

## THE RELEVANCE OF ISLAMIC PILLARS OF SUSTAINABLE DEVELOPMENT IN PROMOTING SHARED PROSPERITY

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### Abstract

The extreme inequality in the distribution of wealth, income and opportunity undermines and distorts the sharing of prosperity, democracy, economic health and vitality, ecological balance, physical health and culture of the nations. The concept of sustainable development made an international breakthrough when the Report of the United Nations' World Commission on Environment and Development (WECD) was published in 1987. Interestingly, the approach of the Contemporary Sustainable Development is largely in consonance with the maqasid or objectives of the Shari'ah. Islam is a universal religion and addresses the entire mankind not the believers alone. It is, therefore, no surprise that people irrespective of faith do often think along Islamic lines. This research paper is a conceptual study in attempt to stipulate the notions for the future empirical research. Specifically, this study suggested the dimension of the Islamic pillars of sustainable development (both social and economic) on the poorest two quintiles of the population by evaluating the relationship between the factors and the changes in the per capita income of the poor in the developed and developing countries. It is hoped that this preliminary study helps in the determination of the Islamic pillars to sustainable development and significantly able to serve as an effective mechanism for poverty eradication in the respective countries.

**Keywords:** Poverty, Shared Prosperity, Sustainable Development.

## 1.0 INTRODUCTION

The concept of sustainable development made an international breakthrough when the Report of the United Nations' World Commission on Environment and Development (WECD) was published in 1987 that is often referred to as Brundtland Report (1987). The efforts continued with the Millennium Declaration, signed by 189 countries in September 2000, and gave birth to the Millennium Development Goals (MDGs) with a conceptual shift from "economic development" to "human development". The Sustainable Development Goals (SDGs) adopted in September 2015, and the MDGs expired at the end of the year. Accordingly, in April 2013, the issues of greater inequalities and social exclusion - reckoned to be the result of economic growth led the World Bank to set the two new goals, to end extreme poverty and promote shared prosperity. As defined by World Bank, promoting the shared prosperity means working towards the increments of the income and welfare of the poorer segments of society wherever they are, be it the poorest of nations or thriving, middle income countries. The shared prosperity goal has become pertinent: as developing countries grow their economies and lift millions out of poverty, they tend to experience growing inequality. Therefore in order to demoting inequality and fostering the shared prosperity, continuous efforts are needed across generations from the perspective of fiscal, social and labor in promoting an inclusive and prosperous society.

### 1.1 Poverty and Shared Prosperity

It is reported in the World Bank Report that poverty has declined rapidly over the past three decades. Dollar et al (2014) revealed that the reduction in poverty has been due to contribution by a fast growth initiated by developing countries especially in China and India as well an evidence of the association between a rapid growth and a sharp decline in absolute poverty in all regions of the world. However, the humanity is still in exigent and defy atmosphere. It was stated that 1 billion of the world community is still in the state of poverty even in the availability of resources and technology today. Furthermore, the issue of inequality and social exclusion complement the escalating of prosperity in many countries. Hence, the World Bank Group has established two goals to guide its strategy. The first goal is to end extreme poverty, as defined by the global extreme poverty measure of \$1.25 a day, adjusted for Purchasing Power Parity (PPP). More specifically, the World Bank Group seeks to orient its programs so that the global extreme poverty rate declines to below 3 percent by 2030. The second goal is to promote "shared prosperity" by helping every country to foster income growth of the bottom 40 percent of the population (World Bank, 2013).

Shared prosperity is defined "in terms of the growth rate of incomes in the bottom 40 percent of households", and the World Bank has made a public commitment to support policies that foster shared prosperity in the developing world. Concerns about shared prosperity are also widespread in advanced economies, where many fear that growth no longer benefits the bottom half in terms of income distribution (World Bank, 2013). The shared prosperity goal focuses on the promotion of a combination of growth and greater equality to complement the poverty mitigation target. It is crucial to consider that the process in achieving these two goals are sustained over time and across generations - which requires promoting social, economic and environmental sustainability. The situation brought this study that aims to investigate how the elements of the sustainable development of an economy can supplement the shared prosperity in mitigating poverty.

### 1.2 Shared Prosperity in Mitigating Poverty and Sustainable Development

There is a general consensus that economic growth is necessary but not sufficient for poverty reduction. Conventionally, economists have quantified growth as an increasing *per capita* income or gross domestic product. But if the distribution of income is skewed and the poor part of the population is getting poorer even while the average income increases, people would hesitate to call this as development (Dollar et al, 2014). Hence, GDP is an incongruous and even misrepresentative measure for sustaining well-being continuously. A numerous level of current income does not promise the same in the future. Undeniably, it may actually diminish the tomorrow well-being if it consumed the capital basis of the current society. Consequently, GDP *per capita* is not comprehensible with any approach to sustainable development.

Evidently, income inequality is excessive and escalating in many developing countries (Rauniyar and Kanbur 2010; Milanovic and Lakner 2013; Chen and Ravallion 2013; Ravallion 2012). The status quo makes unfeasible for the developing world especially to be in the achieving of less than 3 percent poverty target by 2030 (World Bank, 2014). Economic growth would be helpful in reducing poverty as well as promoting prosperity if the growth becomes more sustainable and inclusive in all countries especially developing economies.

The concept of “sustainable development” was popularized by the World Commission on Environment and Development in their 1987 report. Sustainable development was defined as “a development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987). This definition suggests “the need to balance two concerns, one having to do with the present (intragenerational) needs and the other having to do with the future (intergenerational) needs”. Therefore a great investment in physical and human capital is needed in providing an optimal, sustained and inclusive growth. Hereafter, ending extreme poverty is all about the inclusiveness in a sustainable environment besides a sufficiently fast economic growth.

United Nation and its organizations have put a great effort in bringing the sustainable development concept aimed at a high quality of life by promoting the idea of a balance in terms of economic development, social equity, efficient utilization and environment conservation. Interestingly, many arguments have been advanced to warrant a new sustainable development model (Nazrul et al, 2014). This is due to the claims that the current model is leading to breaches in planetary boundaries, jeopardizing the very existence of human civilization. In addition, the current model is less handsomely helpful in improving life satisfaction even in developed countries.

In this context, imbalances in the current model provide the basis for the urgency to delve into the Holy Qur’an and Sunnah in seeking solutions for the sustainability issues in promoting shared prosperity.

### 1.3 Sustainable Development from Islamic Perspective for a Better Prosperity Sharing

Development is reported in Qur’an as God says: “*It is He Who hath produced you from the earth and settled you therein*” (Surah Hud, verse 61). In the Hadith, Prophet Muhammad (peace be upon him) said: “*if the Final Day comes upon you while you were planting a seed, then continue on planting it*”.

Sustainable development may be defined, from an Islamic perspective, as “a multidimensional process that seeks to strike a balance between economic and social development on one side, and the environment on the other”. It urges the utilization of the available resources at optimal level upon which the resources rely (Nouh, 2011)

As noted by Ahmad et al (2013), Islam is a universal religious and provides the path to lead life. Therefore, Islam brings prosperity not only in the worldly life but also in the hereafter. They mentioned that some studies conclude that religions have relationship with economic growth and human development. If the

glorious principles of Islamic teachings are implemented, then there will be peace and prosperity all over the world. Islam explains the role of state, social and economic justice, concept of brotherhood, principles of earning and spending and all other related rules and regulations for the smooth running of social and economic systems. These principles ultimately establish economic growth all over the world.

Grine et al (2013) supported Ophuls (1996) and Zohar and Marshall (2004) that fostering spiritual development is the ultimate choice for human in seeking freedom and moderation in life. They added that the whole society and cultures will be more sustainable with the adoption of spiritual capital which leads to a development of qualities that include “an extensive, value-based vision, global concern and compassion, long-term thinking, spontaneity (and hence flexibility), and an ability to learn from and make positive use of adversity”. This draws the attention to a distinct concept of “superior purification” authenticated according to the degrees of sustainable benefit stimulated in human society. It was also agreed that the human’s spiritual maturity and state of mind is reflected by the quality of their reaction, attitude and perception towards environment. It is clearly emphasized in the Qur’an that *the need for changing the self first, while setting individual change as a fundamental pre-requisite to broader reforms* (Qur’an 13:11).

To summarize, the relationship between these contemporary sustainable development and the sustainable development from the Islamic perspective, to the extent that they are quantitatively important, comes mostly through their effects on shared prosperity in mitigating poverty. This is extensively discussed in the poverty nexus literature. However, there is a dearth of empirical studies of a set of developed and developing countries on the impact of macroeconomic policies and institutions, incorporating the elements of economic growth and human development from an Islamic perspective that might be particularly conducive to promoting shared prosperity for mitigating poverty. This study represents an attempt to produce such analysis.

#### 1.4 The Problem Statement of the Study

The World Bank Group’s quest in diminishing poverty has been translated into two lucidly enunciated goals. First is to end the poverty of the people who continuously live in starvation and hardship. The second is to promote shared prosperity due to some empirical evidence that shows developing countries with strong economic growth over the past decade have undergone widening issue of inequality. The shared prosperity goal apprehends two key elements, economic growth and equity with the hope to stimulate the income growth of the bottom 40 percent of the society. Optimistically a sustained growth will improve the standard of living of the poorer segment of the population which the economic growth alone is not enough by itself (World Bank, 2013).

The prevalent macroeconomic indicators such as GDP and GNP are not the right metrics to measure the health and wealth of nation (Al Jayyousi, 2014). He added that the current global state of environment provides evidence that the current development model is unsustainable.

It is also mentioned in the United Nations Report (2009) that GDP is an incongruous and even a misrepresentative measure for sustaining well-being continuously. A numerous level of current income does not promise the same in the future. Undeniably, it may actually diminish the tomorrow well-being if it consume the capital basis of the current society. Consequently, GDP *per capita* is not comprehensible with any approach to sustainable development.

As mentioned by Eurostat (2013), over the last two decades have seen an enormous propagation of methods and indicators to measure sustainable development. Several composite indicators have been theoretically proposed in the academic literature. Nevertheless, a conceptual framework is needed to synchronize the different ways in which sustainable development has been measured and proved empirically.

Ahmad et al (2013) noted the link between the goals of contemporary sustainable development and the goals of Islam in avoiding waste, monopoly, and corruption, and fosters reform and rationalization of natural resources. Grine et al (2013) discovered that the theory of Islam appears to be persistently preoccupied with spiritual capital of human while guaranteeing balance, piety, social responsibility and human compassion. While, Overton (2014) in his review of Al Jayyousi's book titled *Islam and Sustainable Development: New Worldviews*, commented that the author successfully provides a good overview of the major Islamic economic, environmental and social concepts and philosophies, particularly for readers who are unfamiliar with Islamic knowledge. However, the author fails to provide a range of critical and empirical evidence.

Now that the modern theories on the topic are apparently humanistic and universal and seek to empower and sustain present and future human societies, do we need to promote the Islamic perspective of sustainable growth? The elucidation of such issues remains theoretical, dealing principally with Islam's normative systems of beliefs, ethics and practice. The concept of sustainable development took root in 7<sup>th</sup> century Islam ideology, nevertheless, it was not until 20<sup>th</sup> century that this ideology was translated into a modern context (Aburounia and Sexton, 2004). In view of this, it is necessary to provide an empirical research to test the engagement of Islamic Pillars of sustainable development in promoting shared prosperity in order to mitigate poverty.

## 1.5 The Objectives of the Study

This study is a preliminary paper in attempts to provide the dimension for empirical research to analyze the impact of the Islamic pillars of sustainable development on shared prosperity, adopting a cross-country approach. Specifically, this study will examine the impact of Islamic pillars of sustainable development (both social and economic) on the poorest two quintiles of the population by evaluating the relationship between the factors and the changes in the per capita income of the poorest 40 percent of the developed and developing countries. It is expected that this study will help to determine if the Islamic pillars of sustainable development can serve as an effective mechanism for prosperity sharing in the respective countries.

## 2.0 LITERATURE REVIEW

In reducing poverty and improving a nation's quality of life, economic growth is considered the most powerful instrument for achieving such goals. Numerous studies evidenced a rapid and sustained growth is crucial in producing speedier progress towards the goals. Yet, similar rates of growth can have very different effects on poverty, employment prospects of the poor and broader indicators of human development. The degree of declination of poverty is very much depends on the degree of inclusiveness of society. The World Bank's Department for International Development (2013) reported that the Asian countries are increasingly tackling this agenda of 'inclusive growth'. For instance in the case of India, the development plan is based on the achievement of economic growth and making growth more inclusive. The policy also mirrored elsewhere in South Asia and Africa.

The assortment of conceptual literature over the years has undoubtedly helped explain the issues of shared prosperity and sustainable development, in both secular and Islamic terms. The remaining of this section II will critically reviewed the literatures on the issues.

## 2.1 Shared Prosperity

In April 2013, the World Bank set two new goals: to end extreme poverty and promote shared prosperity in the 140 plus clients countries under its jurisdiction. The shared prosperity is defined as “increasing the incomes and welfare of the poorer segments of society, be it the poorest of nations or thriving, middle income countries by capturing on the two key elements; economic growth and equality” (World Bank, 2013). It is believed that with an inclusive sustained economic growth, poor people are likely to enjoy higher standards of living.

Basu (2013) suggested that, there is good reason for low income nations and developing as well as emerging economies to push the efforts harder for growth. However, for industrialized and rich nations, the aim should be to keep economic growth steady but moderate, unless there is a major technical breakthrough that makes high growth environmentally sustainable.

In contrast, Dollar et al (2014) confirmed, based on macroeconomics policies there is no robust evidence that certain policies are particularly “pro-poor” or conducive to promoting “shared prosperity” other than through their direct effects on overall economic growth.

Ever since the announcement of World Bank’s second goal, a growing numbers of country-specific studies have highlighted the efforts of the countries in promoting shared prosperity. Carneiro et al (2015) exploring the factors limiting the shared prosperity in the Dominican Republic. They revealed that the inability to take up good economic opportunities and convert them into higher income and standard of living needs to change in the Dominican Republic so that the growth can benefit more people in the country. A study by Azevedo et al (2014) on Tajikistan found that the country did well during 2003-2009 in terms of poverty reduction and the promotion of shared prosperity. Steady consumption growth contributed positively to the emergence of the middle class. However, the middle has high levels of churning, especially in rural areas. In the case of South Asian Region (SAR), (Biller et al, 2014) suggested that it is essential for the countries to make closing its huge infrastructure gap a priority, e.g. electricity supply.

With respect to shared prosperity in Europe and Central Asia, Bussolo and Lopez-Calva (2014) have put forward that the ability of the society to take advantage from the economic growth depends on an “asset-based” framework consists of “human capital and other productive assets and nonmarket income”. Meanwhile, World Bank (2014) has disclosed constrains to shared prosperity in Paraguay. The rural and urban poor rely on volatile earnings streams, leaving them exposed to labor market and macroeconomic risk, while limited job prospects lead to high rate of unemployment and self-employment. In 2013, World Bank constructed a report regarding Latin America and Caribbean (LAC) efforts in decreasing poverty, edifice the middle class and promoting prosperity for all level of societies. The enduring uneven standard of living within different areas of LAC countries is the fundamental confrontation facing by the region. It is recommended that LAC countries should put in place an equitable, sufficient and sustainable fiscal policy that will foster shared prosperity. Glaeser and Ghani (2013) discussed the issues of improving the urban infrastructures in order to improve shared prosperity in Sub Saharan Africa. Lakner et al (2014) have applied simulation analysis to determine the adequate percentage growth to achieve the shared prosperity objective, i.e. reduce the extreme poverty below 3 percent by 2030.

The existing literatures provide a good insight into the factors and issues that affect shared prosperity either in promoting or constraining the shared prosperity of countries. In sum, the factors influencing the promotion of shared prosperity as efforts for mitigating poverty are captured as indicators of sustainable development of a country. Furthermore, majority of the studies are country-specific by design. Hence there is a need for a cross-country study of inter-country and inter-regional experiences-of shared prosperity efforts. With the aim of bridging the gap, such study can contribute to a better understanding of the concept of sustainable development and its potential in promoting shared prosperity which will be discussed in the next section.

## 2.2 The Sustainable Development

Sustainable development is an “integrative concept which suggests that any assessment of progress towards sustainability must also be integrative process with a corresponding framework for decision making” (Pinter et al, 2012).

According to Hasan (2006) there was yet no agreed definition of sustainable development. For, it is still an evolving concept attempting to integrate the dynamics of a process of change that cannot ignore local concerns, needs, and interests. However he agreed that sustainability revolved among the three important issues: “maintaining the long-run pace of economic growth, achieving inter-generational equity in the use of the natural resources and restricting as far as possible the increase in pollution for maintaining the present quality of environment”. The Eurostat (2013) reported that the original point for the framework is the Brundtland Report, which defines sustainable development as development that “meets the needs of the present without compromising the ability of future generations to meet their needs”.

Ultimately, the Sustainable Development is believed to be consisted of three main dimensions; (i) economic development, (ii) social development, and (iii) environmental protection. Al Jayyousi (2014) restated another two definitions of sustainable development on top of Brundtland Report by referring to Rijsberman (2000) where the key element of the sustainable development was further elaborated. It referred to the definition of International Union for Conservation of Nature (IUCN) (1980), where sustainable development means “improving the quality of life while living within the carrying capacity of supporting ecosystems” where the definition is wider than the one of the Brundtland Commission which includes significant components such as the upgrading of the quality of life and the carrying capacity of supporting ecosystems.

Nazrul (2014) suggested that the extensive thoughtful of Sustainable Development however has both advantages and disadvantages. The main advantage is that it permits Sustainable Development to incorporate many different goals that are to be achieved while the ostensible disadvantage is when the scope is too extensive; it is hard to ascertain what to focus on and how to measure progress. These may become the sense why, until Rio+20, no attempt was made to formulate sharply a set of sustainable development goals, even though the concept of Sustainable Development has been around for about three decades now.

The formation of sustainable development indicators has been, for many countries and institutions, a vital prospect to move economic and social issues advancing the policy agenda alongside environmental issues. The sustainable development indicators have also been instrumental in promoting the concept of shared prosperity in a much clearer way that can be achieved through sustainable and inclusive economic activities. The question now is: why do we need to promote Islam’s vision of sustainability when the contemporary theories on the topic are assumed to be relevant enough? To answer the question requires an exhaustive consideration of the Islamic beliefs, values and legal system in regards to the notion and execution of the agenda of sustainability. In the following part, the evolution of the Sustainable Development from Islamic perspective is discussed.

## 2.3 The Sustainable Development for Islamic Perspective

Interestingly, the approach of the Contemporary Sustainable Development is largely in consonance with the *maqasid* or objectives of the *Shari’ah*. Islam is “a universal religion and addresses the entire mankind not the believers alone”. The main objectives of the Islamic law put broadly are “to promote the well-being

of all mankind which lies in safeguarding their faith (*din*), their human self (*nafs*), their intellect (*aql*), their posterity (*nasl*) and their wealth (*maal*)” (Hasan, 2006).

It is appropriate to focus upon the oft-neglected Islamic perspectives and its wisdom on sustainable development, and allied fields of social justice, man’s spirituality and his role as *khalifat Allah fi al-Ard* with responsibility to restore the eco-balance and ensure the well-being of the living earth and its creatures. Human welfare objectives from Islam’s perspective should also be pursued in line with its Unitarian vision of *tawhid* and for the realization of human dignity (*karamah*). Al Jayyousi (2014) affirmed the four approaches of the sustainable development based on the carrying capacity approach (*mizan*), ratio approach (*Ihsan*), Socio approach (*Arham*) and Eco approach (*Tasbeeh*). He stressed that the sustainable development should be seen as a progression rather than as a project or product since the real world is dealing with complex problems that need multiple solutions and perspectives.

The application of the teachings of Al-Quran and Sunnah safeguards sustainable development, not only for the Muslims but also for the world on a just basis. Islam reaches out through the Quran and Sunnah on how to achieve sustainable Development. Several texts or verses of the Quran and the Sunnah of the Prophet SAW provide the general guidelines and principles pertaining to economic development.

Surah al-Qasas (28), verse 77: “*But seek, with the (wealth) which Allah has bestowed on thee, the Home of the Hereafter, nor forget thy portion in this world: but do thou good, as Allah has been good to thee, and seek not (occasions for) mischief in the land: for Allah loves not those who do mischief*”, provides evidence that Allah prohibits actions of damaging the earth. It is clear in this verse that Allah encourages us to enjoy His earthly provisions but warns against actions that would ruin this world because Allah hates those who damage the earth.

Grine et al (2013) have highlighted the verses of the Qur’an that deal with the problem of poverty and distress (Surah Al Baqarah (2), verse 271) while connecting moral and legal obligation to the welfare of the needy, destitute, widows, orphans, and wayfarers (Surah At-Taubah (9), verse 60). There are many Qur’anic verses meant to order Muslim actions with regards to the problems of hunger (Surah Al Insan (76), verse 8), social justice (Surah Al-Nisa’ (4), verse 58), equality (Al Hujurat (49), verse 10), (Surah Ali Imran (3) verse 195), and sacrifice (Surah Al-Hasyr (59), verse 9). The Quran continually promotes a strong bond of caring and compassion (Surah Ali Imran (3), verse 134, Surah Al Ahzab (33), verse 34), strengthens the sense of family (Surah Ar Rum (30), verse 21), neighborhood and community (Surah An Nisa’ (4), verse 36). Whilst these verses highlight some of the features of Quran’s general view of sustainability, they highly corresponding the need to revisit the efficacy of the spiritual and emotional commitment of Muslims and their contribution to global human welfare.

The perspective of Islam on sustainability may be further grasped through an examination of the “teachings” and “lifestyles” of *Prophet Muhammad (PbUH)* and how his teachings be the principal to the development of Islamic civilization. “He taught the Muslims to take education seriously, engage in social development by developing the characters of piety, humility and leadership”. “His teachings condemn isolation, alienation, greed and discrimination while replacing them with the positive concepts of social interaction, integration and inclusiveness, volunteerism and equality”. Prophet Muhammad SAW reported to have said: “*if the Hour (Judgment Day) is about to be established and one of you is holding a palm shoot, let him take the advantage of even one second before the Hour is established to plant it*”.

Sustainable development as defined from an Islamic perspective, “as a multi-dimensional process that seeks to strike a balance between economic and social development on one side, and the environment on the other”. It urges mankind to use resources in the best possible way, accounting for the environment upon which those resources rely (Nouh, 2011). This concept of sustainable development is deemed to refer “to



the balanced and simultaneous realization of consumer welfare, economic efficiency, social justice, and ecological balance in the framework of an evolutionary knowledge-based, socially interactive model”.

There are some elements that are considered by Shari’ah as a unique perspective of Islam in matters of value society and these elements are necessary for social cohesion. These elements are the main indicators of sustainable development for the betterment of individuals and society. These elements are: “Responsibility (Faradh), Empowerment (Shura), Equilibrium (Al’adl wal ihsan), Endowment (Al-Waqf) and Almsgiving (Zakat)”. The elaboration of these elements is discussed further in the Research Methodology section under the Theoretical Framework segment.

From an Islamic perspective, sustainability encompasses “sustained learning and wisdom, commitment to their societal role of the people, the responsibility of their religious and civic institutions, and the degree to which their faith and spirituality are sustainably practiced in society”. In the current and preceding parts it is shown that sustained development can have a positive impact on poverty reduction and contributes to promoting shared prosperity. It is crucial therefore to analyze empirically the impact of sustainable development elements towards shared prosperity of the nation. In the following section, we look at the theoretical framework and methodology of the analysis.

### 3.0 PROPOSED RESEARCH METHODOLOGY

#### 3.1 The Framework of the Study

The study will estimate a model to measure the shared prosperity,

$$\text{Shared Prosperity}_t = \alpha + \beta(\text{IP}_t) + \gamma(X_t) + \mu t ;$$

Where, **Shared Prosperity<sub>t</sub>** is proxied by Shared Prosperity Indicator developed by Rosenblatt and McGavock (2013) as the **dependent variables**. The shared prosperity indicator has its intellectual origins in the concept of quintile income. Defined as the per capita income of the poorest quintile (20 percent) of the population, quintile income was proposed as a simple welfare measure that is both easy to calculate and easy to understand. It draws on Rawlsian notions of promoting the welfare of the least fortunate members of society, and also has the pragmatic feature of comparability with traditional macroeconomic welfare measures such as per capita income.

Therefore;

$$SP(x) = \left( \frac{s(x)}{0.4} \right) * y(x)$$

Where;

$SP(x)$	=	shared prosperity index
$s(x)$	=	share of total income accruing to the bottom 40% of the population
$y(x)$	=	the per capita income of the total population of a country with income profile $x$

This expression shows that the shared prosperity indicator is similar to the Sen index of real income which is the product of inequality measure (the income share of the poorest 40 percent) and the per capita income

of the total population. In discrete time, the percentage change in the shared prosperity indicator is simply the sum of two growth rates: the growth rate of the share of income accruing to the poorest 40 percent and the growth rate of the per capita income of the total population.

**The independent variable ( $IP_t$ )** is the Islamic Pillars of Sustainable Economic Development quoted by Aburouni and Sexton (2004) and Ahmad et al (2013). These elements are:

1. “Responsibility (Faradh)”
2. “Empowerment (Shura)”
3. “Equilibrium (Al’adl wal ihsan)”
4. “Endowments (Al Wqaf)”
5. “Alms (Zakat)”

The indicators and measurements are based on the sustainable development indicators prepared by the Eurostat (2013).

### **Responsibility (*Faradh*)**

“Individual and society have the responsibility to make use of welfare in a responsible way”. “Humans are responsible as God’s vicegerents (*Kalifah*) for the care of the earth”. God says in the *Qur’an*: “*It is God who has created for you all that is on earth....And remember when your Lord said to the angels: ‘Verily, I am going to place a viceroy (mankind) on earth.’ They said: ‘Will You place therein those who will make mischief therein and shed blood, -while we glorify You with praise and sanctify You?’ God said: ‘‘Verily, I know better what you do not know’’* (Al-Baqara (2), 29- 30:5-6).

### **Empowerment (*Shura*):**

“Human beings should fully participate in decision making and implementation in their life. In Islamic perspective the empowerment means the consultative (*Shura*) decision making of all levels of the Islamic society”. It pertains collectively to the decision making on social matters. Such a role of *Shura* is close to its meaning in the *Qur’an*: “*And who (conduct) their affairs by mutual consultation*” (Ash-Shura (42), Verse.38:487).

### **Equilibrium (*Al’adl wal ihsan*):**

“Individuals have the freedom to act, but must do so with manner from welfare of the present and future generation”, God says: “*if you loan God beautiful loan, He will double it in your credit, and He will grant your forgiveness*”. This is in reference to interest-free loans which God calls “beautiful loans” (Qard Hasan).

### **Endowment (*Al-Waqf*):**

This is referring to principles of attempts to fight against poverty. “This fight can occur through charitable transfers through Trusts /Endowments or through government assistance that ensures that man is free from the shackles of poverty”. God says in the *Qur’an*: “*Give your kinsman his due, and the needy, and the wayfarer, and squander not (your wealth) in wantonness. Indeed, the squanderers are brothers of the devils, and the devil is ever an ingrate to his Lord*” (Al-Isra (17), Verse. 26-27: 285).

### **Alms (*Zakat*)**

“Zakat is one of the five pillars of Islam”. Zakat provides a vital mechanism for addressing social welfare issues”. In *shariah*; the word zakat refers “to the determined share of wealth given by Allah to be distributed among the categories of those allowed to receive it”. It has a moral purpose with respect to the individual. The social objective of Zakat is to eliminate poverty, rein-in the desire for personal accumulation at any cost and to encourage socially orientated behavior.

### **Social cohesion (*Ummah*)**

“*Shariah* emphasizes the inspiration of cohesive society i.e. the process of developing a society of shared values, shared challenge and equal opportunities”. God says: “*O mankind! Verily We have created you out of a male and a female, and We have made you into nations and tribes, that you may know one another. Indeed, the noblest of you in the sight of God is the most conscious of Him. Verily, Allah is All-Knowing, All-Aware*” (Al-Hujraat (49), Verse.13:517). “*And among His signs is the creation of the heavens and the earth, and the difference of your languages and colours, Verily in that are signs for men of sound knowledge*” (Ar-Room (30), Verse.22:406).

While ( $X_t$ ) are **controls** for a set of other determinants of Islamic Pillars known as Ummah (Social Cohesion), which includes: public service quality, access to financial resources, real-economy activity, education and health and the two macroeconomics variables; inflation rates and interest rate.

### 3.2 Proposed Methodology

To achieve the objective of the study, there are two stage procedures that need to be applied.

Firstly, this study uses the panel regression to examine the significance of the social and economic pillars of sustainable development from the Islamic perspective towards the shared prosperity of the developed and developing countries. As a result, it produces more efficient estimators. This general formulation of the model used in this study can be specified as follows (as mentioned in the previous part):

$$SP_{it} = \alpha + \beta(IP_{it}) + \gamma(X_{it}) + \mu t ;$$

To facilitate the second hypothesis, this study will replicate the construction of The Pillars of Prosperity Index by Timothy and Torsten (2011) in order to develop the Islamic Pillars of Prosperity Index (IPPI). The IPPI will explain the implication of Islamic Pillars of sustainable development towards the shared prosperity of the country based on the ranking of the index. The Index expectantly reveals which countries function more sustainably, promoting the shared prosperity based on the Islamic Pillars of sustainable development.

To define the index, firstly is to construct an individual index based on the dimension (faradh ( $F_i$ ), shura ( $S_i$ ), Al’adl wal Ihsan (AAWI $_i$ ), Al Waqf (AW $_i$ ), Zakat ( $Z_i$ ) and Ummah ( $U_i$ ).

The max-min procedures will be applied in constructing the individual index as formally below:

$$I = [(V-min)/(max-min)] \times 100$$

where,

- $V$  is the observed indicator value(after imposition of bounds), and
- $I$  is the new, rescaled, index-number representation with a value ranging from 0 to 100.

Subsequently, if all of the variables are available for country  $i$ , an equal weight will be given to each variable. By construction, this Islamic Pillars of Prosperity lies between 0 and 1.

Eventually, the Islamic Pillars of Prosperity Index for country  $i$  is defined as:

$$IPPI = \frac{Fi + Si + AAWI_i + AW_i + Zi + U_i}{6}$$

#### 4.0 THE EXPECTED RESULTS

A number of literatures have conceptually discussed on how sustainable growth indicators as well as the Islamic principles on sustainable development support socially inclusive, environmentally friendly and development promoting activities. However the empirical literature to these objectives has been below its potential. Therefore, this study complements the conceptual framework of sustainable development from Islamic perspectives by Aburounia and Sexton (2004) and Ahmad et al (2013) empirically. The findings of this study should provide enough evidence in explaining the most significant sustainable development indicators from the Islamic perspective that provides a significant impact towards increasing the prosperity sharing of a country. These changes will therefore enable developed countries to focus on development that would move away from material and private consumption to non-material and social consumption, from unequal to more equitable distribution of wealth and income and from self-aggrandizement to greater priority given to the community and society. As for the developing countries, the focus of human development will continue to be on poverty eradication and on raising the material standard of living.

#### 5.0 CONCLUSION

This paper is a proposed study designed by the researchers to conduct research in the concept and approach from Islamic perspectives of sustainable development in mitigating poverty and promoting shared prosperity. Although this is principally aimed at academicians, it is very much relevant for policymakers, as policy targets for sustainable development are increasingly being formulated at national and international levels. Policy makers and economists must understand this holistic approach to enable them to formulate economic policy and programs that comply with the requirements of Islam. Analysis is only useful once its inferences are adopted by the governments and placed at the heart of credible growth strategies. It is believed that there is a great deal of room for improvement by the governments in strengthening the effort to promote an inclusive economic growth.

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