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The Economic Islamicity Index, between Islamicity and Universality: Critical Review and Discussion

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Abstract: This study aims to criticize and debate the Economic Islamicity (EI) index that was developed by Rehman and Askari. We believe that the design of this index has fallen into a theoretical black hole by assuming specific areas to measure the EI as well as choosing some unfair and biased indicators to develop this EI index. Surprisingly, their study concluded that the top countries that adhere to Islamic ideologies and teachings in both economic achievement and social values are Ireland, Denmark, Luxembourg, Sweden and the United Kingdom. The first Muslim country is Malaysia ranking at 33 while the only Arab state in the top 50 is Kuwait at the rank of 42. We used the methodological criticism in this study to critically assess, analyze and review this EI index. The main findings of this research effort are that the study of Rehman and Askari does not conform to the Maqasid Shariah which serves to guide the economic, social, political and cultural aspects of Islamic societies. Moreover, the study excluded the 5 main pillars of Islam when they were building their measures and proxies of EI index. Despite the researchers introducing and using the index as an Islamicity index, Islam is not part of the criteria or forming the standards. Therefore, the EI index introduced by their study is claimed to be unreliable, inaccurate and does not reflect the economic Islamicity whatsoever as discussed and explained in this research effort. The main implication of this study is to shed some light that may lead to overcome the theoretical and practical lapses existing in the EI index. Hopefully, reconsidering and criticizing the EI index would enhance the validity and applicability of this index.

Key words: Economic index, Economic Islamicity (EI) index, Maqasid Shariah, Islamic financial system, criticism, theoretical, Denmark, Sweden, Malaysia

INTRODUCTION

Rehman and Askari (2010) from George Washington University introduced a framework for Economic Islamicity (EI) Index. They published their work in the Global Economy Journal. In their study, they assessed the extent that self-declared Islamic countries adhere to Islamic ideologies and teachings. The study included 208 countries around the world and investigated 12 areas that containing 113 measures and proxies of Islamic economics.

We reviewed a vast number of reactions and debates regarding the astonishing results that stunned Islamic world. The results reveal that the top countries applying the principles of Islam are not part of the Muslim world rather, they are from the Western world.

Our study attempts to review the definition of Islamicity and review the models with special emphasis on the opinions related to the results of their study. The current research uses the methodological criticism (i.e., the critique of scientific practice according to the methodological principles) and takes the form of a literature review which aims to discuss the principles of Islamicity Index (EI). We hope that the results of our study will shed some lights on the impressions and reflections of this index in the Islamic countries and the whole world.

Interestingly, we recognize the novelty of Rehman and Askari (2010) work to identify the principles of economic Islamicity in spite of the criticized perspective that we formed regarding their study. We believe that the popularity of this Islamicity index is possibly not due to the originality of the study, rather it comes in line with the accelerated political propaganda against Islam in recent years.

Part of the explanation of the controversy and criticism surrounding EI comes from the popularity of the construct itself. Time Magazine covered a story in the

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same year (2010) which announced to the world that "research suggests that Islam is in Western countries not in Muslim world". To be fairly, the study does not assume that this index is for Islam in general, rather it is dedicated to compare nations based on the economic principles in Islam. Indeed, just because the results of a study feel counter-intuitive doesn't mean we should ignore basic truths. It is a fact that Muslim countries have fundamental problems (such as corruption and human rights abuses) that go against the spirit and laws of Islam. In addition, it is also true that most Muslim nations are also developing countries and their economic foundations and levels of comfort do not match those of the West.

Shariah in Islam is created from the rules dictated by the Quran and the explanation rendered by Prophet Mohammed (PBUH) (Abdeldayem, 2009). Based on Hadeeth in Sahekh Bukhari (8-4515) that Islam is built upon 5 pillars:

- Sehadah (only one God and Mohammed is his messenger)
- Salat (daily prayer)
- Hajj (Pilgrimage)
- Zakat (donating 2.5% of total wealth every year to the poor and needy people)
- Sawm (fasting in the month of Ramadan)

Rehman and Askari (2010) argued that researchers have tried to adjust the methodology and to evaluate the rapport between religion and economic development. Moreover, are these countries indeed Islamic or are they Islamic in name only is it accurate to question or determine the relationship between economic development and religion? No scholar or writer is able to determine this relationship especially that there is no historical support to this idea. Furthermore, economists and sociologists have reached to similar conclusion namely, that it is hard to argue that religious activities beliefs or affiliations have significant effects on economic growth (Montalvo and Reynal-Querol, 2002; McCleary and Barro, 2006).

MATERIALS AND METHODS

This research study conducted as a retrospective review of the main stream of literature of Maqasid Shariah and economic indexes development over the last two decades, i.e., between 1997 and 2017. Of these, only the study of Rehman and Askari (2010) that developed their "unrealistic" Economic Islamicity Index. We believe that the design of this index has fallen into a theoretical black hole by assuming specific areas to measure the EI as well as choosing some unfair and biased indicators to develop this EI index. Hence, we utilized the "methodological criticism" to critically assess, analyze and review this EI index.

RESULTS AND DISCUSSION

Analysis, discussion and criticism of the economic Islamicity index: The division of countries into first, second and third is such a typology. It's complicated task to select specific dimensions which enable the researcher to compare societies in macro-level. In the process of comparing phenomena, similarity and differences are two sides of the same coin one presupposes the other (Hofstede and Hofstede, 2001). Rehman and Askari (2010), proposed their 12 dimensions and claim that they represent the economic islamicity. Yet, economic islamicity is micro-level phenomena and to consider it to be used as macro-level phenomena require to meet several scientific rules. Moreover, the authors did not examine this conditional case to prove the universality of the 12 dimensions.

In practice, a dimensional model is preferred for its applicability and implications. However, creating such a universal model requires valid dimensions. Parsons and Shils (1951), emphasized that different variables could operate at different levels, therefore, Rehman and Askari (2010) selected specific variables which are biased against Muslim countries and make the Western countries score high ahead of Muslim countries.

It is worth mentioning that while there is clearly some overlap among the principal teachings, especially when it comes to economic principles, not only in content but also in terms of cause and effect, they still serve to highlight the areas of economic, social and political success or deficiency among the Islamic countries. In addition, it is suspicious to strictly grasp each of the dimensions of Islamic principles with different variables employing as proxies that do not overlap. The proxies are not perfect indicators of the Islamic principles in question but they represent the measures that are readily available and may clearly overlap. It is hoped that time will at least allow improvements in having better proxies.

There is also a general problem with the majority of indices of Rehman and Askari (2010), namely the importance or weights given to each element in the index in order to come up with an Islamicity index. Obviously, the more disaggregated the index, the less important is this problem. In our case, the international relations islamicity index has less weighting issues than does the Economic Islamicity Index (in that it has many more diverse elements to be combined) which in turn has less elements than the overall index that also incorporates many dissimilar elements (economics, human and political rights, legal and governance and international relations). We, like many others have adopted the least controversial approach by assigning equal importance or weight to each of our elements within each of the twelve Islamicity indices.

Furthermore, these are indices whose construction can be improved. In cases where the missing information is limited, Rehman and Askari (2010) have estimated the information from other sources but in cases where it is extensive they have had to drop the country from consideration altogether. Hence, the availability of information (largely indices of characteristics such as freedom, poverty level, etc.) should increase with time, resulting in more accurate comparisons and in the inclusion of more countries. Accordingly, as the information is updated, the index should be updated.

A number of Muslim scholars have developed other indices, since, the early work of Rehman and Askari (2010). Many of these are based on Maqasid al-Shariah. The essential justification for these indices is that they are based on the goals of Shariah and can be more readily justified that those based on individuals drawing out the principles directly from the Quran and teachings of the Prophet.

While the tendency may be to focus on the overall Islamicity Index, we encourage the examination of each single index of Rehman and Askari (2010) and their sub-elements. It is these sub-elements that provide more indisputable evidence and would be most useful for developing policies and practices to address shortfalls.

For instance, the first dimension (economic opportunity andeconomic freedom) has three indicators. Each of the indicators have their generality and far from considering them as stemmed from Islamic thoughts and applications. Gender equality, discrimination, labor market, ease of doing business, economic freedom and business freedom are general indicators that could be applicable and preferable in application to all nations and religions. On top of this, Western countries achieved progress in setting the principles of economic freedom and they design it gradually since the industrial revolution. The question is what makes this dimension Islamic or in other words, what is the rule-base (Quran and Sunnah) of this dimension to consider it Islamic. At the same time is this dimension specific to the Islamic world only?

In addition, the first area focused on economic opportunity and freedom and used five indicators to measure this area. Ironically, the study used gender equality and non-discriminatory indicators, labor market indicator, ease of doing business indicators and economic, business and market freedom Indicators to examine the economic opportunity and economic freedom based on the United Nations reports, World Bank and Fraser Institute. This proves the prejudice of this study as the indicators chosen favor Western economies. The Islamic economic system as reported by Asutay (2007) "aims to guarantee individual liberty, freedom of choice, private property and enterprise, the profit motive but at the same time, it provides effective moral filters at different levels of life and activity. Moreover, it establishes its own distinct institutions to fulfil the Shariah objectives of human well-being, economic development and social justice in society". This concept distinguishes between what is lawful (halal) and what is forbidden (haram) sources of income as identified by the Shariah. While we believe that gender equality is universal in nature, we cannot deny that Islamic economic principles assert equal opportunity for both genders.

Unlike the study of Rehman and Askari (2010) is based on the theory of economic freedom adopted by capitalism from a secular point of view, the Islamic economic system is part of the Islamic religion order. The main characteristics of this system are the economic activities serve the main objective of Muslim which is worshipping Allah. Therefore, Muslims believe they will be rewarded for these activities if they are combined with good intention. In this respect, the Quran states:

> "And I did not create the jinn and mankind except to worship Me"and "Say, 'Indeed, my prayer, my rites of sacrifice, my living and my dying are for Allah, Lord of the worlds"

Fortune is the tool of applying social equality among the Muslim community. Therefore, the distribution of wealth is important by forcing Muslims to give Zakat (2.5% of income), balancing materialism and spirituality and ensuring fair distribution of wealth.

In the same vein, money and the process of making money is related to the objectives of Islamic Shariah (Maqased al Shariah), therefore, economic freedom clashes with the halal earning principle which means earning money compatible with Islamic rules. Islam forbids Muslims against all unclean and corrupt means of making money such as dishonest trading, embezzlement, gambling, speculation and bribery. For instance, a severe warning is given in the following verse to traders who cheat in weighing: "He who cheats is not of us. Deceitfulness and fraud are things that lead one to Hell". Likewise, bribery and usury whether by mutual consent and agreement are totally forbidden and those who are guilty of them will be condemned according to Islamic traditions (Aldulaimi, 2016). Also, Muslims are not allowed to waste money on nonsense projects or activities or commit robbery.

In addition, economic freedom clashes with public interest based on the principle of no harm. There should be neither harming [darar] nor reciprocating harm [diraar]. Here, economic freedom is restricted by the ethical system that ensures people's interests.

Similarly, the practice of monopoly (ihtikar) is a business model that is prohibited in Islam. Monopoly (ihtikar) means dominating goods. Ihtikar in the Islamic perspective means the process of monopolizing ihtikar goods or services in order to raise prices. Prophet Muhammad wormed Muslims from practicing monopoly by stating that any monopolist is considered mistaken.

Gambling is not allowed in Islam. Islam looks at gambling as a way of obtaining undeserved money which causes irreparable harm to individuals and society and therefore, it is haram in the religion of Islam. As regards to this, the Quran states: "O ye who believe! Eat not up your property among yourselves in vanities".

Worth mentioning that the economic system in Islam is completely different from that of capitalism and socialism (Asutay, 2007). Thus, it is an "approach to and process of interpreting and solving the economic problems of human beings based on the values, norms, laws and institutions found in and derived from the sources of Islam" (Haneef, 2005).

The axiom of Tawhid (God's unity and sovereignty): was reported by Ahmad (2003) that "Islamic worldview is based on tawhid or the Oneness of God as an essential part of this economic system. Akhirah (life-after death) is the continuity of life beyond death and a system of accountability based on divine law. These idioms provide the framework for economic activity to take place within Islamic norms".

Ashour and Altaher (2004) stated that "the Maqasid al-Shariah or the objectives of Shariah, provides the legal framework within which Islamic economic activities should be conducted. This final principle aims to interpret the text and restore the principles of Islamic economics in relation to the objectives of Shariah. Thus, it implies that the principles of Islamic economics must lead to human wellbeing".

The second area is dedicated to justice in all aspects of economic management, i.e., property rights and the sanctity of contracts and is based on the heritage foundation index of economic freedom of property rights. Noticeably, all religions call for justice as a basic human right. Aldulaimi (2016) stated that the Muslim considers justice in its general context to be one of the most necessary obligations as Allah commanded it in His saying: "Verily, Allah enjoins justice and doing good and giving (help) to kith and kin". Nevertheless, justice is recognized by all religions on earth. The study of Rehman and Askari (2010) used the economic freedom of property rights based on the data published by The Heritage foundation to measure this area:

> "The property rights component is an assessment of the ability of individuals to accumulate private property, secured by clear laws that are fully enforced by the state. It measures the degree to which a country's laws protect private property rights and the degree to which its government enforces those laws. It also assesses the likelihood that private property will be expropriated and analyzes the independence of the judiciary, the existence of corruption within the judiciary and the ability of individuals and businesses to enforce contracts" (HF., 2009)

We are questioning the use of this data as it is for general property rights to measure justice in economic management. There is no rational relationship of this data to the principle of justice. Justice as ethical side is religious principle but the justice as procedures is far from the Isalmicity.

The third area is dedicated to better treatment of workers including job creation and equal access to employment. Using one indicator of equal employment and job creation. This indicator was measured using the data of Total Labor Force from World Bank Development Indicators of Unemployment with focusing on the proportion of female from the total labor force. Initially, the unemployment data and female proportion of labor force do not reflect Islamic teaching in a certain way. Instead, it is a universal case and this phenomena was influenced by many factors such as economic growth, political issues and legal and social restrictions. Islam inspires people to work and it is the legitimate way of living and satisfies their needs as Quran states: "It is He Who has made the earth manageable for you, so, traverse ye through its tracts and enjoy of the sustenance which he furnishes but unto Him is the resurrection".

With reference to women in the labor force, despite there being no clear objection to a woman's right to work, the rules of Islam prefer that women should take care of the family as Quran says "And abide in your houses and do not display yourselves as [was] the display of the former times of ignorance". This verse of the Quran sets the rule of women's work which depends on the necessity of the family or the community. In addition, women have the right to work but the priority should be given to motherhood in order to raise children and based on the availability of safe work environment. Therefore, choosing this indicator increases the conviction and reviles the biasness of the study against Islam.

In particular, women's access to the labor market is determined by rigid gender role ideologies, social and cultural restrictions on women mobility and integration in the work place, segmented labor markets, lack of skill and employer's gender biases that attach a lower value to female labor due to their family responsibilities (AlMatar, 2015).

The fourth area of the EI index is higher education expenditures relative to GDP including equal access to education. The study used four indicators to measure equal access to education namely, education index indicator, education public expenditure indicator, education equality indicator and education effectiveness indicator. We believe that these indicators are measuring economic factors and have nothing to do with Islam. Governments in all countries are normally looking to international comparison of education opportunities and outcomes when they set policies to enhance people's social and economic prospects as a main role for any government in both Islamic and non-Islamic societies.

Significantly, the expenditure on education in developed countries represents a very high share from the total government expenditure while the education sector in developing countries still suffers from the difficulties to offer adequate levels of education to their people due to the shortage of income and corruption. Hence, this area should not considered as a part of the EI as claimed by the authors of that study.

The fifth area is poverty eradication, aid and providing basic human needs, no hoarding of wealth. To evaluate this area, the study uses the poverty effectiveness indicator and provision of healthcare indicators based on the data from the World Bank Development Indicators of Malnutrition prevalence, height for age (% of children under 5) and World Bank Development Indicators of Malnutrition Prevalence, Weight for Age (% of children under 5) United Nations Human Development Index of Life Expectancy at Birth. Rationally, there is no remarkable connection between poverty and religion because religion impossible to encourage unhealthy food and stand against food security. Furthermore, the poverty rate concentrate in Africa and no matter what the religion is it takes no effort to prove that religion is far from causing poverty and Islam in particular have great principles to motivate Muslims to be independent and self-sufficient to secure food. Prophet Mohammad says: "If one of you get his rope and climb the mountain to collect bundle of wood on his back, then sell it to save his face from asking for charity". In addition, since, the Malthus theory and onward, economists, demographers and other social scientists have been discussing how high fertility and rapid population growth affect economic outcomes and vice-versa, there is enormous literature verifying the significant relationship between high rate of birth rate and economic effectiveness.

The sixth area includes a more distribution of wealth and income with no indicators to measure it as an Islamic economic category. The distribution of wealth is obviously at the heart of wide research field of economic inequality and therefore cannot be classified as an area to be included in the EI index. Muhammad *et al.* (2013) reported that the concept of distribution of wealth is completely different from capitalism and socialism. It is accompanied by ethical and moral values highlighting humanity, forgiveness and sympathy. In Islam, there are two types of heads pertaining to distribution of wealth namely: primary heads (distribution of wealth among the factors of production) and secondary heads (those people who are unable to participate in production such as children, orphans and widows).

The seventh area of the EI index is better social infrastructure and provision of social services through taxation and social welfare. Social welfare is the social interventions intended to enhance lives. Social welfare is defined as a state of human well-being that exists when social problems are managed when human needs are met and when social opportunities are maximized (Midgley, 1997). The study of Rehman and Askari (2010) measured this area by three indicators: fiscal freedom indicator, tax level indicator and taxation level indicator. Therefore, it is hard to prove that tax deduction will lead to the provision of social services. The study should have used Zakat instead of taxation in order to come up with EI index. Zakat is one of the 5 main pillars of Islam to achieve a kind of social security and should be included in any EI index. The difference between Zakat and taxation is that Zakat falls on to the annual accumulated wealth of the Zakat payer while tax falls on to the income of the taxpayer (AlMatar, 2015) and this obviously makes zakat more fair compared to taxation as it falls more heavily on the rich than the poor and hence, leads to more social justice.

The tenth area is dedicated to measuring the Islamic financial system 1: no exploitive speculation and risk sharing as opposed to debt contracts, i.e., a supportive financial system. With four indicators to this area (investment freedom, banking sector indicator, financial market risk indicator and investment portfolio and capital flows indicator). Several studies by the World Bank refer that Islamic banking assets have been growing faster than conventional banking assets. The critical question here is why the study of Rehman and Askari (2010) ignored the Islamic banking sector instead of using banking sector indicator as a general indicator. Moreover, the study ignored the Insurance system ("Takaful") as essential asset of the Islamic financial system. Another indicator is the financial market risk indicator instead of promotes risk sharing that connects the financial sector with the real economy. In addition, financing must be linked to real assets (materiality) and not engaged in immoral or ethically problematic businesses that are not allowed in Islam (e.g., drugs manufacturing or alcohol production). Finally, the study ignored the basic instruments of Islamic financial system which include: cost-plus financing (murabaha), profit-sharing (mudaraba), leasing (ijara) and partnership (musharaka).

Finally, the eleventh area of the EI index is the Islamic financial system 2, regarding the financial practice that includes the abolition of interest and the study of Rehman and Askari (2010) measured this area by one indicator, i.e., the absence of interest indicator. In fact, the Islamic financial system depends on several Isalmic concepts a part from the absence of interest (riba) such as Wadiah (Saving with guarantee), Murabahah (Cost Plus), Musuarakah (Joint Venture), Mudharabah (Profit-Sharing), Al-salam (Future Delivery) and Quard Hassan (Benevolet loan). All of these factors are excluded when the researchers measured the Islamic financial system as an area among their EI index. Hence, this index tends to be non-comprehensive, inaccurate and unreliable as part of an EI index.

CONCLUSION

To conclude, the principle Islamic teachings that Rehman and Askari (2010) used in their study do not precisely represent the characteristics or dimensions of a rule-abiding Muslim community. Also, in their Islamic teachings, the elements of what they include are irrelevant to the main dimensions.

For instance, economic freedom is not absolute in Islam; rather, it is restricted by rules and morals. Economic activities are related strictly to achieve the social justice and fairness in wealth distribution. In addition, the superiority of public interest on the private interest. Western economic freedom is influenced by thoughts of Adam Smith when he stressed the natural freedom system which leading to strong economy and then to welfare and prosperity.

Based on what the researchers chose to represent the elements in the EI index, the data and information is not clear and not accurate. In addition, there is obvious some superposition among the principle teachings not only in meaning but also in terms of cause and effect.

Moreover, there is a general problem with all indices in that study namely, the importance or weight given to each element in the index in order to come up with the EI index. Therefore, the EI index of Rehman and Askari (2010) can be considered as static exercise and their index measured economic and human development, laws and governance, human and political rights as well as international relations in accordance with a set of 12 economic rather than Islamic principles that include indicators on economic freedom, justice in all aspects of economic management, better treatment of workers, higher education expenditure, poverty, distribution of wealth, social infrastructure, saving and investment, moral standard and honesty, Islamic financial system and higher trade GDP.

Despite the EI index is introduced as an Islamicity index in their study, Islam is not part of the study. With Islam not the criteria or forming the standard to refer to the index as measuring Islamicity is problematic. Hence, we can conclude that the elements used to measure Islamicity in the study of Rehman and Askari (2010) are the same elements that authors could have used if the index was simply about socio-economic development.

Finally, this manuscript reviewed the EI index with special emphasis on the necessary amendments to improve the index validity. The popularity of EI was considered and numerous possible avenues for additional work were presented. This simple and intuitive set of premises help guide growing of academic inquiry in the field. We belief that there is an urgent need to develop an improved process for conducting valid economic assessment in Islamic countries.

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