد التأمين على السيارات (التكافل) في نيجيريا. ومع ذلك، فإن عوامل كالتدئين والتوافق المتصور والتعقيد المتصور والمخاطر المتصورة لم تظهر تأثيراً كبيراً على نية مالكي المركبات اعتماد التأمين على السيارات في نيجيريا. توصي الدراسة بحملات توعية عامة قوية من قبل كل شركات التأمين التكافلي للسيارات لتسليط الضوء على مزايا منتجات وخدمات هذا النوع من التأمين في مقابل نظيره التقليدي. علاوة على ذلك، تقترح الدراسة أن تضع الحكومة قوانين داعمة لتشجيع إنشاء المزيد من شركات التكافل في نيجيريا، نظراً للوجود المحدود لمثل هذه الكيانات في البلاد.

الكلمات الدالة: التأمين، التوافق المتصور، المخاطر المتصورة، الميزة النسبية، التكافل

تصنيف JEL: G22

تصنيف KAUIE: I65



Book Review

A Book Review on “Economics and Economic Policy: Islamic Perspective”

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ABSTRACT. Since its establishment as a formal discipline during the First Makkah Conference in 1976, Islamic Economics has garnered significant attention from scholars around the world. Over more than four past decades, dedicated Islamic economists have strived to produce a textbook of exceptional value, aiming to provide universities with a comprehensive resource that imparts profound insights into the Islamic perspective on economics. However, this undertaking has not been without its challenges, both internal and external. Amidst the pursuit of this noble goal, a growing sense of dissatisfaction has emerged among earlier generations of Islamic economists. They perceive a concerning trend within Islamic Economics, where undue focus has been placed on the discipline's end product, specifically Islamic banking and finance, resulting in a reliance on conventional economic paradigms. This imitation has deviated from the authentic development of Islamic Economics based on its inherent principles. In response to these concerns, the book under review courageously confronts these challenges head-on, seeking to redirect the discipline along its original trajectory. The authors have ambitiously assembled a rich tapestry of perspectives that encompasses not only rigorous legal (*fiqh*) analysis but also profound insights from Islamic philosophy and from economic analyses into the fabric of their work. As a result, the reviewer considers the book a vital addition to the contemporary Islamic Economics curriculum in numerous universities.

KEYWORDS: Islamic Economics and Finance, Islamic Economics Textbook, Riphah International University, Economics and *Turāth*, Principles and Practices

JEL CLASSIFICATION: A10, A12, A19, A22, B00

KAUJIE CLASSIFICATION: A0, C0, E0, F1, R0

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1. Introduction

There is currently rising awareness among the contemporary Islamic Economists about the wrong directions of the Islamic Economics (IE) study has veered to, especially beginning from the last 2 decades. The rising concern is that many say that the discipline still does not have a genuine structure of IE development that is needed to pay attention to where instead, many have wrongly focused on developing the study's structure that resembles the conventional (secular) economic of the West. Those who raise the concern do not simply come from mediocre researchers, but from the explicit writings of the prominent Islamic economists including Siddiqi (2008), Chapra (2000), Mahomedy (2013), Haneef & Furqani (2011); Zaman, (2012), Khan (2013), Nienhaus (2013), Choudhury (2006) and several more others.

As an example, Siddiqi expressed his inner feeling of dissatisfaction over the development of Islamic Economics in recent decades, by pointing out its deviation from the original intentions of early scholars of the discipline. He specifically denounces the discipline's inclination to imitate Western-based pillars, lamenting the neglect of its unique identity by saying that "All is not well with Islamic economic(s) ... the grand idea of providing an alternative to capitalism and socialism ... has it yielded to a desire to join the flock?" (Siddiqi, 2008, p.81).

In addition, Mahomedy (2013) sadly wrote that "the proponents of Islamic economics have had little success in shaping a distinctive paradigm for their discipline, beyond arguing that it is underpinned by a strong moral ethic. By and large, its epistemological roots have remained firmly within the framework of rationalism/empiricism and methodological individualism. Consequently, Islamic economics has not been able to shed its neoclassical moorings, the very paradigm it originally set out to replace" (p.556). Both quotes, among numerous others, highlight the urgency for a critical examination of the discipline's trajectory. It emphasizes the necessity of realigning Islamic Economics with its foundational principles, reasserting its purpose to provide a genuine alternative to the dominant economic ideologies of the modern economics of the West.

Knowing this, Muhammad Ayub as both the author and the editor from Riphah International

University, together with other contributed writers have played vital roles to prepare a unique solution by providing an Islamic Economics textbook that teaches economics truly from the Islamic divisions and scopes. It not only aims to provide guidance to readers regarding the values and principles of Islam in relation to the economic structure taught in classrooms but also ambitiously addresses pertinent issues at the levels of financial institutions and national policymaking.

2. An Overview of the Book

This book presents a comprehensive analysis of economics from an Islamic perspective, comprising a total of 22 chapters spanning across 631 pages. According to the preface, these chapters are categorized into five major parts, with an additional 'special' part featuring a single chapter at the end. The diverse range of topics covered in the book includes foundational discussions on the conceptual basis, encompassing both legal (*fiqh*) and non-legal aspects such as Islamic philosophy. It further delves into the development of theoretical models and explores discussions at the national policy level. Other than that, one can notice that the book is mainly written from the normative approach that shape the readers the values and norms that should be practiced by the economic agent to achieve the goal of successful well-being both in the world and the hereafter, beyond the narrow scope of the profit maximization as has been hailed in the mainstream economics.

Starting with Part 1 titled "The Need for A New Approach," the book comprises four chapters that serve as an explanatory overview, emphasizing its purpose. This purpose revolves around rectifying the flawed development of mainstream economics while acting as a complementary textbook for the basic undergraduate economics class, ECO 101 in a university. The first chapter, Chapter 1 is on "Need for a Complementary Text on Principles of Economics" which elaborates on the book's role as a supplementary resource for economics students and lecturers in basic economics classes for undergraduates. Furthermore, the chapter also provides concise explanations on the ongoing relevance of Islamic Economics (IE) studies, especially considering the various issues and inadequacies

highlighted by the current economics curriculum, which predominantly adheres to the principles of the neoclassical school.

The chapter followed; Chapter 2 discusses on Theorizing Complementary Principles of Economics. Basically, the chapter continues the discussion of the former by explaining in deeper analysis why the theories and models of conventional economics have led to many disasters towards humanity. It then offers the solutions by suggesting several better theories in Islamic Economics. Two main distinct principles that an IE theory on human behavior should have, according to the author are: (1) balancing (moderating or اقتصاد) and (2) needs fulfilment. This later is formed into Anatomy & Physiology (A&P) framework as the basis for IE theories. Rather than admiring and emulating principles from Physics, the authors said, it is better to learn the principles from the biology framework that is closer with how human interacts with each other.

Chapter 3 on "Property Right and Wealth Creation" is placed together at the beginning part as to elucidate the basis of Islamic teachings upon any activities related to property and wealth. The chapter discusses the right of property, the definition of wealth and how the transaction should occur, vis-à-vis its conventional counterparts. In the chapter, readers are gently reminded that in IE, the right of property is not only between humans and their kinds but also with the rights of the Allah and His Prophet. As a result, the acquisition and pursuit of wealth in Islamic Economics are driven by objectives that extend beyond individual self-interest, encompassing the broader needs of society.

The second part of the book, encompassing seven chapters, delves into the expansive domain of property, market, and entrepreneurship. Upon engaging with the book, one can discern two distinct sections within this part. The initial section, spanning from chapter 4 to 5, endeavors to explicate the subject matter through the lens of *Fiqh* rulings, i.e., Islamic jurisprudence. Subsequently, the second section broadens the discourse by incorporating a comprehensive economic analysis from an Islamic standpoint, exploring the intricacies of property, market dynamics, and entrepreneurship. Chapter 4, entitled "Law of Property and Property Rights in Islam," provides a concise overview of the *Fiqh al-*

Māl perspective on property and associated rights. Similarly, Chapter 5, "Law of Exchange of Goods and Services," offers a summary of *Fiqh al-Bay'*, elucidating the principles governing the exchange of goods and services.

Following these chapters, the subsequent chapters, from 6 to 10, delve into the intricate facets of markets from an Islamic perspective. Chapter 6 titled "An Overview of Factor Markets in Islamic Economy," lays the groundwork by exploring the dynamics of factor markets and later is followed by Chapter 7, which delves into the intricacies of labor and labor markets, with a particular focus on employment. Chapter 8 examines the markets of physical and financial capital, shedding light on their unique characteristics within an Islamic framework. The following chapter, Chapter 9 then delves the essential concept of entrepreneurship and the corresponding market dynamics. Finally, Chapter 10, "Islamic Perspective of Market Failure and Lessons for Economic Policy," explores the perspective of market failure from an Islamic standpoint, drawing important lessons for economic policy. Collectively, these chapters constitute the comprehensive second part of the book, unraveling the intricate tapestry of property, market dynamics, and entrepreneurship through the lens of Islamic economics.

In Part III of the book, the authors venture beyond the confines of conventional economic discourse, which predominantly revolves around market mechanisms as the driving force of an economy. Muhammad Ayub, a distinguished Professor at Riphah International University in Islamabad who is the editor and the writer together with other authors of the book, contribute three captivating chapters that transcend the realm of the market in this part. Chapter 11, for instance, dives into the functioning of markets and explores the economics of cooperation and altruistic spending, challenging the prevailing ethos of self-interest and competition that underpins conventional economics. The book highlights the significance of incorporating three distinct components within the economy: the market economy, the beyond-market economy, and the cooperative economy. According to Islamic Economics, these elements must coexist to establish a comprehensive economic framework aligned with its guiding principles.

The remaining chapters, namely Chapter 12 and Chapter 13 in Part III center on the philanthropic aspect of Islamic Economics and shed light on the instrumental role of waqf in fostering socio-economic well-being. Furthermore, the latter chapter presents a compelling case study based on Pakistan's experience, providing readers with a real-life context to draw inspiration from. These insightful contributions in Part III titled "Economics Beyond Market" expand the readers' horizons, going beyond conventional economic narratives and offering profound insights into the multifaceted nature of Islamic Economics.

In Part IV of the book, the focus shifts towards an exploration of consumer behavior and investment dynamics. The journey commences with an examination of the Islamic theoretical frameworks of consumer behavior in Chapter 14 and 15, where the intention is to discuss on "how to understand consumer behavior in rational ethical dimensions that society imposes in people through religious, moral and social dimensions" (Ayub et al., 2022; p.337). This implies that the proposed Islamic Economic theories in the book challenge the assumption of human beings as purely rational actors. Instead, it recognizes that humans are not mere calculators, but rather individuals whose choices are shaped by societal norms influenced by religious, moral, and social dimensions. Consequently, the book underscores the dynamic nature of consumption decisions, which are contingent upon these normative frameworks.

Interestingly, the book also takes a unique approach by diverging from the conventional production-consumption paradigm and delving into the realm of investment analysis in Chapter 16. By doing so, it broadens the readers' perspectives and introduces them to the critical interplay between investment activities and the principles of Islamic Economics. By meticulously examining consumer behavior and redirecting the focus towards investment analysis, Part IV of the book offers profound insights into the ethical dimensions of economic decision-making, ultimately enhancing our understanding of Islamic Economics.

The second last segment of the book, Part V, serves as the convergence point between Islamic Economics and Islamic Finance. Titled "Money,

Finance, and Banking," this section encompasses five chapters that delve into various aspects of this domain. Chapter 17 revisits the contentious topic of Time Value of Money (TVM), which has sparked debates among scholars in Islamic Economics. Subsequently, Chapter 18 delves into monetary economics from an Islamic perspective, shedding light on the intricacies of this subject. The discourse then extends to Chapter 19, addressing the contemporary issue of Islamic cryptocurrencies which proves that the book also takes into account issues at the contemporary times to be part of its discussions.

The part also culminates with Chapter 20, which explores the economic role of Islamic finance methods and the banking sector, followed by Chapter 21, which elucidates the nuances of forward trading and future markets. It is worth noting the author's decision to place the discussion on the economic role of Islamic finance and banking methods in Chapter 20, rather than commencing the part with this topic. Similarly, the positioning of the forward and future market issue as the final chapter may have been driven by the author's rationale.

The subsequent part, Part VI, represents the final section of the book and is aptly titled "Economic Policy in Islamic Perspective." Notably, this segment comprises a single chapter contributed by Muhammad Anas Zarqa, a distinguished Islamic economist and jurist. Given his extensive expertise in both realms, this chapter provides policymakers and readers with profound insights into the practical implementation of Islamic Economics at the policy level.

3. Discussions and Observations: Strengths, Contributions and Area of Improvements

One of the gratifying aspects of engaging with this book is the realization of the sincere endeavor undertaken by the authors to closely align its content with the teachings of Islam, as per their own interpretations. Notably, the book veers away from the customary division of chapters found in mainstream economic textbooks, which typically separate the subject matter into micro and macroeconomics division. In fact, it staunchly rejects the notion that an Islamic economics study should be confined within the confines of macro and micro discussions. Instead, it intriguingly adopts a unique

approach, organizing the content into distinct thematic discussions that unfold chronologically, reminiscent of the traditional classification of debates found in historical Muslim writings. According to the author, this deliberate structure enables readers to comfortably delve into the topics while benefiting from meticulous analyses rooted in the wealth of Islamic heritage (*turāth*) knowledge.

If one could recall, the past Muslim scholars discuss the economic issues by focusing on the subject matters themselves like *Kitāb al-Kharāj* (The Book of Taxation) by Abū Yūsuf that centers on the taxation derived from land², *Kitāb al-Amwāl* (The Book of Revenue) by Abū 'Ubayd al-Qaṣim that elucidates on the issue of wealth and *Kitāb al-Kaṣb* (The Book of Earning) by Muḥammad Ḥassan as-Shaybāni that focuses on the earnings of livelihood. Thus, the book intends to follow the same structure of organization by discussing the issues in the chapters focusing based on the subject matters of discussions starting from on the property right and wealth (Chapter 3), to law of exchange goods and services (Chapter 5), to factor markets in Islamic economy (Chapter 6), to labor market (Chapter 7) and until the rest of it. Again, there are no distinction between macro and microeconomics but rather, combined into one.

In general, it is worth mentioning that the book is capable to exhibit numerous of outstanding properties that become its strengths. Among of them, first is the comprehensiveness of analysis that covers miscellaneous perspectives ranging from the *fiqh* legal rulings, Islamic philosophy, and the economic analysis of the tools and the models. This amalgamation of different perspectives that being put into a development of economics discipline from Islamic teachings is not always capable to be done by other works, however the book has successfully made it. Secondly, its emphasis on the discussions on beyond the market that involves a considerably deep analysis on the topics of market based on cooperation, economic philanthropy of market and the waqf, have also granted the book an upper hand in promoting the vitality of economic analysis outside the scope of the

market in an economy. Thirdly, is the determination among the writers to take a different route by not only modifying the structure of the organization of the chapters, but also by replacing many of the main discussions that used to be very common in the conventional economics, with new topics. As an example, the issues of production are in majority replaced with the issue of investment following the significance of it in the sources of *turāth* while the issue on firm is replaced with the discussion on entrepreneurship from Islamic perspective following the similar reason.

With all of the greatness and quality of the content that it can offer to the readers, the reviewer, however, believes there are still several areas of improvement that can be made. To begin, the reviewer personally feels that the book can be equipped with more footnotes or references to back up many of the economic claims on some of the issues mentioned in the textbook. As an example, in Chapter 8 on Markets of Physical and Financial Capital in page 201, the first paragraph asserts the idea that price of capital as a factor of production halts the efficiency of an economic policy. While there are many different opinions among scholars both from the Islamic and conventional sides hold different stands on the issue, the book perhaps can provide a footnote or reference to support the claim for the reader to read by themselves since no detailed analysis are allocated to prove the statement following the argument. It is understood that the book serves as a complementary book in the bachelor's degrees of economics class, however the lecturers themselves will find it tremendously helpful if they are supplied with more references for their own readings. Other than that, the reviewer also believes that the book hopefully can explain in detail why the organization of the chapters are done so in contrast to other available textbook in economics from Islamic perspective.

4. Conclusion

Overall, the reviewer unequivocally expresses great satisfaction in recommending this book as an essential addition to the collection of those seeking a comprehensive and contemporary textbook on economic issues from an Islamic perspective. The book's unique organization of content chapters,

(2) As being mentioned by Siddiqi and Ghazanfar (2001), in their journal entitled Early Medieval Islamic Economic Thought: Abu Yusuf's (731-798 AD) Economics of Public Finance published in *History of Economic Ideas*.

coupled with its exceptional efforts to establish the discipline based on the genuine principles of Islam and its innovative approach in replacing conventional economic topics with Islamic ones, solidify its position as a leading textbook in the field of contemporary Islamic Economics. Even though the

book is initially suggested to serve as a complementary textbook in the mainstream economic class of ECO 101, it however certainly will be able to challenge the domination of the main textbook of the conventional discipline by given ample due times in the near future.

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مراجعة علمية لكتاب "الاقتصاد والسياسة الاقتصادية: المنظور الإسلامي"

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محمد أكرم لال دين، محمد طاهر منصور، محمد معصوم بالله
جامعة رفاه الدولية، الطبعة الأولى، ٢٠٢٢ م

تمت المراجعة بواسطة: وان عمر فضلي بن وان محمود خيرى
طالب دكتوراه، قسم الاقتصاد، كلية الاقتصاد وعلوم الإدارة
الجامعة الإسلامية العالمية ماليزيا

المستخلص. منذ تأسيسه كتخصص علمي مستقل خلال مؤتمر مكة العالمي الأول للاقتصاد الإسلامي في عام ١٩٧٦م، استقطب الحقل الجديد اهتمامًا كبيرًا من قبل العلماء من جميع أنحاء العالم. على مدى أكثر من أربعة عقود مضت، سعى الاقتصاديون المسلمون لإنتاج كتاب تدريسي متميز يهدف تزويد الجامعات بمصدر شامل ينقل رؤى عميقة حول النظرة الإسلامية للعلوم الاقتصادية. ومع ذلك، لم تكن هذه المهمة بدون تحديات داخلية وخارجية. وسط السعي لتحقيق هذا الهدف النبيل، نشأ شعور متزايد من عدم الرضا بين أجيال سابقة من الاقتصاديين المسلمين على ما تمّ إنجازها في هذا الإطار؛ حيث إنهم لاحظوا اتجاهًا مقلقًا داخل الحقل تمثل في التركيز بشكل مفرط على المنتج النهائي للتخصص، وتحديدًا الأمور المتعلقة بالبنوك والتمويل الإسلامي، مما أدى إلى الاعتماد على محاكاة النماذج الاقتصادية التقليدية. هذا التقليد انحرف عن التطور الأصيل للاقتصاد الإسلامي استنادًا إلى مبادئه الأساسية. استجابةً لهذه المخاوف، يتصدى الكتاب قيد المراجعة لهذه التحديات بشجاعة، سعيًا لإعادة توجيه المسار الأصيل للتخصص. لقد جمع المؤلفون بطموح تفاصيل متنوعة من منظورين، يشمل التحليل القانوني (الفقهي) الدقيق فضلًا عن رؤى عميقة مرتبطة بالفلسفة الإسلامية وتحليلات اقتصادية داخل نسيج أعمالهم. نتيجة لذلك، يعتبر المراجع في الكتاب إضافة مهمة إلى تخصص الاقتصاد الإسلامي المعاصر في العديد بالنسبة للجهات العلمية المهتمة بتدريس الحقل؛ الجامعات على وجه الخصوص.

الكلمات الدالة: الاقتصاد والتمويل الإسلامي، كتاب تدريس الاقتصاد الإسلامي، جامعة رفاه الدولية، الاقتصاد والتراث، المبادئ والممارسات

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أخلاقيات مجلة جامعة الملك عبدالعزيز: الاقتصاد الإسلامي

تلتزم مجلة جامعة الملك عبدالعزيز: الاقتصاد الإسلامي بأعلى المعايير الأخلاقية في النشر العلمي والمراجعة والتحكيم، ومن ثمَّ فإن جميع من له صلة بعمل المجلة بأي وجه كان؛ مؤلفًا، أو مراجعًا، أو محررًا عليه أن يلتزم بمعايير المجلة المهنية والأخلاقية. ومن المعايير المهمة في هذا الشأن خضوع جميع الأعمال العلمية التي تُقدم للمجلة للتحكيم العلمي الذي تراعى فيه السرية التامة؛ من حذف لأسماء المؤلفين والمراجعين في آن واحد. كما تخضع تلك الأعمال للمراجعة الدقيقة من هيئة التحرير قبل نشرها إلكترونيًا وورقيًا.

يؤكد كل باحث و/أو الباحثون صراحة أن تقديم أي عمل علمي للمجلة يُلبي أعلى المعايير الأخلاقية بما في ذلك البيانات الإحصائية المناسبة والمراجعة الأخلاقية الشاملة من الجهة مالكة لتلك البيانات. كما يُطلب من الباحثين (المؤلفين) التأكد من أنهم قدموا أعمالاً علمية أصيلة وورسنية، وأنهم يشيرون في حالة الاقتباس للمواضع المقتبسة وبالطريقة العلمية المناسبة التي تنسب الأفكار والكلمات لأصحابها. علاوة على التأكيد بأن يضمن المقدمون للأعمال العلمية للمجلة خلوها من أي مُكون يمكن تفسيره على أن فيه تشهيرًا أو انتهاكًا - بأي شكل من الأشكال - لحقوق الطبع والنشر لطرف آخر. إضافة إلى ذلك يُطلب من المؤلفين التعهد بأن الأعمال التي تم تقديمها للمجلة لم تُنشر من قبل و/أو تمَّ تقديمها للنشر في مكان آخر وبأي شكل من الأشكال؛ إلكترونيًا كان أم وورقيًا.

تضمن المجلة من خلال عملية التحرير أن تحتوي الأعمال العلمية المقدمة للنشر على تفاصيل ومراجع كافية تمكن الآخرين من التحقق من العمل إذا كان مطلوبًا. وفي المقابل تلتزم هيئة تحرير المجلة بالمعايير الأخلاقية من خلال الامتثال لسياساتها التحريرية؛ ومن ذلك الصرامة الشديدة حيال مسألة الانتحال والسرقات العلمية بأي شكل من الأشكال. وفي هذا الصدد تؤكد الهيئة بأن المجلة تتبع سياسة عدم التسامح المطلق مع أي عمل علمي يُكتشف فيه عمليات الانتحال والسرقات العلمية. ومن السياسات الإجرائية المتبعة في هذا الإطار إخطار المؤلفين عبر تحذير مكتوب للذين يلجؤون إلى مثل هذه الممارسات إما بخطاب شديد اللهجة و/أو يتم إدراج أسمائهم في "القائمة السوداء". إن اللجوء لهذا الإجراء أو ذاك أو لكليهما يتوقف على درجة سوء السلوك المُرتكب، والذي يَرجع التقدير النهائي فيه لهيئة تحرير المجلة.

كما وتضمن هيئة التحرير وأقصى ما تملك من إمكانيات أن تتسم المراجعة العلمية والتحرير للأعمال العلمية المُقدَّمة للنشر بالعدل والسرية والشفافية غير المتحيزة للعرق أو الجنس، أو الجهة أو الدين. من أجل ذلك يُطلب من جميع المحررين والمراجعين للأعمال التي تُسند إليهم مسألة ضمان عدم وجود تضارب في المصالح ناتج عن علاقات و/أو اتصالات تنافسية أو ارتباطات بأي شكل كان مع أي من المؤلفين أو الشركات أو المؤسسات المرتبطة بالأوراق العلمية التي أُرسلت إليهم. كما ويبدل محررو المجلة قُصارى جهدهم للتأكد من أن جميع المواد المنشورة دقيقة وكاملة وخالية من جميع الأخطاء في وذلك في حدود الإمكانيات المتاحة لهم، وفي حدود الجهد البشري المتسم بالقصور بطبيعة الحال. ومع ذلك، فإن هيئة التحرير ستقوم بالتصحيح، والتصويب لأي عمل تم نشره، وظهرت فيه أخطاء فادحة تحتاج إلى التعديل. ولدى الهيئة سياسات وإجراءات واضحة في هذا الصدد. وكما أُشير سابقًا فإن الهيئة تتبع سياسات صارمة غير متسامحة مع حالات سوء السلوك المكتشفة؛ سواء تعلق الأمر بالمؤلفين أو المراجعين أو المحررين.

ومن أجل دعم وتعزيز النزاهة والشفافية للنشر العلمي بالمجلة فإن هيئة تحرير المجلة تتبنى وبشكل كامل مضمون ومحتوى بيان الموقف للمحررين والمؤلفين الذي تم تطويره في المؤتمر العالمي الثاني حول نزاهة البحث المُنعقد في سنغافورة في ٢٢ سبتمبر ٢٠١٠م، والمتاح على الرابط التالي: <https://wcrif.org/statement>.

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تفخر "مجلة جامعة الملك عبدالعزيز: الاقتصاد الإسلامي" بأنها أول مجلة علمية محكمة متخصصة في الاقتصاد الإسلامي، حيث صدر عددها الأول في عام ١٤٠٣هـ (١٩٨٣م) بمسمى "مجلة أبحاث الاقتصاد الإسلامي"، الذي تغير في عام ١٤٠٩هـ (١٩٨٩م)، إلى "مجلة جامعة الملك عبدالعزيز: الاقتصاد الإسلامي" وفق تنظيم جديد للمجلات العلمية التي تصدرها الجامعة. وهي تصدر بانتظام مرتين في العام؛ باللغتين العربية والإنجليزية. وتقديرًا لتميزها أُدرجت المجلة في عام ١٤٣٠هـ (٢٠٠٩م) في تصنيف "سكوبس - Scopus"؛ الذي يعد واحدًا من التصنيفات العالمية المرموقة في فهرسة المجلات العلمية المتميزة. وفي عام ١٤٣٥هـ (٢٠١٤م)، رأت هيئة تحرير المجلة أن تنشر ثلاثة أعداد في السنة؛ عددان باللغة الإنجليزية، وعددًا واحدًا باللغة العربية. تتناول المجلة موضوعات متعددة ومتنوعة في الاقتصاد والتمويل الإسلامي من الناحية النظرية والتطبيقية، وتولي عناية خاصة لدراسة المستجدات الاقتصادية؛ عبر حوارات يشارك فيها خبراء ومتخصصون - مسلمون وغيرهم-، مما يجعلها واحدةً من القنوات المهمة للنشر العلمي في الاقتصاد الإسلامي والموضوعات ذات الصلة.

لمعهد الاقتصاد الإسلامي تاريخ حافل بالعطاء منذ أن ظهر للوجود في عام ١٤٣٢هـ (٢٠١١م) كامتداد لأقدم مؤسسة علمية متخصصة في الاقتصاد الإسلامي؛ ألا وهي مركز أبحاث الاقتصاد الإسلامي، الذي أنشئ عام ١٣٩٧هـ (١٩٧٧م). فوَقَر إنشاؤه بنية أساسية متينة للبحوث النظرية والتطبيقية في الاقتصاد والتمويل الإسلامي. وفتح هذا التحول المجال للتدريس والتدريب، إلى جانب البحث العلمي الذي يشكل النشاط الأصلي للمؤسسة. ويحاول المعهد تهيئة بيئة ملائمة يستطيع من خلالها أجيال العلماء والخبراء المتعاقبين من خدمة الجوانب المختلفة للاقتصاد والتمويل الإسلامي. تحقيقًا لهذه الغاية النبيلة، يتعاون المعهد مع العديد من المؤسسات الأكاديمية في مختلف أنحاء العالم، ويُسَخَّرُ موارده المختلفة لهذه الغاية. وقد اتخذت أشكال هذا التعاون صورًا متعددة منها اتفاقيات تعاون مع كيانات عالمية مرموقة، كما هو الحال مع جامعة "IE" الإسبانية بمدريد، وجامعة باريس ١ بانتيون السوربون.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

مجلة جامعة الملك عبدالعزيز: الاقتصاد الإسلامي

مجلة علمية دورية محكمة متخصصة؛ يُصدرها معهد الاقتصاد الإسلامي بجامعة الملك عبدالعزيز بجدة منذ عام ١٤٠٣هـ (١٩٨٣م) باللغتين العربية والإنجليزية، وينشرها مركز النشر العلمي بالجامعة. وهي مُدرجة في تصنيف "Scopus SSRN, EconLit and RePEc" العالمي، والمجلة تقبل الإسهامات باللغتين العربية والإنجليزية.

الأهداف والنطاق

تهدف المجلة إلى تحقيق ما يلي:

- تطوير النظرية الاقتصادية الإسلامية على أسس علمية رصينة، من خلال أبحاث أصيلة تخضع للتحكيم العلمي.
- تشجيع الحوار والنقاش حول القضايا والمستجدات المعاصرة في الاقتصاد والتمويل الإسلامي.
- العناية بالبحوث التطبيقية في التمويل الإسلامي، والتكافل، والزكاة، والأوقاف، وغيرها من مجالات الاقتصاد الإسلامي، بما في ذلك دراسة حالات عن اقتصاديات الدول الإسلامية.
- المساهمة في إيجاد حلول للمشكلات الاقتصادية المعاصرة التي تواجه المجتمعات الإنسانية من منظور إسلامي.
- عرض الكتب الجديدة في الاقتصاد والتمويل الإسلامي أو كتب الاقتصاد والتمويل التقليدي التي تخدم الاقتصاد الإسلامي من الناحيتين النظرية والتطبيقية.

إجراءات تقديم البحوث للنشر في المجلة

- تُرسل البحوث والمقالات على بريد المجلة الإلكتروني: iei.journal@kau.edu.sa. كما يجب تقديم المقالات عن طريق نظام التقديم الإلكتروني المتاح على الرابط التالي: <https://www.editorialmanager.com/jkau-islsci>
- يجب أن لا يتجاوز عدد كلمات المقال عشرة آلاف (١٠,٠٠٠) كلمة؛ بما في ذلك الهوامش، والجداول، والأشكال والمراجع، والملاحق.
- في حال وجود أكثر من مؤلف للبحث، يجب إبراز اسم المؤلف الذي تتم مراسلته؛ بذكر عنوانه، وبريده الإلكتروني ورقم هاتفه.
- لا تفرض المجلة أية رسوم للنشر.
- بمجرد إرسال البحث لهيئة تحرير المجلة، لا يحق للمؤلف (ين) تقديم البحث لأية مجلة أخرى لمدة ستة (٦) شهور من تاريخ الإرسال.
- يتم فحص جميع الأعمال المقدمة من قبل محكمين متخصصين وفق مبدأ المراجعة المزدوجة التي تضمن السرية التامة، وعدم الإفصاح عن هوية الكاتب.
- يجب أن تُمثل المواد المقدمة أعمالاً أصيلة تتضمن إضافة علمية، على أن تكون غير منشورة، أو معروضة للنشر في أي مجلة أخرى.
- في حال قبول البحث للنشر بالمجلة، لا يُسمح بنشره أو ترجمته إلى أي لغة أخرى دون الحصول على موافقة خطية من رئيس تحرير المجلة.
- يتحمل المؤلف (ون) كامل المسؤولية عن خرق حقوق النشر، أو السرقات العلمية، بحسب نظام الملكية الفكرية المتعارف عليه عالمياً. وسياسة المجلة جد صارمة وحازمة حيال الوقوع في أي من هذه الممارسات.
- صيغة البحث: يجب أن تعد البحوث المقدمة للنشر وفق القواعد الإرشادية المنشورة في رابط موقع المجلة المبين أدناه.

العنوان: رئيس تحرير مجلة جامعة الملك عبدالعزيز: الاقتصاد الإسلامي

معهد الاقتصاد الإسلامي، ص.ب. ٨٠٢١٤، جدة، الرمز البريدي ٢١٥٨٩، المملكة العربية السعودية

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الموقع الإلكتروني: <http://iei.kau.edu.sa/Pages-A-JournalHome.aspx>

تحتفظ المجلة بحقوقها في عدم النظر في أي عمل علمي لا يلتزم بتلك القواعد.

حقوق الطبع والنشر

جميع حقوق الطبع والنشر محفوظة لمعهد الاقتصاد الإسلامي بجامعة الملك عبدالعزيز، جدة، المملكة العربية السعودية. ولا يجوز إعادة طبع ما ينشر بالمجلة - كلياً أو جزئياً، أو حفظه في أي نظام استرجاع أو ترجمته، أو نقله بأية صيغة كانت، إلكترونية أو آلية أو تصويره أو تسجيله -، دون الحصول على إذن مسبق ومكتوب من معهد الاقتصاد الإسلامي.



جامعة الملك عبد العزيز الاقتصاد الإسلامي



ردمدم ٧٣٨٣-١٨-١٠

يناير ٢٠٢٤ م

المجلد ٣٧ العدد ١ (إنجليزي)

• أبحاث

أهمية الوكالة الأخلاقية في العدالة الاجتماعية والاقتصادية وغيابها في الاقتصاد والتمويل الإسلامي
عمر جاويد

رسم خريطة طريق لقضايا في اقتصاديات العمل: المنظور الإسلامي للبحث وتطوير السياسات
محمد نهار محمد أرشد

تأثير الشمول المالي غير الربوي على معيشة العوائل في شمال غربي نيجيريا: تحقيق تمهيدي
أبوبكر حامد طنلامي وشيخ عثمان رنو علي وفريدة محمد شبيح

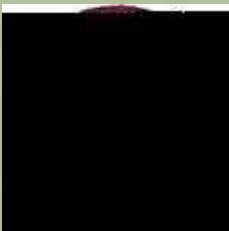
العوامل المحددة للقبول واستخدام خدمات البنوك الإسلامية الرقمية في إندونيسيا: تطبيق النظرية
الموحدة المعدلة لقبول التكنولوجيا واستخدامها (3 UTAUT)
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وأحمد تبريزي سوني ويتشاكسونو وفطموات وفوزان فوزان

الاستثمار المتوافق مع أحكام الشريعة الإسلامية: دراسة محددات سوق صكوك الإجارة في باكستان
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عبدالقادر عثمان وسليمان انداكو باغودو وأبو بكر حسن ومحمد كبير لول وشعيب انداغي سيدي

• مراجعة وعروض كتب

مراجعة علمية لكتاب "الاقتصاد والسياسة الاقتصادية: المنظور الإسلامي"
تأليف: محمد أيوب ومحمد فهيم خان ومحمد أنس الزرقا ومحمد أكرم للدن ومحمد طاهر منصور
ومحمد معصوم بالله
مراجعة: وان عمر فضلي بن وان محمود خيري



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