

## **CRITICAL REVIEW ON HUMAN DEVELOPMENT APPROACH BETWEEN THE ECONOMICS OF WELFARE AND ISLAMIC JURISPRUDENCE**

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### **Abstract:**

The goal of the current study is to demonstrate a distinction between human development as seen in conventional conceptions of welfare economics and Islamic jurisprudence at the micro level. Economic growth refers to the capacity of the national economy, which can be raised by an increase in the gross domestic product on an annual basis. Therefore, the primary objective of economic growth was to increase the rate of gross national product per person. With the assumption that everyone would advance as the total national GDP per capita rose, issues of poverty and inequality have been solved. In the final stage of economic expansion, it was anticipated that the "trickle-down effect" would improve income distribution, but this was never realized. In this article, critical review on human development approach between the economics of welfare and Islamic jurisprudence has been discussed.

**Keywords:** Human, Development, Economics, Welfare, Islamic, Jurisprudence

## **INTRODUCTION:**

The basic characteristics of a nation's welfare are summarized in the Human Development Index as average accomplishments. The procedures and quality of the HDI are thought to be lost in the proposed dimensions. It has been determined that taking into account extra and innovative well-being indicators is crucial for the HDI and that a sustained growth in these averages is important for human development.

As a result, both the idea of human development and the metrics used to assess it are always evolving, whether through the introduction of new metrics or the enhancement of existing ones. Recent initiatives have attempted to take existing HDI into account in some more particular areas, such as the environment, sustainability, morality, and family.

Critical policy issues in the framework of human development are determined along with human misery and socioeconomic deterioration in the majority of Muslim institutions. In fact, a one-sided viewpoint can make it harder to get relief from these difficulties. Social scientists, however, have typically shied away from talking about issues. The main cause of this is that these institutions are not totally quantitative and have little bearing on the requirements of human development. But given this, they can't be disregarded. One of the most crucial of these institutions is that, in order to achieve human development, the participation of the most marginalized groups in the development process must be increased. This participation cannot be increased without taking both material and immaterial development applications into account.

## **RELATED REVIEW OF LITERATURE:**

According to Haithem Kader (2021), this study makes the case that it is crucial to re-evaluate the well-being and moral philosophy that underpin economic thinking in order to address the issues associated with the modern market economy at their core, such as persistent poverty, rising inequality, and environmental degradation. With reference to the intellectual tradition of Islam, the author tries to provide a preparatory course of action. To create a conceptual well-being model, this study uses content analysis of traditional and modern Islamic texts on economic ethics and human well-being. The paper is divided into four sections: section one

gives an overview of pertinent secondary literature on moral economic approaches; section two outlines the main well-being frameworks; section three discusses the concept of human well-being in Islam, informed by the Islamic worldview of *tawd*, the Islamic philosophy of *sadah*, and the higher goals of Islamic Law (*maqsid al-Sharah*); and section four discusses policy implications and next steps for the implementation of the concept of human well-being. Religion (*Dn*), self (*Nafs*), intellect (*'Aql*), progeny (*Nasl*), and wealth (*Ml*), which correspond to spiritual, physical and psychological, intellectual, familial and social, and material well-being, respectively, are integrated with an objective list of five essential goods to create a conceptual model of human well-being from an Islamic perspective. To convert this conceptual model into a composite well-being index that can guide practice and policy, more investigation is required. This methodology can be used to evaluate how well the Islamic banking industry has performed in terms of achieving human needs, wants, and advancements rather than just growth and profitability. Additionally, it can serve as the foundation for the Organization of Islamic Cooperation (OIC) countries to work together to create an index of wellbeing to direct national and regional cooperation. In a broader sense, this study emphasizes the need for Islamic economics research to be more deeply rooted in Islamic ontology and epistemology while also actively engaging in constructive dialogue with other moral schools of economic thought to provide real-world solutions to current problems. Three aspects of originality are presented in this study. First, by describing several well-being frameworks, it draws attention to important distinctions between virtue-based understandings, such as those found in Aristotelian, Christian, and Islamic perspectives, and the utilitarian understanding of well-being that underpins contemporary economic theory. By combining the higher goals of Islamic Law (*maqid al-Sharah*), the Islamic philosophy of *sadah*, and the Islamic worldview of *tawd*, it also offers a well-being paradigm from an Islamic perspective. It also suggests an ethical framework for guiding economic activity and policy.

According to Faizan Ali (2020), the Islamic Human Development Index (IHDI) is calculated using a variety of approaches. This paper examines the most elegant aggregation method for computing IHDI using a set of axioms. The previous IHDI measure, which makes use of a linear average and Bayesian Structural Equation Modeling (SEM) of the five dimensions, may accommodate cross-country data. These two methods offer a useful methodology for selecting the number of indicators to take into account when examining the relationship between latent

variables. The IHDI, which is the inverse of the separation from the acceptable level determined by Foster-Greer-Thorbecke (FGT) deficiency measurements, is a new aggregation metric that we propose. In addition to the methods mentioned above, this measure satisfies multidimensional measures with ordinal responses.

According to Iim Koyimah et al. (2020), the purpose of this study is to ascertain how the Islamic Human Development Index's assessment of West Java's level of human development may be quantified by using a dimensional approach to maqashid sharia. In West Java province, Indonesia, the Human Development Index (IHDI) and the Islamic Human Development Index (IHDIA) are contrasted for this study. In order to collect data for this study, both descriptive and quantitative methods are used. All participants in this study were citizens of the City/Regency neighborhood of West Java. The sample saturation sampling technique was used in this study to gather a total of 21 samples. The results of this study show that the IHDI in West Java Province's human development is not at its finest. Because of the ad-dien-index value, index-nasl and al-maal index values are low. The average IHDI for the City and County is low, whereas the average IHDI for Cimahi, Bogor, and Bandung is in the middle range. With an index of ad-deen, an-nafs index, index, and al-aql al-maal index, Bandung achieved the highest IHDI score. Become the team's most important player. This study will benefit the human development-based IHDI and the government.

Rama and Yusuf (2019) argued that the current HDI approach, which is a value-neutral framework, cannot fully incorporate Islam's theological and ethical position on socioeconomic progress. Some claim that the HDI does not sufficiently take into consideration the distinctive traits, cultures, and values present in Muslim countries. The Islamic Human Growth Index (I-HDI) measures five areas of maqid al-Shar'ah: religion, life, nafs, intellect, ML, and wealth. It is an all-encompassing and thorough measure of human progress. The HDI computation strategy is the same as an I-computing HDI. The 33 provinces of Indonesia are ranked according to the index's measures of human development. According to the study, I-HDD's composition rank differs somewhat from HDI's. The idea that I-HDI can be used to forecast HDI rank is supported by the statistically significant positive relationship between the two indices. Additionally, the findings imply that the I-total HDI score is below average for the majority of Indonesia's provinces.

Islamic development philosophy places a strong emphasis on the value of human advancement and well-being, according to Mb. Hendrie Anto's (2018) research. Most Islamic scholars hold that the main purpose of the Shar'ah (Maq id al-Shar'ah) is to protect the faith, humanity, intellect, posterity, and prosperity of all people. In Islam, Maq id al-Shar ah is the cornerstone of human development. The Human Progress Index (HDI) of the UNDP may be the most comprehensive indicator, but it is not entirely compatible with and appropriate for measuring human development in the framework of Islamic thought. HDI is not conceptually or practically based on Maqid al-Shar'ah. It would be more appropriate to use the Islamic Human Development Index (IHDI) to assess the level of human development in Muslim countries. I-HDI and HDI have a slightly different rank composition, according to the results of this study. On the one hand, some nations have a higher I-HDI ranking than HDI. On the other hand, some nations have a lower I-HDI ranking than HDI. The objectives of this study are to (i) establish a new index for measuring human development from an Islamic viewpoint and (ii) simulate this index to determine the human development level in OIC nations. On the other hand, a few countries' ranks have significantly declined.

According to Aini et al.'s (2018) research, the value of education cannot be overemphasized. Education may be crucial in ensuring one's survival as a means of reaching social goals. The amount of education a person has can also be used to determine their wellbeing. In order to achieve economic success, a society with an educated population is expected to have high standards of living. Similar to Malang, Indonesia, the need to increase awareness of the value of higher education coexists with the need to improve the quality of human resources. The analysis and comprehension of the effects of welfare and education in Kesatrian Village itself use quantitative research approaches. The results of various studies on the topic revealed a significant relationship between educational success and well-being. The majority of people who live in Kelurahan Kesatrian have completed high school or higher education (SMA). The army dominates the majority of these professions, which cause societal stigmatization because high school graduates can also find jobs in them with pay comparable to bachelor's degrees.

The main objective of this study is to create a socioeconomic development index, according to Ullah (2017). The two halves of this index (ECDI) are SCDI and ECDI. Afghanistan, Bahrain,

Bangladesh, Egypt, Iran, Kuwait, Malaysia, Morocco, Pakistan, Saudi Arabia, and the United Arab Emirates are among the Islamic countries covered in the investigation. Pakistan's spending on health and education has, on average, lagged behind other Muslim countries over the last five years. The nation's capital creation and export value added are both quite high, allowing it to spend a significant amount of money on health and education. If they are, economic growth will be stimulated. Kuwait has the highest employment rate, whereas Malaysia has the highest educational profile. All of the countries included in the research have different summary profiles. In Islamic nations with stronger economic conditions, the SCECDI is anticipated to have a value greater than 0.50, whereas other Islamic economies may have a score between 0 and 0.50. We also demonstrate the dynamic characteristics of all Islamic countries examined by SCECDI.

According to Oladapo et al. (2017), having access to enough money, being healthy, and receiving a quality education are all essential for human development. Nevertheless, many civilizations are still having trouble achieving these standards. The unfairness and exploitation of fundamental social and economic rights, which are a significant barrier to development efforts, are reflected in the low human development indices of many countries. Human development is frequently measured with respect to education, prosperity, and health. It is true that the model disregards other crucial growth factors like social justice and human rights. The Maqasid Shari'ah framework and three contextualized factors—education, health, and income—are added in this study to fill the gap left by the absence of social justice and human rights as exogenous components in the current research. The information for this article was gathered through document analysis and data from libraries. The model calls for the strengthening of the principles of Islamic divine law in order to foster an inclusive development approach. For academics, policymakers, and other stakeholders, it has theoretical and policy repercussions.

Alwazna (2016) also maintains the health of society. It clarifies the meaning of "safety" in the context of Islamic law, according to al-Ghazali and al-Shatabi. He also emphasizes that maintaining the existing growth rate is not necessary to achieve Islamic human development. We will be able to retain our safety once we have ascended to the top. However, humans are unable to accomplish it all at once. There is always room for improvement. As long as they are

not embraced as a part of a movement in a positive direction, there is room for progress. "Safeguards" are intended to extend human development beyond the ranks of advanced industrial civilizations, enabling participation from those in the most marginalized groups. Most earlier research was not mature enough to make use of this tactic. The full spectrum of economic, cultural, and political differences is taken into consideration as part of an intellectual objective so that these institutions can be examined to identify the causes of difference and their effects on society. The second justification is to look at how these institutions affect society. The second is that we are creating an Islamic Human Development Index using empirical social science methods, a rather new approach. It is believed that the study may have a significant impact on informing both social scientists and policymakers. This strategy integrates goals one and two.

Kasri (2016) developed a performance measurement methodology for zakat institutions using Islamic enterprise theory and maqashid al-Shariah. The performance measurement techniques utilized by the zakat institutions were the subject of earlier research, which is being continued in this study. This text makes reference to the notion of maqashid al-Shariah put forward by al-Ghazali and Ibn Ashur. The justification for this decision is a well-established idea in a recent study. According to our research, zakat institutions can employ the maqashid al-Shariah performance assessment of Islamic banks by adapting it to their particular requirements. As part of this research, a performance scorecard based on maqashid al-Sharia and Islamic entrepreneurship theory was created to assess how well zakat institutions performed. This scorecard method can be used to determine the related institution's zakat management index from a wider angle.

According to Esen (2015), Islamic jurists have used the concepts of Maqasid al-Shariah for millennia to protect humanity's religion (din), sense of self (nafs), intelligence (akl), future generations (nasl), and worldly assets (mal). These concepts serve as the cornerstones of numerous religious traditions. Thus, every part of life is covered, including socioeconomic concerns. We want to examine this article using a socioeconomic index that is based on conventional FQH principles. In this study, we provide two ways to calculate the Maqasid al-Shariah index. Bayesian Factor Analysis is a useful approach to exploring the covariance structure of Maqasid al-Shariah terms. Based on a Bayesian point of view, which is used to

choose models and criteria, the generalized Bayesian Information Criterion can be used to choose modified parameters, such as the hyperparameter for the prior distribution and the number of components. Due to the latent nature of the Maqasid al-Shariah variables, a different approach known as Bayesian Structural Equation Modeling is offered to explain the interactions between latent variables.

According to Nizam (2014), researchers like Stiglitz, Sen & Fitoussi (2009), and Jackson (2009) have argued that the primary focus of current measures of social and economic progress is measuring economic growth using national account variables like Gross Domestic Product, which they claim does not accurately reflect progress. To better gauge social and economic growth, a number of social science scholars have developed a range of composite indicators. Income, income distribution, educational attainment, and physical health are the factors that are most frequently present (Moreira & Crespo, 2010). The majority of studies base their estimates of income only on GDP per capita. But according to Jackson (2009), economic growth isn't a surefire way to achieve happiness; on the contrary, it's the main driver of social and environmental problems. Measuring according to integrated Maqsid Al Shariah does not distinguish between the spiritual and physiological factors that influence human wellbeing and economic and social development. We will explicitly look at the theory of Maqsid Al-Shariah and socio-economic prosperity in this study in order to establish the constructions within the suggested composite index and the measurement variables within each construct in light of Maqsid Al-Shariah. We think that the present measurements of socioeconomic development understate the genuine state of prosperity due to the limited number of variables that can be investigated. The lack of consideration given to measuring socioeconomic achievement in the framework of the Maqsid Al-Shariah sheds new insight on a topic that is rarely explored.

When it comes to certain common definitions of social capital, Mohammad Javad Razmi (2013) says there are many things to take into account, such as how they could improve society's performance because of their capacity to support social actors' actions. Islamic communities place a high value on social capital, and this study investigates how social capital affects human development in Islamic countries. The study covered a group of 20 Islamic countries between 1999 and 2008. The Corruption Perceptions Index can be used as a qualitative variable to evaluate the influence of social capital on corruption. According to the



study's results, corruption has a considerable negative impact on human development index ratings.

Lakhwinder Kaur (2013) examined a brand-new idea of development that is predicated on economic expansion. For many years, politicians have emphasized economic expansion as a strategy to more fairly divide money by opening up a wider range of goods and services to the underprivileged. On the other side, people's wellbeing could be dreadfully deficient. As a result, economic expansion is certainly necessary. In order to ensure that economic progress lowers poverty, safeguards the environment, and fosters a sense of security, greater emphasis should be paid to the shape and quality of that growth. Remember that both the quantity and the quality and distribution of those ways are crucial in boosting the standard of living for all people when evaluating the benefits and negatives of expanding economic growth methods versus growing human freedom of choice. Economic development and growth are both necessary for enhancing the standard of living. It is a cornerstone of our species' evolution (Desai, 1991). As a result, under the concept of human growth, humans are raised to the status of goals in and of themselves. They cannot be viewed as the "means" of growth, though. The Human Development Index (HDI) is a result of this. Indicators of human development have advanced over time and are now crucial to the implementation of pertinent policies.

## **CONCLUSION:**

The present study, which examined and reviewed numerous studies, discovered that the majority of them focused primarily on attainments in health, education, and wealth while examining the relationship between the composite indices of human development in this chapter. For the purpose of calculating the overall index, the performance of these three dimensions is first normalized and then aggregated. By taking into account a small number of dimensions, a composite index is created. Due to the aggregation approaches used, notably linear averaging and geometric mean, each dimension may be overshadowed or under shadowed by the weak or strong presence of other dimensions.

Islamic human development, in contrast to conventional notions of human growth, is primarily a process of advancing the welfare of humanity, which resides in the aforementioned five

dimensions. These crucial elements of human development must be examined since they are at the core of the idea of inclusion and are specifically intended for the most disadvantaged and marginalized segment of a nation's population.

Few studies have also looked at how institutional changes and the expansion of human development from its traditional idea to a modern concept relate to each other. In this regard, the studies that were examined in a review of the literature show a change in research from studying development and its components to focusing on the more qualitative aspects of human development. However, only a few of these studies conducted a micro-level comparative examination of Indian institutions. Not a Signal Research investigated Islamic Human Development by conducting a micro-level comparative analysis of Muslim-managed educational institutions in India.

Therefore, a comparative analysis of a particular group of higher education institutions founded by Muslims has been conducted in the current study. These people are either human development high- or low-achievers. Islamic human development achievements in various institutions and their particular regressors have been compared. The goal is to evaluate these Institutions' respective contributions to human progress in light of Islamic jurisprudential achievements.

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