

THE PROPOSED *i*-HDI FOR POVERTY ALLEVIATION IN OIC COUNTRIES

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Abstract

The human development approach inspires a widening of the informational base on poverty by investigating the deprivation of functioning's and capabilities that create freedom in a framework that was generated with developing perspectives at its centre. The existing measurement of human development index (HDI) published by UNDP might be the most comprehensive indicator to measure human development, yet it is not fully compatible and enough to measure human development from Islamic perspective. In Islamic perspective, human development based on Maqasid Shariah framework consists of five pillars, preservation of ad-Din (faith), preservation of an-Nafs (Life), preservation of al-Aql (Intellect), preservation of al-Nasl (progeny) and al-Mal (Wealth). Therefore, the objective of this current study is an attempt to propose an Islamic Human Development Index (i-HDI) as a holistic and comprehensive index for human development derived from the five dimensions of Maqasid Shariah and then compare this index to measure human development in OIC countries with HDI. This study employ the HDI method to compute the i-HDI. The result shows, i-HDI is parallel with the HDI method and this new index and the ranking of countries based on i-HDI will give more accurate and more meaningful analytical insights relating to poverty alleviation.

Keywords: Human, Development, Maqasid Shariah, OIC, Poverty.

INTRODUCTION

Historically, poverty was understood to mean 'not having enough money to meet basic needs such as food, clothing and shelter'. Nowadays, quality of life also be a part of poverty. People living in poverty must struggle in order to survive. For instance, children living in poverty often lack access to school to get quality education. Then, the children grow up and become incapable to provide for their own children- thus their children will continue the cycle of poverty. There are many aspects that may add to poverty, for instance the constant destruction of natural resource endowments and non-participation of the poor in the design of development programs. Thus, the impact translates not only to continuing starvation but also limiting the access to good education, distancing the needy people from good careers, leading to poor prospects for employment opportunities.

In line with the global trend, OIC countries have also seen significant improvements in poverty reduction which shows a decline of 18.9 % from 1990 to 2011 (SESRIC, 2015). Of the 57 OIC members, 21 appear on a list of the worlds' 48 Least Developed Countries (LDCs). Like the other LDCs, the low level of economic and social development of the OIC least-developed countries (OIC-LDCs) represent major barriers. GDP per capita levels varied from \$945 to \$143,788 (PPP in current international \$) in 2015. Additionally,

according to a report by the International Fund for Agricultural Development (IFAD), poverty is an alarming phenomenon in many of the OIC member countries, particularly those that are least developed. This statement of affairs, motivate this study to look on poverty in OIC countries.

In 1990, United Nation Development Program (UNDP) had introduced the human development index (HDI). The HDI is a composite index that consists of three important elements of human life, namely GNP per capita, life expectancy and the level of literacy. GNP per capita is a measurement for income, life expectancy is a measurement for the health aspect while level of literacy is the dimension of education. These three dimensions imply the three choices of human substance in order that human being can live long and healthy lives, acquire knowledge, and access the resources needed for a decent standard of living (UNDP, 1990). However, this HDI cannot escape from the criticism, for instance McGillivray, (1991) questions the HDI's role to the assessment of intercountry development level composition and the usefulness of the HDI as a development indicator or as a measure for inter-country comparisons as it can be viewed as being redundant. Though HDI is meant to be a more comprehensive measure of human development, it is still far from being a perfect measure of human development. In addition, HDI is deemed as unable to capture the religious and ethical perspective for socio-economic development in Muslim countries as well as non-Muslim countries (Rama & Yusuf, 2019). They argued there are some special features, cultures and values that are not accommodated in HDI especially for Muslim countries. Additionally, COMCEC (2019) reported that the progress of human development in OIC countries is highly uneven where OIC members, its average rose from 0.505 to 0.632 and remained significantly below the OECD and world average. The lower performance of OIC in their HDI values suggests that it would benefit this study to look on the *Islamic* perspective of human development which is more universal and would satisfy all the human needs.

Ul-Haq (1999) stated that in many societies, GNP could increase while human lives shrivel. His analysis led him to conclude that the actual end of development is in the axioms of human welfare, not GNP. Mohieldin *et al.* (2012) argued that growth strategies must focus on enhancing the long-term determinants of economic growth: quality education, healthcare and other determinants of human capabilities, productive investment, efficient market behavior, and the development of democratic practice and the rule of law (Arimah, 2004 and Ikejiaku, 2009). A study done by Meisami *et al.* (2011), using a sample of 45 economies, has shown that enhancing the components of human capital in the Muslim world would reduce poverty and move income distribution toward equality, where they find that education and health constitute integral components of the needs of people. This was supported by Asaju (2013), who concludes that investing in human capital through education is the best strategy for overcoming developmental challenges, especially poverty reduction. In addition, Asadullah, M.N et al (2021) stated that Malaysia's human development progress has been extraordinary compared with that of countries with a similar level of economic development, primarily for the period 1970–1990 which in turns successful implementation of poverty reduction and growth-enhancing policies.

The concept of human development focuses on how people can lead full, productive, satisfying and worthwhile lives by raising their incomes and improving other components of their standard of living such as life expectancy, health, literacy, control over their own destiny, personal liberty and freedom, as essential steps for fulfilling human rights (Anand & Sen, 1994; Griffin, 1990; UNDP, 2000). For instance, the human development approach has raised the levels of investment in education, health and nutrition in some African countries. It also increased people's participation in decision-making and reduced military spending. However, the results have been mixed, as shown by the large variations in their poverty performance, with countries like a Burkina Faso, Nigeria and Zimbabwe witnessing an increase in poverty within the past decade and some other countries like Uganda and Ghana moving in the opposite direction. Therefore, using human development entails a shift

in perspective from needs and charity to socially and legally guaranteed entitlements and duty. This means states have legal obligations for which they can be held accountable.

The Islamic literature, *Maqasid Shariah* outlines the key Islamic principles by providing a coherent and foundational framework addressing the issue of human development. Chapra, (2008) uses Al-Ghazali's classification of the five essentials in *Maqasid Shariah* to develop a classical model of human development and well-being. The individual components of *Maqasid Shariah* are either explicitly listed in the *Qur'an* and *Sunnah* or have been deduced directly or indirectly from these primary sources by jurists. The components have been classified as essential (*daruriyat*), complementary (*hajiyyat*) and embellishments (*tahsiniyat*) in descending orders of importance and the five universal values or essential elements comprising faith (*din*), life (*nafs*), intellect (*aql*), posterity (*nasl*) and wealth (*mal*). In addition, this measures also have been anticipated by Anto (2014), Hasan and Ali (2018) and Ramli, R.M *et al* (2015) in order to develop human development index. Thus, the significance of this study to develop a proper index of human development based on the concept of *Islamic* teaching which is suited for Muslim countries in particular and non-Muslim countries in general and perhaps this index could help policymakers focus on the five dimensions, to enhance the performance of human development in their countries. Nevertheless, there are many studies attempt to construct the human development based on *Maqasid Shariah* (Md. Ramli R., 2015 ; Anto, 2011; Rama & Yusuf, 2019). A current study by Shabir, M.S (2020) also using the dimensions of *Maqasid Shariah* to measure socio-economic prosperity by considering the major drawbacks of the existing measurements, but the uniqueness of this study is to construct the alternative *Islamic* Human Development Index (*i*-HDI) based on *Maqasid Shariah* specifically to determine the poverty alleviation in OIC countries and ranking the countries based on *i*-HDI .

METHODOLOGY

This section describes the proposed variables and the methodology to be used for establishing the relationship between Islamic human development towards poverty alleviation. However, due to the limitation of the availability of the data we only cover 30 OIC countries. In order to develop the Islamic Human Development Index (*i*-HDI), we closely follow the work of Md. Ramli *et al.* (2015) which runs parallel with the methodology employed in the United Nations Human Development Index (HDI) computation. Firstly, we have to identify the proxies for each dimension. The rationale to choose the dimension is discussed below:

i. *Hifz ad -Din (Faith)*

The protection of *Ad-Din* should be achieved through the observation of *ibadah* which is the intention of people to manage their relationship with *Allah*. As suggested by Mohd Amin *et al* (2015), it should include performing prayers and payment of zakat. However, not all the OIC countries have the data on the said proxies. The data pertaining to the faith dimension is quite challenging (Zailani, M. N., *et al* (2022)). Thus, we move to the next dimension that is embracing good moral standards which consists of the level of corruption and crime rate. In this study we opt to use the corruption rate and number of homicides as a dimension for criminal which could be consider as negative indicator. The rationale behind this selection is where corruption may retard the process of eliminating poverty. On the other hand, for the criminal rate, the number of homicide cases is chosen based on the al-Qur'an (al-Isra': 31) and also the argument by Zulkarnain (2021) who explained that people who commit homicide or murder are among those who have less faith (*ad-Din*) in their lives.

ii. *Hifz an-Nafs (Life)*

The reservation of *an-Nafs* in our study is based on the fulfilment of basic needs like health services. Here, we look at the health expenditure that consists of recurrent and capital spending from the government thus the higher the subsidy given, the lower the poverty. This proxy is suggested by Mili (2014) and Mohd Amin *et al* (2015). We also use the

fulfilment of moral needs and protection from threats which comprises political freedom and political stability as well as political freedom (Mohd Amin et al., 2015).

iii. *Hifz al-'Aql (Intellect)*

Preservation of intellect includes the right to get education. Chapra (2008) stressed that intellectual is important for development and human wellbeing of nation. This preservation is in sync with objective four in SDG, which is to ensure inclusive and equitable education to promote lifelong learning. In our study, we choose to use the enrolment rates of primary and secondary schools as suggested by Mili (2014).

iv. *Hifz al-Nasl (Posterity)*

In this study, there are two dimensions to progeny: developing the future generation and the protection of progeny. In our study, we select birth rate and life expectancy at birth as the dimensions representing developing future generations. In addition, the dimension for the protection of progeny, the child mortality rate is chosen which represents the reverse side of the coin. All of these variables have also been used by Md. Ramli R., et al (2015) in developing their M-Dex.

v. *Hifz al-Mal (Wealth)*

It is defined as the protection of ownership and property from damage, harm, theft, exploitation and injustice (Mohd Amin et al., 2015). It also includes the acquisition and development of wealth by making it available through circulation and equitable distribution. Thus, we use the employability data that is more prevalent as a proxy to measure the dimension of the acquisition and development of wealth. Next, we choose the 'rule of law' for the dimension of protection of ownership and property as it reflects perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality including property rights.

There are two steps in the construction of the *i*-HDI: normalizing the data of each dimension and computing the geometric mean of the component indices:

i. **Creating the Dimension Indices**

Normalizing all variables of each dimension is the first step. The preventive protection or negative indicator, for instance corruption rate, is normalized with the formula $(100 - \text{CORR})/100$, where CORR is the corruption rate measured in percentage terms. If the corruption rate is not in percentage terms, that is between zero and 100, but in decimals, then the normalized CORR will simply become $1 - \text{CORR}$. Then, the minimum-maximum approach is used to transform the indicators into indices between 0 and 1. The formula is:

$$\text{Dimension Index} = \frac{\text{Actual Value} - \text{Minimum Value}}{\text{Maximum Value} - \text{Minimum value}} \quad (1)$$

where actual values represent the actual value of the dimension of a country, whereas the maximum and minimum value is the value of the same dimension of the OIC countries.

ii. **Aggregating the Sub-Indices to Produce *i*-HDI**

After each indicator has been defined in minimum-maximum terms, the next step is to calculate the average values of the dimension indices. After calculating all the average values of each dimension, we use the geometric mean in aggregating the sub-indices. This method allows us to produce lower index values for all countries, with the largest changes occurring in countries with uneven development across dimensions, because it takes into account the differences in achievements across dimensions (Gaye, 2011). The *i*-HDI is calculated based on aggregating the sub-indices introduced by HDI, as follows:

$$i - HDI = (Din\ Index.\ Nafs\ Index.\ Aql\ Index.\ Nasl\ Index.\ Mal\ Index)^{\frac{1}{5}} \quad (7)$$

RESULTS AND DISCUSSION

We start the discussion with the comparison of ranks between *i*-HDI and HDI, then followed with the discussion of correlation matrix.

The rank between *i*-HDI and HDI for selected OIC countries.

Table 1: *i*-HDI Rank and HDI Rank

Country	<i>i</i> -HDI Rank	Value	HDI Rank	Value
Algeria	16	0.438101	11	0.754
Azerbaijan	12	0.460377	10	0.757
Bangladesh	24	0.35687	18	0.608
Benin	15	0.4411	23	0.515
Brunei Darussalam	3	0.554603	3	0.853
Burkina Faso	11	0.463093	29	0.423
Cameroon	21	0.39807	20	0.556
Chad	29	0.268112	30	0.404
Djibouti	14	0.444312	25	0.476
Egypt, Arab Rep.	10	0.50205	14	0.696
Guinea	26	0.339904	26	0.460
Indonesia	27	0.323902	15	0.694
Jordan	2	0.557492	12	0.735
Kazakhstan	19	0.41734	7	0.800
Kuwait	6	0.526596	5	0.803
Kyrgyz Republic	23	0.360215	16	0.672
Lebanon	8	0.50636	9	0.757
Libya	17	0.435607	13	0.706
Malaysia	5	0.53772	6	0.802
Mozambique	13	0.449828	28	0.437
Nigeria	30	0.258649	21	0.532
Oman	4	0.546273	4	0.821
Pakistan	28	0.276555	19	0.562
Qatar	1	0.558731	1	0.856
Saudi Arabia	7	0.518652	2	0.853
Senegal	20	0.403217	24	0.505
Tajikistan	25	0.34453	17	0.650
Turkey	9	0.504251	8	0.791
Uganda	18	0.430593	22	0.516
Yemen, Rep.	22	0.383246	27	0.452

Source: Author's calculation

Table (1) shows the *i*-HDI score and rank for the OIC countries and its comparison with HDI published by UNDP. Generally, there is a significant difference between the *i*-HDI and HDI rank for a group of middle-income countries. For example, Jordan enjoys a significant improvement in the rank in the *i*-HDI compared to its rank in the HDI, shifting from 12th to the 2nd position. Egypt and Yemen also show significant improvement, moving up from 14th to 10th and from 27th to 22nd, respectively. Interestingly, Qatar and Brunei maintain their

positions in *i*-HDI as well as in HDI. This is due mainly to their lower corruption and crime values.

Additionally, Qatar and Brunei are maintain their positions both in *i*-HDI and HDI. The presence of a lower *ad-Din* (faith) may have also contributed to these outcomes. Even though the value is much lower than that in the HDI, these countries are still at higher levels in human development. It is important to underscore that the smaller value of *i*-HDI is based on five dimensions and twelve indicators in our study, whereas the HDI is based on three dimensions with four indicators only.

On the other hand, Chad and Nigeria stay at the lowest positions in both *i*-HDI and HDI rankings, which can be attributed to their poor performance in overall performance of *Islamic* human development. Other countries having consistent composition in both indices are Kuwait, Malaysia, and Oman, whilst Bangladesh, Indonesia and Tajikistan exhibit no significant improvement in terms of *i*-HDI ranking vis-à-vis HDI ranking.

Another exciting result is that there is a statistically significant correlation between *i*-HDI and HDI where it can confirm that the concept and methodology for index calculation using by *i*-HDI and HDI are similar. Besides, it also implies that the rank composition of *i*-HDI might serve as a predictor for the rank of HDI. Nevertheless, the dimensionality of the index and its selected indicators are the main differences of these two indices. *i*-HDI is more holistic and comprehensive than HDI as its dimensions reflect the faith and ethical value of socio-economic development. On top of that, Table (2) shows the positive relation between *i*-HDI and HDI which means the higher the value of HDI the higher the value of *i*-HDI will be, denoting that these two concepts are substitutable.

From the above result, our analysis proved that the inclusion of *Islamic* human development reflects that most OIC nations are making some effort to reduce poverty through human welfare.

Table 2: Correlation Matrix

	<i>Ad-Din</i>	<i>An-Nafs</i>	<i>Al-Aql</i>	<i>An-Nasl</i>	<i>Al-Mal</i>	<i>i</i> -HDI	HDI
<i>Ad-Din</i>	1.00						
<i>An-Nafs</i>	0.6271*	1.00					
<i>Al-Aql</i>	0.4117*	0.2669	1.00				
<i>An-Nasl</i>	0.2276	0.2993	-0.1339	1.00			
<i>Al-Mal</i>	0.5799*	0.5231*	0.0648	0.2450	1.00		
<i>i</i> -HDI	0.8229*	0.6569*	0.4491*	0.1892	0.8670*	1.00	
HDI	0.5526*	0.3912*	0.0426	0.4573*	0.6280*	0.6349*	1.00

Note: *Significant at five percent

CONCLUSION

Nowadays, poverty is highly correlated with a destructive aspect of standards of living. Thus, the focus on *Islamic* human development may have a positive impact to help the poor in OIC countries to have a better livelihood. The constructed index is exercised to rank the human development level for 30 OIC countries. The findings of the study confirm that the whole rank composition in *i*-HDI and HDI significantly differ where several countries enjoy an improved rank in *i*-HDI compared with HDI such as Jordan. The concept of *Islamic* human development can measure some special features, cultures, and values as well as ethical perspectives of socio-economic development in Muslim countries. The inclusion of *Islamic* values in human development is a vital point that highlights human welfare as the ultimate purpose. Moreover, the correlation result in Table (2) indicates that the *i*-HDI is a substitute to the HDI that has been produced by UNDP. In general, the contribution of *Al-Mal* in the whole *i*-HDI is superior.

The development index of *i*-HDI, as an alternative to HDI, could help policymakers focus on the five dimensions, to enhance the performance of human development in their country. The index considers the material aspects as well as non-material aspects. To the Muslims, the *Islamic* Human Development Index (*i*-HDI) represents an analytical tool that would enable them to further understand and focus on the undisputable and divine source

of their faith. In addition, these materials can serve the policymakers to develop diagnostic tools and to identify potential options to consider the level of human development in the countries.

In addition, future researchers are also invited to concentrate on the choice of *Islamic* human development indicators, because appropriate indicators are necessary to produce meaningful results. For instance, the proxy of crime and corruption are not good enough to measure the preservation of faith. Researchers also encourage to extend the classical dimension of *Maqasid Shariah* to observe other potential dimensions.

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