

## Islamic Development Index<sup>1</sup>

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## İslâmî Gelişme Endeksi<sup>2</sup>

### Abstract

This study discusses the relation of Islam with economic development. Based on Islamic values, the study aims to create an alternative international economic development index. The variables used were chosen as proxy variables representing the principles and values derived from the Quran and Sunnah, the two primary sources of Islam. The data were obtained from international databases and were statistically standardized. The index was prepared over two main categories, material and spiritual development, and a composite index called the Islamic Development Index (IDI) was obtained by taking the averages of both. The international ranking covers 148 countries for which data could be obtained for 2018. In the research, the level of development is measured over the universal values and principles provided by the Islamic belief. The study does not have a purpose or pursuit of which country/society is Muslim and by how much. This paper has not been discussed with creed, religious rituals, and belief practices of societies and individuals. The research revealed a significant gap between theory and practice. Islamic belief is theoretically a critical resource for economic development. However, in practice, Islamic countries cannot benefit from this resource sufficiently. According to the results obtained, the Islamic development ranking of Islamic countries is lower than non-Islamic states in both material and spiritual development.

**Keywords** : Development, Islamic Development, Religion and Economy, Islamic Economics, Development Index Ranks.

**JEL Classification Codes** : C15, F63, O10, Z12, Z13.

### Öz

Bu çalışmada İslâm dininin ekonomik gelişmeyle ilişkisi incelenmiştir. Çalışmanın amacı, İslâmî değerlerden hareketle, alternatif bir uluslararası ekonomik gelişme endeksi oluşturmaktır. Kullanılan değişkenler, Kur'an ve Sünnetten elde edilen ilkeler ve değerleri temsil eden vekil değişkenlerdir. Veriler, uluslararası veri tabanlarından elde edilmiş ve istatistiksel olarak standartlaştırılmıştır. Endeks maddi ve manevi gelişme olmak üzere iki ana kategori üzerinden hazırlanmış ve her ikisinin ortalaması alınarak İslâmî Gelişme Endeksi (İGE) adıyla bir bileşik endeks elde edilmiştir. Yapılan uluslararası sıralama, 2018 yılı için verileri temin edilebilen 148 ülkeyi kapsamaktadır. Araştırmada İslâm inancının sağladığı evrensel değerler ve ilkeler üzerinden gelişme

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<sup>1</sup> This article is based on the doctoral dissertation "Islamic Development Index: An International Comparison on Compatibility with the Islamic Values", which was accepted by Kırıkkale University of Turkey in March 2020.

<sup>2</sup> Bu makale, 2020 yılı Mart ayında Kırıkkale Üniversitesi'nde kabul edilmiş olan "İslâmî Gelişme Endeksi: İslâmî Değerlere Uygunluk Bakımından Uluslararası Bir Karşılaştırma" adlı doktora tezi esas alınarak üretilmiştir.

seviyesi ölçülmektedir. Çalışmanın hangi ülkenin/toplumun ne kadar Müslüman olduğu gibi bir amacı ve arayışı yoktur. Toplumların ve bireylerin iman, itikat, dini ritüeller ve bu çerçevedeki inanç pratikleri ele alınmamıştır. Makalede, İslâm inancının sağladığı evrensel değerler ve ilkeler üzerinden ülkelerin ekonomik gelişme seviyesi ölçülmektedir. Araştırma teori ile pratik arasındaki büyük boşluğu ortaya koymuştur. İslâm inancı, teorik olarak ekonomik gelişme için önemli bir kaynaktır. Ancak pratikte İslâm ülkeleri bu kaynaktan yeterince faydalanamamaktadır. Elde edilen sonuçlara göre, bütünüyle İslâm ülkeleri İslâmî gelişme sıralaması bakımından hem maddi ve hem de manevi gelişme yönüyle, İslâm ülkesi olmayanlara kıyasla daha geri sıralardadır.

**Anahtar Sözcükler** : Gelişme, İslâmî Gelişme, Din ve Ekonomi, İslâm Ekonomisi, Gelişme Endeksi Sıralamaları.

## 1. Introduction

Today, Muslim societies are predominantly in the category of underdeveloped economies. Some theoretical and historical analyses have been conducted in the literature on Islam and development. However, these studies are not sufficient in terms of revealing and analysing the concrete situation of Islamic countries. Therefore, there is a research gap in the literature. But Islamic values contain enough basic principles and values for economic and social development. This study also highlights the discrepancy that has been emerged between Muslims and Islamic values. However, the included data is not only from the Organization of Islamic Cooperation (OIC) member countries, but all countries whose data can be accessed. The ranking for 2018 includes 148 countries. In this way, their rank in the world economy for OIC member countries within the framework of their own religious and moral values will be revealed.

The basic assumption of the study is that Islamic values support economic development. These values can serve as a source for an economic development index. Another assumption is that human values are also Islamic values. Based on these assumptions, a ranking has been designed to cover the world with values derived from the Quran and Sunnah<sup>3</sup>. Today, there seems to be a conflict between Muslims and the Islamic value system. As such, the economic development of Muslims is in a problematic state. If Muslim societies can add the socio-economic values provided by Islam to their practical economic life, their development will likely accelerate.

In the method we used, statistically standardized variables which consist of 21 different Islamic (as well as humanitarian) values were ranked. The data were obtained from international open data sources and were standardized. The ranking according to what we call the *Islamic Development Index* (IDI) is designed as consisting of two main categories. These are the material development index and the spiritual development index.

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<sup>3</sup> Prophet Muhammad's words, actions, and approbations. Sunnah is preserved in his hadiths.

The study focuses only on the phenomenon of economic development. This study aims to develop an international economic development index based on Islamic values. Thus, an alternative approach to development indices in the literature will be presented. This study will also reveal Islam's relationship with economic development. The starting point is the values depicted in the basic sources of Islam (i.e., Quran and Sunnah) that support economic development. As such, the analysis of how religious the citizens of a given country is beyond the scope of our study. Therefore, our research is not a study of theology. The number of countries included in the study has been limited to 148 countries, the reason being the various impossibilities to access the data of all countries for each value subcategory.

The research article contains some firsts that would be regarded as a contribution to the literature. First, it develops a brand-new economic development index. Second, it is the second study covering all countries of the world from Islamic perspective. The first study in this subject was done by Rehman and Askari in 2010 (Rehman & Askari, 2010). This index reveals what an Islamic economy should be like. The index has been calculated scores on four basic categories and their sub-variables and combined them to form an index of Islam. These basic categories are 1. economic Islamicity, 2. law and governance, 3. human rights and political rights, 4. international relations 5. Sum of all these indices (Islamicity Foundation, 2018).

Third, our study includes some variables that are used for the first time in this area. Finally, rankings were made in two different categories as *material development* and *spiritual development* for the world economy for the first time.

1. Creating two separate sub-indices for the first time according to the material and spiritual development dimensions for all countries.
2. Using the Islamic finance dimension by converting it into a sub-index for the first time,<sup>4</sup>
3. Using variables such as peace, happiness, international aid,
4. Using crime statistics,
5. Developing a sub-index with ibn Khaldun approach, known as Laffer Curve, for the first-time regarding taxes,
6. Using the sustainable global competition index,
7. Using the environmental pollution index.

Details of these differences and other indices in the literature will be explained in the literature section of the study.

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<sup>4</sup> See also Kanbir (2021), *İslâmî Finans Endeksi: Uluslararası Bir Sıralama (Islamic Finance Index: an International Ranking)* in: Ş. Karabulut, *Ulusal, Uluslararası ve Küresel Ölçekte Finans Uygulamaları (National, International and Global Financial Practices)* (137-154). Ankara: Gazi Kitabevi Publications.

After the introduction, the historical background on Islam and the economy is presented. Here, a summary of the social and economic situation of the Islamic world is given first. The problem of Islamic-economic development is briefly mentioned. Then, historical experiences of Islam, economy and development will be explained. In section 3, the Islamic value system that can be a source of economic development is introduced. This system of values is also a universal and human value system. Section 4 discusses economic development ranking studies in the literature. Here, it will be revealed to what extent our study is different and original from other studies. The methodology employed in the study is discussed and how the study is done is explained in section 5. Later, international ranking results are critically evaluated in section 6 followed by the conclusion.

## **2. Historical Background**

The Quran and Sunnah, which are the main sources of the religion of Islam, provide important principal sources for economic development. It has been observed that, periodically in the past, when Islamic societies turned to economic and social practices based on these basic resources, successful results were achieved. The development adventure of Muslim societies has gained a bright appearance in the periods when humanistic and Islamic values coincide.

When we look at the current economic structures of Muslim countries, however, they are generally seen in the category of developing or underdeveloped countries with a few exceptions. The member countries of the Organization of Islamic Cooperation (OIC), which we can categorize as Islamic countries, consist of 57 countries spread over Asia, Africa, and the Arabian Peninsula. Considering their general macroeconomic structures, these countries with a large population of 1.8 billion make up 24% of the world's total population. On the other hand, according to 2018 data, their share in the world's total GDP is only 7 trillion dollars, which corresponds to 8.15% of the world's total production (The World Bank, 2020a). This disproportionality in the population and production structures of the countries is accompanied by some social and political problems. When evaluated together with the inadequacies in industry, science and technology, the development problems of the OIC group are obvious. Some international development indices such as the Human Development Index (HDI) prepared by the United Nations Development Program (UNDP) also outline this situation. The OIC countries' %54 was at medium and mostly low human development level in 2018 (United Nations Development Programme, 2019).

First, it is necessary to determine the areas in which there are problems to solve in the Islamic world. Later, solutions to these problems should be discussed with prudence and relevant reforms should be implemented. When the 57 OIC member countries are analysed based on general average values for 2018 the outlook is not bright: insufficient income per capita (\$7.2 thousand), shorter education (6.8 years), high poverty (30%), high interest rates (11%), high indirect tax rates (62%), lower competitive structure, higher income inequality (Gini: 0.38) (The World Bank, 2020a).

If we compare with the OIC countries and the world average for a few basic indicators, the situation appears more clearly. The OIC countries have below the average scores.

**Table: 1**  
**Comparison of OIC Countries and the World: Some Selected Indicators (2018)**

| Indicator                     | OIC Countries | World |
|-------------------------------|---------------|-------|
| GDP per capita (Current US\$) | 7200          | 11385 |
| Mean Years of Schooling       | 6,8           | 8,6   |
| Corruption Perceptions Index  | 32,9          | 43    |
| Economic Freedom              | 6,21          | 6,86  |
| Democracy Index               | 3,58          | 5,52  |

Source: *The World Bank, 2020a; Transparency International, 2019; The Economist Intelligence Unit, 2019.*

This negative outlook is accompanied by the weakness of the democratic tradition, higher corruption rates in the public administration, the lower levels of economic freedom. Due to the defects in the understanding of competence and trust, social solidarity, coexistence, public administration, and political-economic efficiency are negatively affected. The understanding of collective decision making (*mashwara*), which has become concrete with the consultation (*shura*) is interrupted by authoritarian governments and disrupted democratic processes.

These developments in OIC countries present a pessimistic outlook and overshadow the claim of being a great civilization. In this study, we claim that all this negative picture is caused by the great distance between Muslims and Islam. In this negative picture that appears in the Muslim societies, the most important light of hope is Islam itself. This point will be better understood with a historical background outlined below.

Leading intellectuals of some Islamic countries that entered the westernization process since the 19<sup>th</sup> century saw the religion of Islam as the reason for their backwardness. With this understanding, they tried to make the society secular while imposing a rapid westernization and secularization of the state. As stated by Rehman and Askari, Islam continues to be the reason why Muslims are backward in the Western public opinion, in the media and in the eyes of some writers such as Bernard Lewis and Timur Kuran (Rehman & Askari, 2010: 4). Lewis mentions that there is a dogmatic rejection and a return to a sacred past that the Islamic world cannot be modernized Kuran (2011) states that Islam and the Qur'an are the main sources of backwardness. According to him, Muslims fell behind due to factors such as fatalism in Islam, laziness, lack of curiosity, distrust in science, superstition, conservatism and traditionalism, inheritance law and the absence of joint stock corporations.

Looking at the problem in this way, the idea that the way to progress can be possible by moving away from the Islamic belief comes to the fore. The roots of this idea in Islamic countries started from the end of the 18<sup>th</sup> century and continued throughout the 19<sup>th</sup> century. However, this point of view is falsified by scientific and historical data.

As Mirakhor (2007) and Sezgin (2014) stated, Islamic societies developed both economically and scientifically during the periods they formed a social structure and thought in accordance with the foundations of Islam. Acar (2005) also draws attention to the fact that this negative framework drawn by T. Kuran is based on conjunctural reasons rather than scientific reasons and political claims.

Moreover, at this point, it must be revealed that it would be appropriate to talk about an overlap, not a parallel, but a contradiction between Islam and today's Muslims, who are criticized in terms of development dynamics. First, it is worth noting erroneous reasoning in logic.

It is both easy and a logical fallacy to claim that backwardness is related to the belief of Islam, rather than looking at the level of development of Muslim societies today and revealing the reasons for this through some research in history, anthropology, and interdisciplinary work. According to the fallacy of defamation in logic (*argumentum ad hominem*), instead of discussing and criticizing the arguments of a suggestion, idea, thought, claim or belief, criticizing the person(s) who bear these values and trying to falsify his / her ideas, in this way is erroneous reasoning (Alatli, 2001: 35).

This fallacy is a genre that is widely used in daily life. According to this, Muslims today are backward societies in science, technology, economy, and other social fields. So, their being in this situation because of their ideas, values and beliefs is an example of this fallacy, like Kuran (2011). However, as not all backward societies in the world are Muslims, there is a phenomenon of backwardness for members of other religions as well. For example, societies in the backward regions of Latin America, Africa and Asia belong to different religions. The backwardness of Muslims does not arise from the religion of Islam. On the contrary, this is due to their non-compliance with Islamic (humanitarian / universal) values.

Therefore, backwardness is obviously not unique to Islamic societies. Apart from Islamic economists, names such as Acemoglu and Robinson (2012: 61) note that religion alone is not important in explaining the development differences between societies and in the world. According to them, the relationship established between Islam and poverty in the Middle East today is largely false.

It would be appropriate to classify the major causes related to the development problems of Islamic societies that have survived until today as *internal* and *external* causes. Important effects such as wars, invasions and Western colonialism are some of the main external causes (Acar, 2016). The Mongol invasion that started in 1258 dealt a great blow to the economic and social development of Islamic societies (Hodgson, 2017b: 449). The invasions and Western colonialism also reinforced this process. This situation caused the Islamic civilization to become inward in nature. In addition to this, it showed a defensive attitude and caused the disappearance of its open, self-confident structure. From the point of view of internal factors, the main reasons are the prevalence of a literary, traditionalist,

fatalist approach and an ascetic Sufism approach against the interpretative, libertarian, multicultural, ijthadist (reformist), innovative and rationalist approach in Islamic thought<sup>5</sup>.

When we look at the historical experience of Islam, it is seen that economic and social development was accelerated in the periods when a parallel was established between the foundations of belief and social practices. So much so that the Islamic civilization became one of the most important civilization centres in the world during its period. The foundations provided by Islam have proven their capacity in forming the structure of economic and social development.

The Holy Quran as the main source of Islam has emerged as a religion and a life book that imposed economic principles on society. Islamic civilization was born as a civilization that gave great importance to economic / commercial regulations. The first reason for this is that economic regulations are essential for social development. As the second reason, one should point out the fact that both Prophet Muhammad and the first three caliphs were professional traders.

Prophet Muhammad was an optimist, with work experience, and a believer in himself. His economic policy promoted entrepreneurship, efficient resource allocation and wealth production (Koehler, 2016: 27). This whole policy was based on three fundamental values: *Tawheed*<sup>6</sup>, *caliphate*<sup>7</sup>, and *justice* (Askari, 2013: 159). In the Islamic state understanding, justice was positioned as the foundation of the economy and state (administration / property).

Prophet Muhammad established an important economic structure in Medina after the Holy Migration ("Hijrah"). Basic features of this structure were a. The mosque and the market being the centre of city life, b. Exemption from trade tax in the market of Medina, c. Tax for social security expenditures and making the world's first public pension plan in Madinah during the time of Khalifa Omar, d. Taking steps to further develop trade by introducing commercial incentive premiums, e. Improving consumer protection, f. Establishing principles for commercial contracts to be based on rules and risk sharing, g. A ban on insider trading (Koehler, 2016: 13, 114; Askari, 2013: 162).

Written economic policies and early experiences are important for various subjects in the three capitals of Islamic civilization: Medina, Damascus, and Baghdad. These capitals have turned into international trade centres at the time (Koehler, 2016: 13). This is a commercial network with ruptures to the borders of China and the Atlantic. The development of trade is possible not by war and invasion, but only by peaceful, inclusive,

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<sup>5</sup> For further analyses on this subject, see also: Ülgener (2006); Garaudy (2018); Acar (2016: 33-57); Atay (2017).

<sup>6</sup> To accept that God is one and only, and to accept the unity of humans and all other creatures.

<sup>7</sup> "Khilafah is the empowerment of humans by their Creator as agent-trustee to extend *walayah* to one another, materially through the resources provided to them by the Creator and nonmaterially through the manifestation of unconditional love for their own kind, as well as for the rest of creation." (Askari, 2013: 160).

and multicultural policies. It is seen that policies were also implemented in the periods when the Islamic world was developing. On the other hand, these policies, by paving the way for free trade, cultural exchange, and religious communication (Griswold, 2018: 255, 261) contributed to the spread of Islam.

In the appointment of senior officials, a merit system was observed, and these appointments were made regardless of their religious affiliation. Because the Holy Quran says that Allah *doth command people to render back your trusts to those to whom they are due*.<sup>8</sup> In addition to that, the newly established civilization was developing in a multi-cultural and multi-religious geography in a structure with different beliefs, from the past and with their trained personnel. There was already a cosmopolitan tradition in the region from the past, and Islam did not establish any civil monopoly on this but turned this multicultural structure into a civilization. This cosmopolitan structure is perhaps the most important factor that will enable the development and growth of trade and economy (Hodgson, 2017a: 167).

International trade and economic development are only possible in towns where peace and tranquillity are permanent. The long-term wars between the Roman and Sassanid empires also caused international trade routes to shift from these regions towards the roads in Arabia (Hodgson, 2017a: 198). Islam was also basically a religion of peace (*salaam*), not war and violence. Although Muslims could not stay away from war, they were predominantly defensive wars, and various provisions of the Quran also preach it<sup>9</sup>.

Thus, Islam was creating an environment that had not been presented before for economic development in the classical period. As Orman stated, it is important to understand the relationship that the first Muslims established between the economic field and Islamic norms. They have sought to understand economic realities considering Islamic norms and ultimately to organize and shape those realities (Orman, 2014: 29, 59). To the relationship between the economic behaviour of Muslims with Islamic norms must re-establish. There is an urgent need today for this relationship framework.

The provision of public employment to those of different religions and their experiences show that the early Islamic community leaders were open minded, multicultural, and had an open vision. This situation is also the *inclusive culture* (inclusive economic and political institutions) expressed by Robinson and Acemoglu (Acemoglu & Robinson, 2012: 429).

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<sup>8</sup> *Al Nisa 4/58: The following translation has been used for the English text of the Quran; Ali (2014). The Meaning of The Glorious Qur'an. Istanbul: Asir Media Pub.*

<sup>9</sup> *"Fight in the cause of Allah those who fight you, but do not transgress limits; for Allah loveth not transgressors" Al Baqarah 2/190. The Qur'anic understanding of war proposes a third way apart from Judaism and Christianity. In Judaism "attack without attacking" is preached, in Christianity "turn your other cheek when attacked". However, in Islam it says "if you are attacked, respond. But it is said that if they give up, leave it (Eliacık, 2011b: 797).*



Considering the basic economic practices in the periods when Islamic civilization was on the rise, the sources of economic development can be seen. The state and economic understanding were developing with an approach and mentality that allowed economic growth from the establishment stage. The establishment of the Islamic common market promoted entrepreneurship, global trade, and new forms of corporate investment. Prophet Muhammad had transformed the economy from the age of barter to the age of money (Çizakça, 2014: 138).

Until the beginning of the 10<sup>th</sup> century the "banking" sector had already been formed in Baghdad. Gold and silver coins were traded. A system was created that could transfer money between cities and lend money to the state and private sector time (Koehler, 2016: 13). Cheques (in Persian "cak") was used. The Islamic market economy was developed in conjunction with a financial system. The resulting wealth has also been used for scientific / philosophical developments. As an example, the Abbasid Caliph al-Ma'mun (813-833) established the *Bayt al-Hikmah* (house of wisdom) in 830 with the income obtained (Kaya, 1992: 88). Translations from Greek, Syriac, and Persian began systematically during this period. Medical, mathematical, and geographical knowledge was obtained from India and developed further (Koehler, 2016: 14). Economic development supported scientific and philosophical development. However, the most important point was that the approach to development, trade and science was not conservative, but open to the outside and liberal.

A new monetary regime was established. As a result, the innovations started to spread in many areas, from money to international trade relations, from social solidarity to justice-centred regulation of the state. The charitable foundations system and offshore trade centres were established. Today, in Western countries, especially in the United States, *modaraba* partnerships known as the *venture capital* was established, which laid the foundations of large IT companies. Consumer protection laws were enacted, a monopoly was prohibited (Koehler, 2016: 15).

When Sezgin looks at the general structure of Islamic civilization, he identifies various reasons for the development. These reasons contain effective and important principles in terms of an understanding of social development even in modern times. Sezgin listed the social and scientific factors of the periods in which Islamic civilization developed as follows (Sezgin, 2014: 247-249):

1. The hunger for trust and knowledge: In the early Islamic period, the thirst for knowledge accompanied the confidence of victories. This resulted in a passion for learning and openness to foreign elements. Prophet Muhammad said that: "*Learning science is obligatory for every Muslim*" and "*Knowledge should be taken even from China*" (Gazali, 1993: 72). Hadiths of Prophet Muhammad about science are the clearest expression of the importance the founder of Islam attaches to knowledge and learning.<sup>10</sup>

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<sup>10</sup> For further analyses on this subject, see also Gazali, 1993.

2. Religion-science unity and harmony: In a geography that has begun to integrate, where goods cross the borders freely, the Qur'an and the Sunnah sciences, which are the basic resources of the new religion, did not prevent them, but also encouraged them.
3. Administration's support for science: The Umayyad and Abbasid dynasties and other statesmen supported scientific studies in many ways.
4. Multiculturalism and inclusiveness: After the conquests, members of other religions were treated well and valued. They were allowed to participate in the new society.
5. Reliable information transfer based on teacher-student relationship: A unique and efficient teacher-student relationship developed, which Europe did not know even after the Middle Ages. In addition to the books, the students developed with the lessons given directly by their teachers.
6. Opening the scientific pursuit to large professional groups rather than being devoted to "monopolistic" experts: Dealing with science was not only the occupation of the clergy. It was an activity open to all professional groups. Natural sciences, philosophy, philology, and literature studies were carried out with a worldly understanding, not a theological one, from the beginning.
7. From mosques to universities, the meeting of science with the public: From the 7<sup>th</sup> century, public lectures started in mosques. Science met with the public, and scientists had their lectures in large mosques. These mosques transformed into universities in a natural process until state universities were established in the 11<sup>th</sup> century.
8. Ease of Arabic writing: The easy and fast writing of Arabic supported the reproduction of the books and its wide spreading area.
9. Development of Philology: Philology provided an important ground for scholars in terms of editing their works and translation activities related to foreign languages.
10. Openness in taking foreign terminology: This situation created a perspective for full definition and scientific certainty. A unique Arabic terminology was created in different fields of science.
11. Increasing paper production and improving the quality of ink: Initially, the papyrus industry and later the manufacturing plants established with the paper production technique purchased from China supported the written transfer process from the first year of the Migration. In addition, a long-lasting ink type was developed without being erased, ensuring that the texts were preserved for centuries.
12. A moderate culture of criticism: A culture of criticism that was not unjust, excessive, or arbitrary was formed.

All this understanding of development had taken its place in history as the practices that developed Islamic societies during their maturity period. In the periods when these practices were abandoned, it started to seem that civilization lost its power.

### 3. Islamic Values System

When Islamic civilization was developing, the state, market and society were structured within the framework of some basic values. Figure 1 represents these core values. These are the fundamental values behind the successes of Islamic civilization in the classical period.

The principle of oneness is at the centre of the system established by Islam with a belief in Allah. For this reason, the most fundamental value of Islamic development understanding is **oneness** (*tawheed*). This value is the source of all other values. Islam is also known as the "religion of oneness" (Özervarli, 2015: 47). There is no god but Allah: with this verse The Quran liberates people against all kinds of authority.

One of the two important principles stemming from the principle of oneness is **justice**. This value is the principle that Islamic belief puts based on social life. Justice, like other values, takes its source from the Quran. With this understanding, the Prophet Muhammad calls humanity on tawhid by saying that "I have been commanded to do justice between you." This thought is expressed in the Qur'an as follows;" Allah doth command you to render back your trusts to those to whom they are due; And when ye judge between people, that ye judge with justice (...)"

**Justice in income distribution** ensures that people get the reward for their work, that is, they receive income in proportion to their contribution to production. In addition, the income distribution is corrected by the functioning of the social sharing (*infaq*) mechanism.

As Güler noted, the etymology of the concept of economics is rooted in the principle of justice. The word *iqtisadiyat* (economics), derived from the infinitive "*kasd*" in Arabic, means measured, balanced and medium. In other words, when we say economics, we mean being measured, balanced and fair distribution. Economy, which is mentioned in twenty-five places in the Quran with its different uses, means being fair and keeping justice alive in a general sense (Güler, 2015: 59).

Another principle arising from the principle of justice is to be **balanced, moderate, and mediocre**. The concepts of measure, balance, middle way are the principles specifically stated in the Quran for an Islamic society and economic order. The belief of Islam preaches to be balanced, measured, and to be united around common values in social life.<sup>11</sup>

Another basic principle is the **caliphate**. The Quran records that man was created on earth as the vicegerent of God.<sup>12</sup> This status of creation / assignment imposes important responsibilities on man himself and other beings. Humans must be trustworthy. Because they are the caliph of Allah and are responsible for reconstructing the earth. For this reason, they should not act only according to the interests of their individual/tribe/society in all

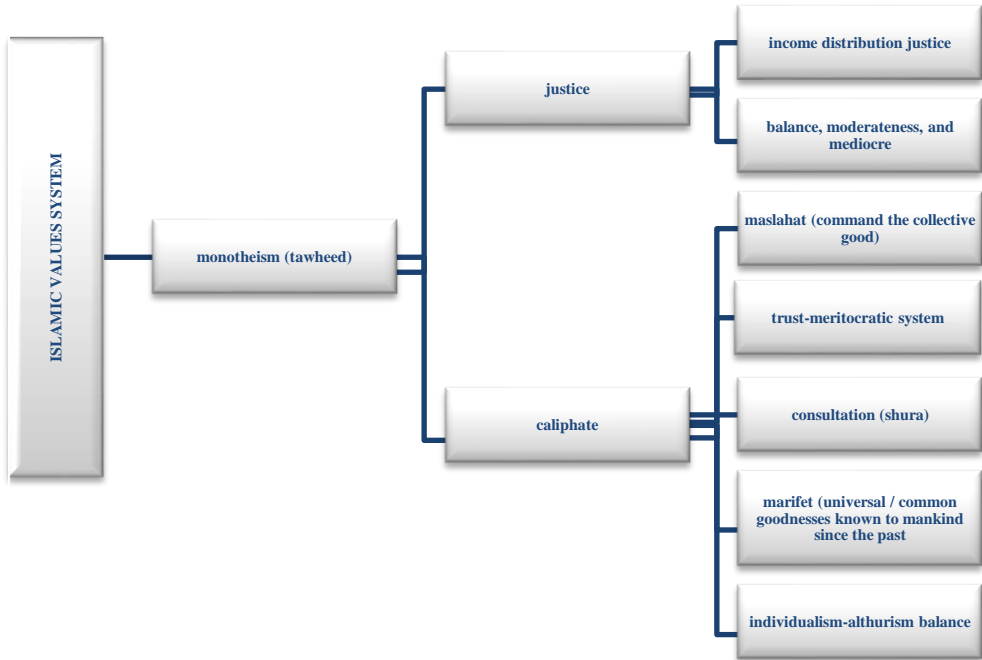
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<sup>11</sup> *Al Baqarah 2/143; Al Furqan 25/67; Al Infitar 82/7; An Nisa 4/ 114.*

<sup>12</sup> *Al Baqarah 2/30, Al Anam 6/165, An Naml 27/62, Fatir 35/39.*

production and consumption activities. At the same time, one should pay attention to the life of all living / non-living beings. His own existence also depends on this holistic view of life.

**Figure: 1**  
**Core Values of Islamic Development**



Source: Designed by the authors.

Therefore, the understanding of caliphate also reveals the basic principles in the practices of the caliph. One of these principles is the principle of **trust-be worthy of**. “*Allah doth command you to render back your trusts to those to whom they are due.*”<sup>13</sup> Here, the phrase “due” emphasizes people with merit and competence. Individuals should be able to compete on equal terms in doing the jobs they have merit and deserve.

The Islamic understanding of **maslahat** (command the common good) is the state fulfilment of the situations of **ma’ruf** and **munkar**. In the dictionary, Maslahat says “to be correct, proper and perfect; It is derived from the word “righteousness” which includes meanings such as “goodness, suitability, usefulness” and it means “something appropriate for the purpose, the opposite of evil, good, appropriate, convenient, useful, bringing what is good” (Dönmez, 2003: 79). It is the state’s institutions standing in the middle, taking the

<sup>13</sup> An Nisa 4/58.

average of the general, ordering individuals and society the common good and avoiding evil. This practice can be regarded as a universal approach - common good for all of us, not you and me. Here, ma'ruf or marifet means goodness, beauty, well-known instruments, and universal / common goodness that humanity has known from the past. Munkar, on the other hand, is the opposite of ma'ruf, that is, evil and ugly, everything that is not welcome by reason and religion (Eliaçık, 2011: 549-574).

One of the values of Islam is the understanding of balancing *individualism* and *altruism*. In Islam responsibility at first is individual, then social. According to Islam, individuals will be held accountable for their own actions.<sup>14</sup> For this reason, Muslim people are expected to be responsible, moral, and helpful. They will be providing their own basic needs and behave in a helping and sharing behaviour that will return and benefit society. This is following the efforts of the individual to pursue his benefit; it is a responsibility that Islam places on him to serve the benefit of society.

The understanding of individualism of Islam is an individualism that does not ignore the community and regard the service to it as a necessity of being a good person. This is not an individualism that does not care about the other alone. The individual of Islam is a person who is sensitive to his environment, responsible and consequently in the position of a caliph. As a matter of fact, for the zakat and sacrificial worship, it was taken as a basis for a person to have a certain level of wealth, and individuals who had sufficient wealth were held responsible for these worships. Therefore, it is imperative that human beings meet their own basic needs first.

A communitarianism that ignores individualism is a way that will make the individual obscure or prevent him from developing by causing the individual to be sacrificed to the sheikh, the chieftain, the community, the sect, the party, and the state. Therefore, totalitarianism will emerge as an ideological structure in which all citizens are considered as servants of the state or a higher authority (Demir & Acar, 2005: 407). Garaudy calls this *ant totalitarianism* (2014: 79). Entrepreneurial individuals who are critical for economic development and take risks will not emerge from such a social structure. Bardakoğlu states that for a thousand years, a traditional understanding has been formed in terms of understanding Islam by substituting collective responsibility, religious authorities, metaphysical discourses, and ideals instead of individual consciousness. Traditional understanding, especially the understanding of al-Ash'ari, has made the individual quite passive and passive in understanding the functioning of divine determination. With the understanding of destiny and trust that has occurred, the individual has almost been erased and has become a timid, timid person who escapes from responsibility. Against this understanding, since the idea of -Maturidi and Mu'tazila could not be settled and developed, the type of entrepreneur and risk-taking individual that would develop the Islamic civilization was not formed with the dominance of the Ash'ari understanding. Bardakoğlu points out that this situation is institutionalized with religious education. However, human

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<sup>14</sup> Az Zilzal 99/7-8; An Nisa 4/9; Al Anfal 8/53; Ar Ra'd 13/11.

beings will be tested as an individual who is intelligent, free-willed, capable of foreseeing the consequences of their actions, and responsible for them. It is not possible to get rid of what happened by referring everything to Allah and it will not relieve this individual from responsibility. However, what needs to be done today is to reveal an understanding of Islam that brings the individual consciousness to the forefront instead of the traditional understanding (Bardakoğlu, 2019: 94-96). According to the Qur'an, it is necessary to create an individual who has embraced the morality of Islam and built himself, and from there to build the society.

Islam proposes individualism first and then altruism, so balancing both. This balance develops on the plane of Allah-individual-society. While the relationship that a person establishes with his own individuality reflects his relationship with Allah, the relationship that a person establishes with society is an expression of the relationship he establishes with his essence.

One of the important pillars of economic development is that both the public administration and the market are open and transparent. The principle of openness and transparency derives its origin from the principle of consulting. **Consultation** (*shura*) means to consult, to exchange ideas. The Quran states that the works should be done by a consultation method<sup>15</sup>. This principle's current meaning is a type of democracy, at the philosophical content. Eliaçık states that doing business with consultancy means that the work is carried out openly and publicly, with the knowledge of the society, not by the hands of a secret group. This is the first meaning of shura. Its second meaning is participation. Because being able to exchange ideas in the work to be done will result in the society's involvement / participation in the process by expressing their own views on how to do these works. Although these principles are core values, they do not provide a model. It can be inferred that the most suitable model for these values today is democracy. For this reason, the concrete form of the consensus principle brings out the concept of democracy. Because shura concept is closer to democracy than other forms of government such as monarchy, oligarchy, or dynasty (Eliaçık, 2011a: 526-541).

#### 4. Literature

When we look at the studies on international development rankings, we see that the World Bank (2020b) first classifies according to per capita income. In this classification, countries are classified into four categories as low-income, lower-middle-income, upper-middle-income, and high-income countries.

Another important comparison is conducted by the human development index (HDI) prepared by the United Nations Development Program (UNDP), based on the work of Mahbub ul-Haq and Amartya Sen (UNDP, 2020; Stanton, 2007). This index has been used since 1990 and every year development ranking is made by calculating the scores of

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<sup>15</sup> *Ash Shura* 42/38.

countries based on three basic variables which are about income, health, and educational dimensions. Accordingly, countries are divided into low, medium, high, and very high human development categories. Later, different indices were developed based on HDI within the framework of revisions.

It can be mentioned that there are some separate indices for Islamic development, which is more important for our topic. As we mentioned before, the first and most important study on this subject is the Economic Islamicity Index prepared by Askari and Rehman (EI2) (Rehman & Askari, 2010). EI2 was first prepared in 2010. For this reason, it both broke the "monopoly" created by HDI and created a paradigm change for measuring development. It is obvious that measuring development with only a few economic variables, as in HDI, is a rather inadequate approach. The research conducted by Rehman and Askari has been a pioneering work that paved the way for our Islamic Development Index, which we also develop below.

The study of Rehman and Askari was calculated for each year for 154 countries, later declared the Islamicity Index, and was also conducted retroactively to cover the previous years. In this index, the variables about how an Islamic economy should be determined and rankings are made for all countries. The index has calculated scores on four main categories and their subcomponents and combined them to form an index of Islamicity. These basic categories are 1) economic Islamism, 2) law and governance, 3) human and political rights, 4) international relations (Islamicity Foundation, 2018).

MB Hendrie Anto's (2011) article Introducing an Islamic Human Development Index (I-HDI) to Measure Development in OIC Countries made a different development index from the Human Development Index. He named this index the Islamic Human Development Index (I-HDI). The study was prepared for only 55 OIC member countries and the rankings were made for 2007. I-HDI proposes five key dimensions and two additional indices to measure development. These dimensions measure both material and intangible welfare. They are structured as follows: 1) Belief index (corruption rate, crime rate), 2) Life index (life expectancy rate, drug addiction rate, smoking rate), 3) Science index (education, literacy rate), 4) Family social index (fertility rate, death rate, divorce rate), 5) Property index (income per capita, economic growth rate, Gini coefficient, poverty rate). In addition to the variables that make up this main index, the political freedom index, and the environmental index (carbon dioxide emission) are also used in the study as two sub-indices (Anto, 2011: 82). In this study, material and non-material welfare has been measured in the index for OIC countries. The findings of this index revealed rankings different from HDI. There has been a decrease in the order of many countries. Middle Eastern countries ranked higher. African countries are at the end of the line. It has been observed that the material well-being dimension is more important than the intangible welfare dimension.

In Aydin's study "Islamic vs. Conventional Human Development Index: Empirical Evidence from Muslim Countries", a development index (iHDI) was made for ten Muslim countries in 2016. This study is an eight-dimensional composite index study based on

understanding human nature based on the anthropology of monotheism. The dimensions included in this study are as follows; 1) Physical self-dimension index: average life span, 2) reasoning self-dimension index: average years of education, 3) spiritual self-dimension index: prayer data, 4) ethical self-dimension index: corruption index data (Corruption Perceptions Index-CPI), 5) animal self-dimension (ego) index: the results of a survey by the Gallup Research Center on the morality of abortion, homosexuality, alcohol use, adultery and gambling, 6) social self-dimension index: in the survey by Gallup, by trusting people or not responses to the relevant question, 7) oppressive self-dimension index: homicide rates, 8) deciding self-dimension index: Freedom index prepared by Freedom House (Aydin, 2017: 1572-1575).

Aydin converted these values into indices and made separate rankings for each dimension. Countries listed in the study were Malaysia, Lebanon, Turkey, Jordan, Tunisia, Indonesia, Egypt, Pakistan, Nigeria, and Senegal. Finally, he gave the results of UNDP's human development index comparatively with all eight variables. In this study's findings, the iHDI rankings for all Muslim countries except two differed from those in cHDI. The difference is higher for countries with high development levels. Besides, it has been concluded that conventional HDI is not suitable for Muslim countries. Therefore, in the study, has been emphasized that a human development index should be made specifically for Muslim countries. One of the interesting features of this index is that it has drawn Islamic Development in a very limited framework and used very few (as low as ten) countries and data for both the world and Muslim societies. Considering the OIC consists of fifty-seven countries and the Muslim population of 1.8 billion, the representative power accuracy of the data in the study is very limited.

Another study is "Construction of Islamic Human Development Index" done by Rama and Yusuf in 2019. In this study, the authors used five variables derived from the aims of religion (Rama & Yusuf, 2019: 49).

- 1) Religion: a. Worship (ratio of zakat to GDP) and b. Morality (in a negative sense: crime rates and Corruption Perception Index -CPI),
- 2) Life (self): a. Average life expectancy, b. Unemployment Rate, c. Freedom (democracy index), d. Meeting basic needs (poverty rate),
- 3) Mind: a. Access to the educational institution (schooling rate of the population), b. Education results (literacy rate),
- 4) Family: a. Positive (fertility rate), b. Negative (divorce rate and infant mortality rate),
- 5) Wealth (property) variables. a. Asset ownership (per capita income), increased wealth (economic growth rate), c. The distribution of wealth (Gini coefficient).

These variables are collocated with the maximum-minimum standardization. Then for each indicator an index is calculated separately, and an Islamic Human Development Index is obtained. The study is not done on an international scale, but a ranking for 33 provinces of Indonesia. The study found different results with UNDP's Human



Development Index. However, Rama and Yusuf also state that there is a correlation between the two indices (Rama & Yusuf, 2019: 32). This study has been found different rankings between I-HDI and HDI. However, there is a statistical correlation between the two. Also, the overall I-HDI has been found to be poor in most Indonesian cities. An important difference in this study from other studies in the literature is that zakat data are also used in the index. Besides, although the index is made specifically for Indonesia, it is noteworthy as a model proposal.

## 5. Islamic Development Index: Method and Variables

While creating the Islamic development index, basic development indicators will be put forward based on proxy variables that express the values specific to the Islamic economy or that we think are related to them, and countries will be listed with an index calculated on these indicators. This paper presents a snapshot of social reality from the Islamic economics lens. However, this photo may not reflect the exact reality. Even so, it aims to obtain an approximate image of it. As Barzun and Graff said, "*A large subject is like a mountain, which no beholder ever sees entire: if he climbs it he discovers only selected aspects; if he stands off, he sees but an outline and from one side only; if he flies over it, he flattens it out*" (Barzun & Graff, 1985: 191).

It is necessary to consider many social development indicators together with economic variables in the measurement of Islamic development. All quantitative calculations to be made are estimates intended to represent Islamic development. It is a projection of social and economic reality, with the purpose of converging to Islamic values. The indicators we use are proxy variables that represent the Islamic development understanding. For this reason, the Islamic development index should be considered as an interpretation of the social and economic structure from the perspective of the Islamic economy, not a final version that reflects reality as it is. Therefore, it would be more appropriate to evaluate it as an interpretation and understanding effort rather than a definitive evaluation.

When looking at the sources of economic development, it is difficult to make a one-dimensional explanation. It will not be sufficient to explain the development only with factors such as geography, natural resources, and climate, which are the *material* infrastructure. On the other hand, *spiritual* superstructure institutions are just as important. These can be considered as human-made institutions, beliefs, values, and culture in general (Demir, 2013: 139). Similarly, the Islamic economics does not explain development solely on an economic and material basis. The transformation of economic prosperity into human happiness and consequently its *falah*<sup>16</sup> is the basic principle of Islamic development understanding. Therefore, in this study, Islamic development has been discussed in two dimensions: *welfare* and *falah*. These two concepts refer to an attempt to deal with *material*

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<sup>16</sup> Arabic word meaning happiness in the world and the hereafter.

and *spiritual* development together. For this reason, the variable determined here consists of sub-indicators of these two main dimensions.

$$\text{Islamic Development Index} = f(\text{Material Development index, Spiritual Development index}) \quad (1)$$

The weight of both categories in the Islamic development index is calculated as half. According to the method we used in the calculation of the Islamic development index, the nominal values of the determined variables were standardized so that the distribution range was (0; +1). The formula used according to this standardization method is as follows (Alpar, 2013: 99):

$$S_i = \frac{\text{observed value} - \text{minimum value}}{\text{maximum value} - \text{minimum value}} \quad (2)$$

The variables used are as follows. There are 9 variables in category A (Material Development) and 10 variables in category B (Spiritual Development).

**Figure: 2**  
**Islamic Development Index (IDI) Variables**

| A.<br>Material Development                                   | B.<br>Spiritual Development   |
|--|---|
| 1. Income: Per Capita Income Level                           | 1. Peace: Global Peace Index  |
| 2. Health: Average Life Expectancy                           | 2. Happiness: The Global Perception of Happiness  |
| 3. Education: Average Years of Education                     | 3. Social Aid: a. Helping a Foreigner b. Donating to a charity c. Working in a Voluntary Organization |
| 4. Unemployment: Unemployment Rate                           | 4. Giving International Aid: Ratio of International Aid to GDP  |
| 5. Poverty: Population Ratio Below the Poverty Line          | 5. Income Breakdown: Gini Coefficient   |
| 6. Islamic Finance: Islamic Finance Development Index        | 6. Democracy: Democracy Index   |
| 7. Inflation: The Consumer Price Index                       | 7. Corruption: Corruption Index   |
| 8. Taxes: a. Taxes / GDP b. Indirect Taxes                   | 8. Economic Freedom: The Economic Freedom Index   |
| 9. Competitiveness: Global Sustainable Competitiveness Index | 9. Crime: Murder rates per hundred thousand people  |
|  | 10. Environment: Environmental Performance Index  |

Source: Designed by the authors.

Standardization can be made according to the desired range by subtracting the smallest value from each value and dividing the obtained value by the distribution range. For example, Turkey's unemployment rate was 10,895% in 2018 (observed value). The minimum value (the most favourable) among the data of 148 countries in the index was 0.14% while the maximum value (the most negative) was 26,958%.

(2) according to equation, the standardized value for Turkey's unemployment rate is found as:

$$S_i = \frac{10,895 - 26,958}{0,14 - 26,958} = 0,5989$$

This procedure was applied to all 148 countries for each sub variable. Then, an arithmetic mean value was calculated for each country by taking the weights of the variables in categories A and B equally. The reason why arithmetic means is preferred here is that the variables are independent of each other. In addition, for some countries, the observation values being zero (0) made it impossible to calculate the geometric mean.

The two sub-indices found for categories A and B are combined with the geometric mean. Here, the weight of both is taken as 50%. In other words, the weight of material and spiritual development is equal within the Islamic Development Index. The reason why the geometric mean is the preferred in the final calculation is the importance of interdependence within the A and B sub-indices. In the process of economic development, material development and spiritual development dimensions are affected by each other among themselves.

## 5.1. Variables Measuring Material Development

1- Per capita income: The income per capita must be sufficient for the individual to live a life that is materially and spiritually satisfied with the worldly life. The statement of satisfaction is a very subjective one. Despite this, the increase in per capita income based on meeting basic needs can be considered as an indicator of Islamic development. Due to the diminishing marginal utility principle<sup>17</sup>, there is a limit to the satisfaction and happiness that income provides to people. The backward-bending supply of labour in economic theory is based on this principle.

It is obvious, that material well-being and money are one of the main variables that determine happiness. But after a while, its marginal utility also diminishes. According to a

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<sup>17</sup> We see that Muslim scholars have made the determination of value based on marginal utility since the 9th century. The following words of Imam Shafti explain this situation: "While a poor man values more than a dinar, a rich person does not take into account hundreds of dinars." Similar views are seen in Ibn Chuvayni and Shaybani. Shaybani affirmed even the concept of "uselessness" by giving the example given today when explaining the subject in economics textbooks: "If a person continues to eat after his stomach is full while eating for his benefit, he will not benefit, on the contrary, he will be harmed." There is a similar example in Ibn al Jawzi. Due to the existence of diminishing marginal benefit, Dimeşki ignores some needs and finds excessive expenditure on only one need irrational (Islahi, 2017).

study in 2018, it was seen that individuals reach the "points of income satiation" if they earn between 60,000 and 75,000 dollars a year. After this point, earning more income does not contribute to human happiness. The data of this study is based on Gallup World Poll and is an important analysis of a sizable number of people, 1.7 million people (Jebb et al., 2018: 33). According to a similar study, the point of income satiation was found to be 75,000 dollars (Chowdhry, 2006). Within the framework of the values revealed here, the maximum value of the income per capita in the index we prepared was taken as 75,000 dollars.

2- Life expectancy was taken as a health indicator. This variable is also one of the three variables that UNDP uses in human development except for education and income per capita. The average age is considered as life expectancy at birth, as an indicator of health, albeit limited. Data on age are taken from development indicators calculated by UNDP (United Nations Development Programme, 2020).

3- Education indicator is based on the average education year. Accordingly, the average education year figures obtained from UNDP data have been converted into an index.

4- Unemployment rate is a variable that should be at a minimum level for an Islamic economic development.

5- Poverty Rate: Reduction of poverty is an important goal of Islamic development. According to Islamic principles, poverty alleviation is a duty to be undertaken by both the public and the civil sector in meeting the basic needs of society (Khan, 2017: 100, 101). The measurement of poverty as a material measure of economic development has a special place in our study. Poverty should decrease proportionally over by time. Poverty has decreased is a development indicator in terms of Islamic strategy. In the calculation we have made in the IDI, the poverty criterion is calculated using the percentage of the population at national poverty lines.

6- Measuring the share of Islamic finance in the economy is of central importance in terms of Islamic development indicators. In terms of Islamic finance, as in the works of Askari and Rehman, low interest rates alone are not enough to reflect Islam. For this reason, an index was calculated using Islamic Development Bank data on the level of Islamic finance in countries (IDB-ICD REFINITIV, 2019).

7- Inflation rates: A low level of inflation is very important for economic agents to make healthy decisions, just like traffic lights. There is a general agreement in the economics literature that this ratio is around 2%. Some central banks, such as the Federal Reserve (FED) and the European Central Bank (ECB), have targeted this rate (Federal Reserve, 2019; Scheller, 2006: 81). For this reason, while calculating the index value related to the inflation rate, the calculation was made by taking this rate as a reference in the consumer price index (CPI).

8- Taxes: Two criteria have been used for taxes. The first is the approach of ibn Khaldun<sup>18</sup> and the second is the necessity of low indirect taxes. Islamic public finance and taxation system has great flexibility. Mannan notes that this flexibility is due to the Quran's silence about the rate of zakat (Mannan, 1970: 437).

9- Competitive Market Economy: Islamic economic understanding is based on a healthy functioning market economy without monopolization (Khan, 2017: 112). Interventions that disrupt the functioning of the market are not desired, and the existence of monopolization-style imperfect competition markets also distances the economy from an Islamic development perspective. Therefore, the high level of competition in a country means that the market structure is functioning relatively well.

## 5.2. Variables Measuring Spiritual Development

In this section, variables that we call *spiritual variables* are used to measure *falah*, the second dimension of Islamic development. These variables are indicators that reveal important results at both individual and community levels.

1- The indicator of Peace is a measure of the social peace. The connection of this variable with Islam and Islamic development makes sense of the origin and main goal of religion. As Islam literally means peace, even the greetings of the Muslims -as-Salaamu Alaikum- means "Peace be with you" (Efendioğlu, 2009: 342). The Global Peace Index (GPI) is published every year by the Vision of Humanity in this regard. This index has been calculated by the Institute for Economics & Peace for the last five years. It measures a country's negative peace level using three peaceful criteria.

2- Happiness is also considered as a criterion showing *falah*. The level of happiness achieved by individuals in the social and economic system they live in is a significant variable for Islamic *falah*. The data of the World Happiness Report (WHR) measuring the happiness variable was used in the index. Said report is prepared every year according to the results of the surveys conducted by the United Nations Sustainable Development Solutions Network in partnership with the Ernesto Illy Foundation since 2012. It makes a ranking according to how the citizens of the country perceive themselves as happy (Helliwell, Layard & Sachs, 2019).

3- Social Solidarity or *infaq* in Islamic literature is a very important decree of the Quran (Çağırıcı, 2000: 289). The index measuring social solidarity was prepared by a Gallup survey. The survey measures three behaviours: helping a stranger; donating to a charity; working in voluntary organizations. The proportion of people who answer "yes" to these

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<sup>18</sup> *The framework that Ibn Khaldun put forward in terms of the relationship between public tax revenues and tax rates is a very current issue in terms of modern public finance today (Ibn Khaldun, [1374] 2017: 570). In the literature, there is an optimum level of tax rates according to the approach registered in the form of Laffer Curve by defeating Ibn Khaldun's right, and below this level and above this level reduce the tax revenue. This approach of Ibn Khaldun can be considered as a criterion for how an Islamic tax system should be.*

three questions is taken. Scores are calculated by taking the proportion of people who say yes to the help questions of the survey.

4- International aid is especially important for the international position of a Muslim country. As Miandji said, the development of a country can be understood from the attitude towards undeveloped countries (Miandji, 2012). An important indicator of this is the international aid. According to calculations made by Development Initiatives, when the value of international aid to the proportion of GDP in 2017, Turkey stands by a large margin in the first (Development Initiatives, 2018). It is seen that the first four countries that made the most international aid in the same year were Muslim. This has been an indicator that positively affects the rankings of Muslim countries in terms of the calculation of the Islamic Development Index.

5- The issue of income distribution is an important variable in terms of the social peace and stability of the countries. The Gini coefficient, which measures income inequality, is used in the index. Higher scores mean that income distribution is more unevenly distributed. As we have mentioned before, income distribution differences are acceptable to a certain extent in Islam. However, it is important to keep large income differences at a certain level with Islamic civil initiatives and social policies to avoid large gaps between income levels. This policy is necessary to sustain stability in society.

6- Democracy can be thought to be the administration closest to the idea of Islamic shura. The expression on this subject in the Quran is "who (conduct) their affairs by mutual consultation"<sup>19</sup>. The word shura means pointing, showing, filtering out, asking for ideas, consulting. Using the shura method in the work to be done requires people to filter out different opinions in their work, to engage in engagement, and to be open, transparent, and participatory for this (Eliçak, 2011: 422).

In our study, the variable we use for democracy, the data created by the Economist Intelligence Unit (EIU) as a general score by combining the scores of areas such as the election process and pluralism, the functioning of the government, political participation, political culture, and civil liberties were used (The Economist Intelligence Unit, 2019).

7- Reducing corruption in a country and maintaining the administration under the principles of transparency and openness are important values related to the principles of Islam's consensus and shura. It is important for the understanding of Islamic development that management and affairs are not behind closed doors but open to consultation and public knowledge and inquiry. The Quran is clearly explained that public trust should not be betrayed<sup>20</sup>. Transparency International makes a calculation and ranking for each year by giving a score from 0 (very corrupt) to 100 (very clean), using 13 surveys and expert

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<sup>19</sup> *Al Shura* 42/38.

<sup>20</sup> *Al Imran* 3/161.

evaluations on corruption. This index measures the corruption degree of the public sector (Transparency International, 2019).

8- Economic freedom, according to the Islamic development understanding, is an important indicator of the Quran's explicit provisions on trade, enterprise and property rights: "*Allah hath permitted trade and forbidden usury*"<sup>21</sup>; "*when the Prayer is finished, then may ye disperse through the land, and seek of the Bounty of Allah*"<sup>22</sup> and "*That man can have nothing but what he strives for.*"<sup>23</sup> Our study benefited from the economic freedom study prepared by the Fraser Institute (Fraser Institute, 2019).

9- Crime rates are taken as an indicator of spiritual development in the index. An Islamic society requires individuals live in respect of each other's life, property, and personal rights. One of the issues that Muhammad touched on in his well-known *Farewell Sermon* is that human life, property and right to life are inviolable (Erul, 2012: 592). Increasing crime rates is an indicator of social problems. Murder rates are taken as the proxy variable to represent the crime in the Islamic Development Index.

10- About the environment, Prophet Muhammad's statement, "*Plant the sapling in your hand even if the Day of Judgment breaks out,*" is perhaps a statement that expresses environmental awareness in the most succinct way (Diyamet, 2013). The attitudes of states, societies and individuals towards the environment are closely linked to Islam. Human beings, entrusted with the Islamic belief, were created as a caliph on earth. The ecosystem is at the service of the human, but the human being must be the protector and guardian of the ecosystem. One of the important studies to measure environmental problems at a global level is the Environmental Performance Index (EPI), conducted by international universities and organizations based at Yale University for 2018 with 180 countries (Yale Center for Environmental Law & Policy, 2019). EPI reveals very important measurement values with this wide scope.

## 6. Islamic Development Index Ranks

Table 2 shows the ranking of the countries according to the scores in both material development and spiritual development categories regarding the determined variables. With the Islamic development index, the ranking of the countries from the Islamic development perspective can be seen. According to this ranking, Switzerland ranks 1<sup>st</sup> with 0.779 points in 2018. It is followed by New Zealand with 0.77 points. The top ten countries are, in order, 3<sup>rd</sup> Norway, 4<sup>th</sup> Denmark, 5<sup>th</sup> Canada, 6<sup>th</sup> Ireland, 7<sup>th</sup> Australia, 8<sup>th</sup> Iceland, 9<sup>th</sup> Luxembourg and 10<sup>th</sup> Netherlands.

It is both surprising and not that there is no Muslim country among the top 20 except one. Surprising because in an "Islamic development index" Muslim countries are

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<sup>21</sup> *Al Baqarah* 2/275.

<sup>22</sup> *Al Jumu'ah* 62/10.

<sup>23</sup> *An Najm* 53/39.

theoretically expected to perform better. It is not surprising, on the other hand, because some other indices in the literature previously found similar results. The Muslim country with the highest score that ranks 20<sup>th</sup> in the IDI is the United Arab Emirates with 0.70 points. Qatar is 22<sup>nd</sup>, Malaysia is 28<sup>th</sup>, Kuwait is 42<sup>nd</sup>, and Indonesia is 44<sup>th</sup>. Turkey's rank is 61. Ten Muslim countries (17% of the countries) are among the top 60 countries.

Approximately 82% of Muslim countries are not among the top 60 countries in the IDI ranking. The number of Muslim countries included in the top 100 countries is 22, which is 38% of all countries included. Therefore, it is observed that the development course of Muslim countries is quite low within the framework of Islamic development. The Islamic development ranking of 35 countries, which are mostly Muslim countries, comes after 100th. Especially it is observed that within the lower ranking the scoreboard is mainly composed of Muslim countries. In IDI, when the average scores of Muslim countries are taken, the average of all Muslim countries is 99<sup>th</sup> place with 0.520 points.

**Table: 2**  
**Islamic Development Index/IDI (2018)**

| NO | COUNTRY        | SCORE       | NO  | COUNTRY                | SCORE     |
|----|----------------|-------------|-----|------------------------|-----------|
| 1  | Switzerland    | 0.779027831 | 75  | Brazil                 | 0.5531481 |
| 2  | New Zealand    | 0.771142379 | 76  | Jamaica                | 0.55198   |
| 3  | Norway         | 0.765561736 | 77  | Tunisia                | 0.5519529 |
| 4  | Denmark        | 0.764585927 | 78  | Colombia               | 0.5513185 |
| 5  | Canada         | 0.761000535 | 79  | Bolivia                | 0.5511285 |
| 6  | Ireland        | 0.760213461 | 80  | China                  | 0.549859  |
| 7  | Australia      | 0.759862425 | 81  | Botswana               | 0.5492017 |
| 8  | Iceland        | 0.759479612 | 82  | Bosnia and Herzegovina | 0.5481615 |
| 9  | Luxembourg     | 0.757661766 | 83  | Ghana                  | 0.5476327 |
| 10 | Netherlands    | 0.753908894 | 84  | Sri Lanka              | 0.5467462 |
| 11 | United Kingdom | 0.75132561  | 85  | Suriname               | 0.5432004 |
| 12 | Germany        | 0.742959744 | 86  | Mexican                | 0.5430481 |
| 13 | Sweden         | 0.742012229 | 87  | Turkmenistan           | 0.5425561 |
| 14 | Austria        | 0.73793672  | 88  | Uzbekistan             | 0.5424332 |
| 15 | Finland        | 0.735306819 | 89  | Argentina              | 0.5401697 |
| 16 | USA            | 0.722219073 | 90  | Algeria                | 0.5401613 |
| 17 | Singapore      | 0.719970653 | 91  | Armenia                | 0.5396688 |
| 18 | Belgium        | 0.711786985 | 92  | Lebanon                | 0.5371993 |
| 19 | Japan          | 0.708782174 | 93  | Azerbaijan             | 0.5367132 |
| 20 | UAE            | 0.703000256 | 94  | Nepal                  | 0.5334649 |
| 21 | Czech Republic | 0.69367049  | 95  | Russia                 | 0.5331768 |
| 22 | Qatar          | 0.691536589 | 96  | Nicaragua              | 0.531719  |
| 23 | Slovenia       | 0.686235593 | 97  | Ukraine                | 0.5278544 |
| 24 | Israel         | 0.680813721 | 98  | Kenya                  | 0.5220212 |
| 25 | France         | 0.674773902 | 99  | India                  | 0.5187244 |
| 26 | S. Korea       | 0.67371136  | 100 | Guatemala              | 0.5155201 |
| 27 | Cyprus         | 0.672174813 | 101 | Honduras               | 0.5136597 |
| 28 | Malaysia       | 0.666788054 | 102 | Senegal                | 0.5132303 |
| 29 | Slovakia       | 0.666302608 | 103 | Cambodia               | 0.5129696 |
| 30 | Portugal       | 0.663408235 | 104 | Myanmar                | 0.5128742 |
| 31 | Estonia        | 0.662870556 | 105 | Iran                   | 0.5122915 |
| 32 | Chile          | 0.658557804 | 106 | Namibia                | 0.5116571 |
| 33 | Spain          | 0.65440122  | 107 | Zambia                 | 0.511294  |
| 34 | Poland         | 0.653759619 | 108 | Tajikistan             | 0.5110678 |
| 35 | Mauritius      | 0.653127144 | 109 | Tanzania               | 0.5090421 |
| 36 | Lithuania      | 0.652698068 | 110 | Bangladesh             | 0.5053761 |
| 37 | Italy          | 0.651624285 | 111 | El Salvador            | 0.5031525 |
| 38 | Uruguay        | 0.645914474 | 112 | Rwanda                 | 0.5029789 |
| 39 | Romania        | 0.638805638 | 113 | South Africa           | 0.5014913 |
| 40 | Latvia         | 0.636869003 | 114 | Uganda                 | 0.5004101 |
| 41 | Hungary        | 0.636522553 | 115 | Pakistan               | 0.4989582 |



|    |               |             |     |               |           |
|----|---------------|-------------|-----|---------------|-----------|
| 42 | Kuwait        | 0.632023487 | 116 | Benin         | 0.4977969 |
| 43 | Oman          | 0.62924872  | 117 | Liberia       | 0.4971298 |
| 44 | Costa Rica    | 0.626500443 | 118 | Burkina Faso  | 0.4947076 |
| 45 | Indonesia     | 0.624658387 | 119 | Lao PDR       | 0.4943084 |
| 46 | T. and Tobago | 0.613130475 | 120 | Nigeria       | 0.4875758 |
| 47 | Butane        | 0.612177327 | 121 | Cameroun      | 0.4866469 |
| 48 | Bahrain       | 0.612152436 | 122 | Gabon         | 0.4851071 |
| 49 | Croatia       | 0.611944076 | 123 | Gambia        | 0.4841146 |
| 50 | Panama        | 0.60990418  | 124 | Iraq          | 0.4817517 |
| 51 | S. Arabia     | 0.606401727 | 125 | Malawi        | 0.4810082 |
| 52 | Montenegro    | 0.599902389 | 126 | Ethiopia      | 0.4792454 |
| 53 | Bulgaria      | 0.596597425 | 127 | Egypt         | 0.4752316 |
| 54 | Moldova       | 0.593246965 | 128 | Niger         | 0.4703114 |
| 55 | Georgia       | 0.591675592 | 129 | Sierra Leone  | 0.4672464 |
| 56 | Thailand      | 0.589150703 | 130 | Mauritania    | 0.4663804 |
| 57 | Mongolia      | 0.587793159 | 131 | Angora        | 0.4634508 |
| 58 | Kazakhstan    | 0.586473683 | 132 | Mozambique    | 0.4620373 |
| 59 | Peru          | 0.586425654 | 133 | Madagascar    | 0.4602956 |
| 60 | Serbia        | 0.584369301 | 134 | Libya         | 0.4583773 |
| 61 | Turkey        | 0.582730613 | 135 | Togo          | 0.4578486 |
| 62 | Albania       | 0.582418579 | 136 | Mali          | 0.4543199 |
| 63 | Belarus       | 0.579812312 | 137 | Guinea        | 0.4519871 |
| 64 | Greece        | 0.577858413 | 138 | Haiti         | 0.4464049 |
| 65 | Ecuador       | 0.572518839 | 139 | Zimbabwe      | 0.4320092 |
| 66 | Jordan        | 0.571170469 | 140 | Chad          | 0.4215667 |
| 67 | Philippines   | 0.565696248 | 141 | Lesotho       | 0.4144578 |
| 68 | Morocco       | 0.564221267 | 142 | Afghanistan   | 0.4111929 |
| 69 | Paraguay      | 0.563951183 | 143 | Burundi       | 0.3907117 |
| 70 | Guyana        | 0.562802455 | 144 | Congo         | 0.3810816 |
| 71 | Vietnam       | 0.560149762 | 145 | Sudan         | 0.3805352 |
| 72 | Kyrgyzstan    | 0.559882553 | 146 | Syria         | 0.3729151 |
| 73 | N. Macedonia  | 0.55839981  | 147 | Venezuela, RB | 0.3540389 |
| 74 | Dominican R.  | 0.554958147 | 148 | Yemen         | 0.3444526 |

Source: Calculated by the authors. Gray-colored countries are members of the OIC.

The ranking according to the material and spiritual development categories of the study is given in Table 3 below.

**Table: 3**  
**Material and Spiritual Development Index - Top Twenty Countries (2018)**

| Material development index |                |        | Spiritual development index |                |        |
|----------------------------|----------------|--------|-----------------------------|----------------|--------|
| NO                         | COUNTRY        | SCORE  | NO                          | COUNTRY        | SCORE  |
| 1                          | Qatar          | 0.877  | 1                           | Denmark        | 0.7285 |
| 2                          | Switzerland    | 0.8558 | 2                           | New Zealand    | 0.7244 |
| 3                          | USA            | 0.8483 | 3                           | Norway         | 0.7232 |
| 4                          | Japan          | 0.8363 | 4                           | Swiss          | 0.7092 |
| 5                          | Canada         | 0.8354 | 5                           | Iceland        | 0.7081 |
| 6                          | Malaysia       | 0.8349 | 6                           | Sweden         | 0.702  |
| 7                          | Australia      | 0.8301 | 7                           | Ireland        | 0.7004 |
| 8                          | Luxembourg     | 0.8267 | 8                           | Netherlands    | 0.6985 |
| 9                          | Ireland        | 0.8251 | 9                           | Finland        | 0.696  |
| 10                         | United Kingdom | 0.8234 | 10                          | Australia      | 0.6956 |
| 11                         | New Zealand    | 0.8209 | 11                          | Luxembourg     | 0.6944 |
| 12                         | Iceland        | 0.8146 | 12                          | Canada         | 0.6933 |
| 13                         | Netherlands    | 0.8137 | 13                          | United Kingdom | 0.6856 |
| 14                         | Germany        | 0.8128 | 14                          | Germany        | 0.6791 |
| 15                         | Norway         | 0.8104 | 15                          | Austria        | 0.6726 |
| 16                         | Austria        | 0.8096 | 16                          | Belgium        | 0.6509 |
| 17                         | Singapore      | 0.8082 | 17                          | Singapore      | 0.6413 |
| 18                         | S. Korea       | 0.806  | 18                          | USA            | 0.6156 |
| 19                         | Czechia        | 0.8043 | 19                          | USA            | 0.6149 |
| 20                         | UAE            | 0.8028 | 20                          | Japan          | 0.6007 |

Source: Calculated by the authors.

The most striking point here is that the country with the highest material development score in the Islamic context in the ranking for 148 countries is Qatar. It is followed by Switzerland, the USA, Japan, and Canada. There are three OIC member countries in the top twenty in the material development ranking. These are Qatar (1.), Malaysia (6.) and the United Arab Emirates (20).

On the other hand, when looking at the spiritual development dimension of the HDI, Denmark comes first. It is followed by New Zealand, Norway, Switzerland, and Iceland. The OIC country with the highest score in spiritual development is the United Arab Emirates, ranked 18<sup>th</sup>.

OIC countries seem to have a better material development dimension than spiritual development. This situation appears clearly from the ranks and scores. overlaps with the general perception of the basic moral and spiritual motivations for the development of Muslim countries.

## **7. Conclusion**

Islamic development understanding is based on mankind. Both the source and the result of development are human. It is the welfare and *falah* of man. In this context, human beings can only preserve their integrity with their both material and spiritual development dimensions. Islam considers development where not only economic and material prosperity is achieved, but also happiness, peace, and tranquillity, in short, *falah*.

Our main finding in the study is that the basic sources of Islam and the system of thought, principles and economic understanding that emerged in the classical period contain an important development perspective. At the same time, the backwardness of Muslims is not because they are practicing Islamic principles and values as they are, but rather because that they are not.

Looking at the results of the index we calculated for 2018, a Muslim country could not take the first place in Islamic Development. Switzerland is the most developed country in the world in terms of Islamic economic development, followed by New Zealand, Norway, Denmark, and Canada. In the index, United Arab Emirates is the best performing Muslim country with 20th place. Qatar ranks 22, Malaysia 28, Kuwait 42, Indonesia 44, Bahrain 47, 49 Oman, Saudi Arabia 51. Kazakhstan and Turkey rank 58 and 61. Among the first hundred countries in the index, there are 22 OIC countries (38%).

Looking at the countries in the first rankings of the IDI, it is largely consistent with other international indices, especially the UNDP's Human Development Index (HDI) and Rehman and Askari's Islamic Index (EII).

However, with the innovations brought by the variables of the IDI, some OIC countries took place in the index much higher than the other two indices. In this context, we can say that the HDI is more sensitive than other indices in measuring Islamic development.

The difference of this study from all other studies in the literature and the innovations it brings in this sense is the conversion of the Islamic finance dimension to an index for the first time in the index section. For the first time we used variables such as peace, happiness and international aid in the rankings, and for the first time we developed an index using taxes following Ibn Khaldun's approach. At the same time, material and spiritual Islamic development indexes were created for the first time. With this index, the material and spiritual value system that is important for Islamic development has been revealed. According to these values, the performances of a group consisting of data sets of 148 countries in terms of Islamic development are presented.

The general structure of Islamic countries has emerged as material development scores higher than spiritual development scores. Among the 148 countries in the study, Qatar ranked first in the Islamic material development ranking, followed by Switzerland, the USA, and Japan. Among the OIC countries, Malaysia ranked 6<sup>th</sup>, UAE 20<sup>th</sup>, Oman 28<sup>th</sup>, Saudi Arabia 32<sup>nd</sup> and Bahrain 33<sup>rd</sup>.

Looking at the order of spiritual development, a very different picture is encountered. Denmark ranked first among 148 countries in spiritual development. Among the OIC countries, the country with the highest score in this field is UAE (18<sup>th</sup>), followed by Qatar (38<sup>th</sup>) and Malaysia. This difference between the two dimensions can be considered as evidence that Muslim societies are not using as its basic Islamic value system enough.

The results of this study, in which we move from the Islamic economy and system of values, are meaningful. Many Western countries that are in line with the values of Islamic Economic Development rank among the top in the index. Muslim countries, on the other hand, experience social and economic backwardness to the extent that they distance themselves from these values.

The continuity of civilizations indicates that humanity is a whole and that knowledge can gain meaning by comprehending and sharing it in this integrity. It is important to understand and protect the identities and values of societies, and to understand without prejudice the points that will contribute to the whole called "we", that is, humanity. Today, perspectives in both the political sphere and scientific studies should neither be fed by Occidentalism, which is a crude hostility to the West, nor by self-devaluating orientalism. In the modernization process of Islamic societies, as local and Western orientalist have stated, it is not necessary that their identities and original qualities disappear, but a new modernization with an identity that does not ignore the sacred should be revealed. Only in this way will the spirit of the society reflect on the development.

Islamic belief has been alive for hundreds of years. Muslim countries need to be aware of their civilizational mission that has been interrupted by internal and external factors. This will be possible to the extent that they can get rid of cultural hegemony and establish an objective self-criticism mechanism. At the same time, the termination of ijthihad tradition with traditional and literary interpretations of Islam is one of the most important

reasons that cripples development. It is the responsibility of Muslims to interpret and apply divine revelation under the spirit of every period and the conditions of the country (Hodgson, 2017b). The results of the study should be discussed in terms of politicians and intellectuals of Muslim countries. The contribution of such studies to the road maps to be drawn about deficiencies and what needs to be done should be evaluated.

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