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Presenting Interpretive Structural Model of Sustainable Development Based on Ibn Khaldun's Viewpoint*

İbn Haldun'un Bakış Açısına Dayalı Sürdürülebilir Kalkınmaya İlişkin Yorumlayıcı Yapısal Model

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Abstract: This paper is written with the understanding of the need for sustainable development on the one hand and the necessity of presenting an indigenous model of sustainable development for developing countries, especially Islamic countries. Accordingly, the authors have chosen Ibn Khaldun's views as one of the most prominent Islamic scholars as a source of research while choosing a historical perspective that is a mixture of countries' culture and experience. The method of this study is mixed (qualitative-quantitative). In this way, the library method is used for data collection. The content analysis method was used to analyze the collected data. As a result, the ten components of Sustainable development-Asabiyyah, Emphasizing on temperament, Eliminating poverty and creating welfare, Good governance, Citizenship rights, Scientific growth, Justice, Rationality, Population growth rate, To be based on people were extracted from Ibn Khaldun's viewpoint. Afterwards, the researchers referred to 10 experts familiar with Ibn Khaldun's thought and confirmed the extracted components and obtained their views on the type of relationships between these components in the form of interpretive structural modeling. Finally, an interpretive structural model of sustainable development based on Ibn Khaldun's theories was presented which revealed that the three components- Asabiyyah, Emphasizing on temperament, and To be based on people- have the most impact on sustainable development.

Keywords: Ibn Khaldun, Sustainable Development, Interpretive Structural Modeling, Islamic Countries

Öz: *Bu çalışma, sürdürülebilir kalkınmaya olan ihtiyaç anlayışına dayanmakla birlikte, özellikle İslam ülkeleri olmak üzere gelişmekte olan ülkeler için belirli bir yere özgü sürdürülebilir kalkınma*

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* This article is a review of the paper presented at the "5th International Ibn Khaldun Symposium" organized on 27-28 April 2019 in Istanbul.

modelini sunma gereğini de göz önüne almaktadır. Bu doğrultuda, yazarlar, önde gelen İslam alimlerinden biri olan İbn Haldun'un görüşlerini araştırma kaynağı olarak seçmişlerdir. Ayrıca, ülkelerin kültür ve deneyimlerinin kaynaşmasını barındıran tarihsel bir perspektifi de seçmişlerdir. Çalışmada karma yöntem (nitel-nicel) kullanılmıştır. Veri toplanması için kütüphane yöntemi kullanılmıştır. Toplanan veriyi analiz etmek için içerik analizi yöntemi kullanılmıştır. Sonuç olarak, İbn Haldun'un bakış açısına dayalı on bileşen seçerek alınmıştır. Sürdürülebilir kalkınma-Asabiyet, Ölçülülüğe vurgu, Fakirliğin ortadan kaldırılması ve refah yaratma, İyi yönetim, Vatandaşlık hakları, Bilimsel gelişme, Adalet, Akılcılık, Nüfus büyüme hızı ve İnsanlara dayalı olma durumu söz konusu on bileşeni teşkil etmektedir. Daha sonraki aşamada, araştırmacılar, İbn Haldun'un düşüncelerine aşina olan on uzmanla görüşme sağlayarak uzmanların bu bileşenler arasındaki ilişkilerin türüne ilişkin düşüncelerini elde etmişler ve seçilip alınan bileşenleri teyit etmişlerdir. Son olarak, İbn Haldun'un kuramlarına dayalı yorumlayıcı bir sürdürülebilir kalkınma yapısal modeli sunulmuştur. Bu modelde, Asabiyet, Ölçülülüğe vurgu ve İnsanlara dayalı olma durumu olmak üzere sürdürülebilir kalkınmada en çok etkisi bulunan üç bileşen ortaya çıkmıştır.

Anahtar Kelimeler: *İbn Haldun, Sürdürülebilir Kalkınma, Yorumlayıcı Yapısal Modelleme, İslam Ülkeleri*

1. Introduction

Development in today's world is one of the key concepts addressed in various studies of politics, sociology and economics. This concept is considered in the geopolitical and economic geography as a factor for the separation of regions and countries. Following the concept of development, many other issues are also raised development, on the one hand, have supporters who see many of the problems in society as being inadequate; Hence, it has emphasized on implementation of comprehensive development in all political, economic, social and cultural spheres and see it as the only solution to the problems of society. This group, who western viewpoint on the concept of development, In their analysis, examined the various dimensions of development, explained and ultimately make appropriate decisions for achieving development indexes. They want development to be integrated in all country and development is associated with a specific set of general goals set at a specific point in time (Mc Granham,1972 : 92).

On the other hand, development critics, unlike the first group, many of the underlying problems in society are attributed to the shakiness of the incompatibility of western imported development with Islamic culture; They believe that development, in the western sense, differs basically and naturally with what is called "progress and growth" in Islam. According to this group view, the condition for the achievement of progress in the community is to focus on religious foundations and not applying to western basics; because progress comes from the Islamic worldview and consequently, development is

also a product of western world view. The discussion of "sustainable development" and its related categories, among the issues that have been raised in today's world in a number of very important areas and have been discussed and have an evolutionary and growing trend. A great deal of research in the world today is devoted to research in the field of sustainable development. The main point was the formation of a sustainable development debate focusing on environmental approaches, but it quickly became a term in many areas and became one of the main topics of each discipline. There are still many limitations in achieving this important aim in Islamic countries and unfortunately, the statistics indicate that the distance between Islamic countries is so much to achieving the principles of sustainable development (Zubair, 2006). One of the first reasons for failure is the lack of indigenous and Islamic pattern in this regard.

2. Problem Statement

It is clear that in order to achieve a sustainable and evolutionary development, there should be a model which conforms to the conditions of each land. Most scholars in Islamic countries, when they argue the issue of sustainable development, refer to western sources. This is while, in many cases, a complete adaptation of imported patterns will be failed and the pattern of indigenous development based on Islamic and indigenous culture is preferable to the copied western model due to its social, cultural and historical adaptation to Islamic societies. The issue that has been forgotten is that a glance at the history of the evolution of various disciplines shows what ideas remain unknown in their homeland, despite being the basis in the East, but in the industrialized countries, they are well known as new and western ideas (Naghizadeh, 1385).

One of the first steps to study the views and thoughts of Muslim scholars on this subject is to localize of a meaningful concept such as "sustainable development". It should be noted that the first step in the preparation of any plan, is to formulate theoretical foundations on the subject. Hence, in order to achieve the indigenous pattern of the universal subject such as sustainable development, it is necessary in the first step to carefully examine the valuable views of Islamic thinkers: (Same, 440)

One of the most prominent Islamic thinkers whose ideas were beyond his time and examined the unique approach to various issues of society and the city, is Abdul Rahman Ibn Khaldun, a prominent Muslim scholar who was born in First day of Ramadan in 732 hijri (May 27, 1332) in Tunisia. In his valuable book, "The Muqaddimah" in a complete and the smartest way, addresses the topic of sustainable development. Ibn Khaldun is also known as the founder of sociology, and is also famous for economic growth

theories; but what has been neglected by many researchers is that, in addition, he can be considered the founder of modern urban planning. Because his views on urban issues are very similar to those of this area in the contemporary world. He Expressed in “The Muqaddimah” with a scientific approach, the differences between urban culture and urbanization, the interrelationship between human and environmental characteristics, the relationship between geography and the shape of the city, mentioned features of the civilized and uncivilized society, the primitive civilization and the civic life and explained the theory of the life cycle of society and the natural need of man for the development of society and the community has provided a suitable solution for positive change and growth in various social and urban areas. Among the concepts that he has come up with a unique intelligence in this work, the perfectly harmonious concept with the discussion of "sustainable development". Sustainable development is explained in three areas: economics, society and the environment. When all three concepts are developed together and unified between them, it will be achieving sustainable development. Ibn Khaldun, about six hundred years before the term was introduced, precisely with this approach, has discussed these topics and he argues that other issues besides these three, should be taken into consideration.

3. Research Background

Table 1. Research background on sustainable development from Ibn Khaldun's perspective

Row	Research title	Authors	Year	Abstract
1.	Principles of sustainable development in Ibn Khaldun's economic thought	Mohammad Tahir Haji Mohammd	2010	This paper focuses on the nature of educational development based on Ibn Khaldun's economic model. The author explicitly explores the famous work of Ibn Khaldun called the Al Muqaddimah and interpretation of contemporary scholars of this work. This article interprets these views and concludes the economic growth theory of Ibn Khaldun that included sustainable economic development and theory of sustainable development is innovated by him. Ibn Khaldun's views could help Muslim countries to draft development policies and is promoted sustainable development in Muslim countries by professors.
2.	Social sustainability indicators in kampung; dialogue between Ibn Khaldun's Tamadun concepts and sustainable	K P Tucunan, Sutiknoand A N Medha	2018	Kampung is a residential neighborhood in Southeast Asia that is unstable and vulnerable and typically has residents with no access to basic living infrastructure. But there are considerable beliefs that Kampung has an important role in the development process of its inhabitants and can participate in its sustainable development. In 841 the concept of social systems was called "civilization" by Muslim scholar Ibn Khaldun. The word has a strong root in the Muslim world and is

Row	Research title	Authors	Year	Abstract
	developments approaches			translated as kongong in Indonesia. This makes social capital more important than the quality of the environment around it. Because social capital is the power that leads to sustainable development.
3.	Two development theories: Ibn-Khaldun and Wallerstein	Atousa Amirabedi	2013	The purpose of this paper is to show how different cultures at different times created similar ideas and theories to develop their society. A comparison between the development theories of Ibn Khaldun and Wallerstein's famous "world system theory" is undertaken to show that similar ideas of development were in existence even centuries before. The findings of this paper show that the similarity between all developed countries represents a strong government and a widespread economic activity in different regions, and a collaborative effort. All these three features are visible in Western societies today, as well as centuries ago, in other countries (the golden age of the Islamic world).
4.	Sustainable urban development from the perspective of Abdul Rahman Ibn Khaldun	Mohammad Naghizadeh, Saeideh Mohtasham Amiri	2012	In this paper, which is used documentary method and content analysis, the concept of sustainable development and its three fold principles (economy, society and environment) have been studied in Ibn Khaldun's thinking. Finally, the very principle of "moderate development" or the controlled development posed by him to achieve sustainable growth.
5.	The Importance of environmental Geography in achieving Sustainable Urban Development Based on the Perspective of Ibn Khaldun, Muslim Thinker	Saeideh Mohtasham Amiri	2012	Sustainable development is one of the topics that plays a special role in today's researches. What is important in this regard is the appropriateness of the concept with the conditions of different lands, Since what is associated with the term sustainable development in the mind is a Western model and solutions, Certainly, the localization of such a topic should be considered as the most important and first step towards the implementation of sustainable principles in any environment. This paper examines the valuable work of the Muslim scientist, Ibn Khaldun, with the valuable book of Muqaddimah, an attempt to examine the significance of urban geography in achieving the main goal of sustainable development that he has been addressing centuries ago .In this research, which utilizes the fundamental methodology, documentary and content analysis, it is shown that achieving an evolutionary and sustainable development is closely related to the geographic environment and spatial geography is one of the key components of the

Row	Research title	Authors	Year	Abstract
				achievement of the city's growth and development from the point of view of Ibn Khaldun is considered.
6.	Ibn Khaldun's theory of development: Does it help explain the low performance of the present-day Muslim world?	Muhammd Umer Chapra	2008	The first part of this paper presents Ibn Khaldun's multidisciplinary and dynamic theory of development. This theory argues that the development or decline of an economy or society does not depend on any one factor, but rather on the interaction of moral, social, economic, political and historical factors over a long period of time. One of these factors acts as the trigger mechanism and, if the others respond in the same direction, development or decline gains momentum through a chain reaction until it becomes difficult to distinguish the cause from the effect. Part II of this paper applies this theory to Muslim countries to explain their low performance.
7.	Meditations to Ibn Khaldun's "asabiyyah": A review of historical sociology	Gholamreza Jamshidha	2004	"Muqaddimah" Ibn Khaldun's book has attracted much attention in recent decades. In particular, the concept of "Asabiyyah" has been interpreted in various ways, and this subject has caused ambiguity in the meaning and application of this concept. This paper shows that the notion of Asabiyyah is from the perspective of historical sociology, along with a central discussion in the field of human mission and social structure.

According to the background of the research, the present paper is analyzed the current societies in a timely manner. Also, it is paid to attention to constructive and effective components in the theory of sustainable development of Ibn Khaldun and the role of these components in addressing the existing vacuum in Islamic societies and seeks to explain the indigenous pattern of sustainable development in terms of the theory of Ibn Khaldun with the focus of his book. Up to now in this area, there has not been outstanding research work that includes the requirements and current conditions of the Islamic society and in this paper try to compensate for the shortcomings.

4. Literature Review

4.1. What is Sustainable Development?

Based on the Brundtland Commission Report in 1987, "in the sustainable development of a society, we need to make sure that the needs of today's generation to meet without destroying the ability of future generations to meet their needs. In sustainable

development, we should meet all basic needs and extend the opportunities in a way to be able to realize the desire of individuals to achieve a better life” (WCED¹, 1987).

Sustainability in its broadest sense refers to the ability of the community; ecosystem or any current system to operate indefinitely in the future, without compromising the resources of the system is dependent on it or because of imposing excessive load on them, to be weakened (Gilman,1996).

Practically, Sustainability is balance between environmental imperatives and development needs and can be achieved in two ways: reducing pressures and increasing existing capacity. Therefore, the main conditions of sustainability are (Nasiri,2000:114):

- Systems should be compatible with local and environmental conditions;
- Systems should be compatible with future needs and intended purposes;
- Systems should be sufficiently adapted to changes and should be restored in the event of system degradation due to unplanned incidents.

Sustainable development in its simplest definition is considered to be a development that will meet the needs of the current generation without compromising the needs of the next generation. The issue of sustainability, the main fields of which have been approved by the members of the international community, has led to the proliferation of interpretations such as sustainable architecture, sustainable urban development, a sustainable city, a sustainable human and material development.

4.2. Indicators and Components of Sustainable Development

4.2.1. Education

In sustainable development, the most important capital of countries is human capital. Obviously, the rise of huge capital depends on education. “Education is the first component and the most important indicator of sustainable development. This component and sustainability index is not only in the field of studies that are agreed upon in practice and also in the field of international institutions. Education is not limited to formal levels includes any kind of education, even the traditional forms of learning at home and in the community. For solving the problem of the lack of development of countries in the field of education, in the first step, educating methods should be learned and based on four principles.

¹ World Commission on Environment and Development (WCED)

- A) Learning to live together;
- B) Knowing;
- C) Learning to act;
- D) Learning to be” (Bahramzadeh,2003).

4.2.2. Economy and Industry

As a fact, accepted by various scholars over the last, fundamental change through industrialization can be the cause of rapid economic growth of a country. From this perspective, industrialization is the best way to put an end to technical and economic backwardness in the shortest possible time with the least dependence on the outside. It is an instrument to create change in the traditional social relations of society and the application of scientific and technical achievements in order to increase productivity and efficiency. Using opportunities and meeting the challenges ahead requires that the process of industrial production with a strategic approach will pave the way for structural changes and this requires an accurate understanding of the basic variables in the economy and industry and recognizing the challenges ahead. By adopting the right policies, the process of structural changes in the industrial sector will be orientated to make serious developments in the path of sustainable development of the country (Beheshti, 2006).

4.2.3. Governments

“In the process of achieving sustainable development in the Third World, the active presence of national governments should be necessarily be accompanied by the components of sustainable development, such as political participation and the freedom of people in their countries. Without the support of governments as the most important factor in sustainable development, national, internal, balanced and sustainable development cannot be guaranteed in Third World Societies” (Baran, 1980).

4.2.4. Non-governmental organizations (NGO's)

“The NGOs play a vital role in shaping and realizing participatory democracy. These organizations in order to be free of the official activities have favorable areas for participation in the debate on sustainable development. The NGOs, which operate at all levels of international, national and local, can organize their wide and diverse networks in a wide network. Everyone in the world inevitably has to make decisions at every level, and at the same time, it simultaneously uses information and produces information. In response to this vital need, the NGOs are seeking to expand the "information society" (Beheshti, 2006).

4.2.5. Science Production

Science production and its known brands in the present era has become an “international goods” and large research institutions have become “science production factories”. Science production as the main source of power and the control of the global biomass is essential to the success of sustainable development initiatives (Beheshti, 2006). Because any attempt to reach any kind of development without the active participation of local people will not be achieved. The biased selection of knowledge and information and the control of it effectively block the fields of knowledge and participation and, on the other hand, without sustainable participation of the people, sustainable development will not be possible (Sariolghalam, 1992).

4.2.6. Information and Communications Technology (ICT)

The impact and role of communication and information technology in sustainable development is so much that when we talked about it, a wide range of sophisticated communication technologies will come in the mind. “Paying attention to the development of information and communications technology and from technological perspective can solve many obstacles and problems in sustainable development” (Hassani, 2005).

4.2.7. Health

Regardless to element of physical and mental health in Society, sustainable development is neither realized nor essentially operationalized. Accordingly, ensuring a healthy life and promoting well-being for all ages in sustainable development is a fundamental principle, and this issue will only be realized in the field of health when it comes to the following issues:

- A) Reducing maternal mortality worldwide;
- B) Ending preventive deaths in infants and children;
- C) Ending the epidemic;
- D) Prevention, treatment and promotion of mental health and prevention and treatment of drug and alcohol abuse;
- E) To halve the number of deaths and injuries from driving accidents and natural disasters;
- F) Ensuring universal access to physical and mental health services (International Labour Organization, 2016)

4.2.8. Environment

The right of access to a healthy environment means that people do have a clean environment in which to grow. Since this right forms the core of sustainable development, economic and social development is acceptable if it does not challenge

the environmental conditions necessary for the survival of the present and future generations. Hence, sustainable development and the right to a healthy environment follow a unique path and purpose by forming a channel for accessing the present generation to economic and social development and regarding interests of future generations and environmental protection. But the coincidence of these two issues, may cause operational challenges and with the priority of this concept practically, it undermines the right of humanity (present and future generations) to have a healthy and balanced environment. But the solution to this problem is to pay attention to the concept of intergenerational equity and the use of Green Economy (Ramezani Ghavamabadi & Shafighfard, 2016: 241–271).

4.2.9. Peace

That since wars begin in the minds of men, it is in the minds of men that the defenses of peace must be constructed. The Constitution of UNESCO begins with this statement. Because peace is not an abstract concept that we can command to succeed it. “Peace is a key and pivotal platform for realizing the goals of sustainable development and benefits that should be pursued in the world. To achieve sustainable development, respect for the dignity of every man and woman is necessary and this is achieved with peace. Peace is a commitment for a better future which today is the basis of values, mutual dialogue, tolerance, respect and common understanding. This is the foundation upon which every day we build peace in neighborhoods, cities, societies and between countries” (Rezaei, 1395)

4.3. Necessary Attention to The Native and Islamic Definition of The Concepts of Development and Progress

Basically, mere imitation of a pattern of development and progress without its adaptation to the culture, religion, geographic and political conditions of the motile community can lead to undesirable results particularly most Islamic countries have different conditions with the producer societies of Thoughts in field of sustainable development. On the other hand, one of the most important teachings of the Islamic religion is the careful selection of patterns. The introduction of appropriate patterns is one of the best ways to preserve the cultural identity of a community. It is the duty of all the scholars of the Muslim world to work first and foremost to formulate the principles of sustainable Islamic development, and in the next steps, to devote it and to restrict the principles for each community and remove the alienation of Islamic views. Only through this way, foundations and strategies of Islam can be restored in all areas. The pattern produced on the basis of this principle can lead to the creation of indigenous and Islamic origins

for the development and advancement of the creation of Islamic civilization in the pursuit of religion.

4.4. The Reasons for The Superiority of Ibn Khaldun's Theory in Comparison with Other Theorists to Explain Development

A) Ibn Khaldun founded a pattern that can explain the rise and fall of civilizations or the progress and weakening of economies that both are interdependent in his own pattern. The model that he developed is powerful enough to enable us to answer some of the most crucial questions that Development Economics needs to answer—questions about why the Muslim world rose rapidly and continued to rise for several centuries, and why it declined thereafter to the extent that it lost its A glorious age, and did not only become largely colonized but is also unable to respond successfully to the challenges that it is now faced with? (Umer Chapra,2008).

B) Ibn Khaldun, through the study of the institutions in the Islamic society and their positions, has presented valuable ideas in various fields of politics, economics and society, which is similar to the ideas provided by institutional economists such as Douglas, C, North. So that, Due to hundreds years, one can compare their views and conclude, based on similarities, that the economic rules in the world are universally valid, and only by knowing these rules we are able to use them for saving the benefit of human societies. That's why the modern institutionalists believe that economics is nothing but The history of economic institutions and this is the same design that Ibn Khaldun explained in the Muqaddimah.

C) Ibn Khaldun more than 600 years ago explained the causes of Muslim decline which had been under way during his lifetime. Even though a substantial part of what Ibn Khaldun wrote has become a part of conventional wisdom by now, it is still relevant because most of the Muslim world, and not just the area he was concerned with at that time, has been unable until now to get rid of what he considered to be the primary cause of the decline....It is an attempt to explain the different events in history through a cause and effect relationship and to derive scientifically the principles that lie behind the rise and fall of a ruling dynasty or state (dawlah) or civilization (umran). Even though he benefited in this venture from the contributions made by his predecessors and contemporaries in the Muslim world, the Muqaddimah is extremely rich in a great deal of his own original and penetrating analysis. His entire model is condensed to a substantial extent, even though not fully, in the following advice extended by him to the sovereign:

- The strength of the sovereign (al-mulk) does not materialize except through the implementation of the Shariah
- The Shariah cannot be implemented except by the sovereign (al-mulk).
- The sovereign cannot gain strength except through the people (al-rijal).
- The people cannot be sustained except by wealth (al-mal).
- Wealth cannot be acquired except through development (al-imarah).
- Development cannot be attained except through justice (al-adl).
- Justice is the criterion (al-mizan) by which God will evaluate mankind.
- The sovereign is charged with the responsibility of actualizing justice

D) While Ibn Khaldun emphasizes the role of the state in development, he does not, in step with other classical Muslim scholars, support a totalitarian role for the state. He stands for what has now become characterized as “good governance”. Recognition of private property and respect for individual freedom within the constraints of moral values is a part of Islamic teachings and has always been prevalent in Muslim thinking. The job of the state in the writings of almost all classical Muslim scholars, including Ibn Khaldun, is, in addition to defense and maintenance of law and order, to ensure justice, fulfillment of contracts, removal of grievances, fulfillment of needs and compliance with the rules of behavior (Umer Chapra, 2008).

4.5. Research Methodology

Methodology is the way to apply research tools to gain truth from sources of knowledge. Accordingly, after investigations based on the subject of research and research resources, content analysis methods and structural-interpretive modeling, was chosen to find propositions and explain the relations between them. In this research, in the exploration phase, components of sustainable development from Ibn Khaldun's perspective were extracted from sources through the use of library research tools and it was presented to 15 elected experts selected by snowball method (Patton, 2001, 230).

After verifying 10 components of sustainable development by experts, the researchers, using the questionnaire tool, gathered and selected the opinions of fifteen experts of Ibn Khaldun's views and were analyzed by using method of structural- interpretive structural modeling (ISM) (Rubin & Babbie, 2009, 150).

Method of interpretive structural modeling is a systematic application of graph theory for complex patterns modeling (Malone, 1975:28). Method of interpretive structural modeling was introduced by Warfield in 1976 (Warfield,1976; Attri, Dev& Sharma,2013).

Since social issues are often turbulent, complex and dynamic issues, it is necessary to have a good methodology for analyzing these issues (Bolanos, et.al,2005). This approach enables persons and groups to analyze complex relationships between a large number of elements in a turbulent and dynamic situation and gain a structured understanding of it (Azar et.al,2013).

5. Components of Sustainable Development from Ibn Khaldun's Perspective

Creating a system among the components of civilization is not a single philosophical matter that can be formulated in vacuum space. It is incorrect that we imagine that epistemic components in the development and formation of Islamic civilization are prior to social and economic factors or political development is prior to economic development. This is a mistake that we usually do and does not have a clear result. All of these factors are important and their importance is the same. Therefore, in the development and formation of Islamic civilization, development can no longer be purely economic and in order to raise the rate of gross domestic product and income generation, Development is a process of transformation that affects not only the economic context, but also the social system, the political organization, and finally the rules that lead human behavior in the society. According to Ibn Khaldun's ideas for the formation of Islamic civilization, development in any society should have the following components:

5.1. Eliminating Poverty and Creating Welfare

Ibn Khaldun explains economic development with regard to the various functions of governments and the results obtained to the role of the state that is comparable to the economic views of classical economics. He is also one of those who for the first time have paid attention to the role of work and property and wage (Ibn Khaldun, 1996:35)

It seems that the institutionalists who, like Khaldun, try to analyze historical theorems in the language of history, are most similar to those of his views. Because this group of economists also believes that one of the tasks of economic history is to explain the structure and functioning of economies over time. The term "performance" refers to the main issues that economists are interested in and includes issues such as the value of goods, the distribution of costs and benefits, and production stability. When explaining performance, more emphasis is placed on total production, per capita production, and distribution of income in the community. "Structure" is also the characteristics of society, which are the main determinants of the economic development of political and economic institutions, technology, demographic characteristics, and the political and ethical

principles governing the society, laws, methods of obedience, and spiritual and moral behavioral indicators which is aimed at maximizing the wealth or the desirability of the sovereigns (rulers) to restrict the behavior of individuals. These are the categories Ibn Khaldun describes in "Muqaddimah" by using history. However, Ibn Khaldun is a Muslim who adheres to the religious teachings and the most important factor of social change is the influence of the notion of the religious-mystical ethics of persons such as Ghazali and he explains that the goal of co-operation between people is to meet needs. Because he believes, one cannot alone meet his livelihood needs, and this need must be mutually supportive (Structure formation), and this leads to reduce of production costs in the economy. He considers man and his economic behaviors the most important factor in production.

5.2. Good Governance

Ibn Khaldun is one of the few Islamic scholars and, at the same time, the most famous of them, believes that the government is a dynamic phenomenon in its full and necessary condition in political development. Like Farabi, he regarded social life as necessary, because the provision of material needs, the survival of generation and the protection against predatory animals is conditional on cooperation and acceptance of the division of labor. In the division of labor, in which man produces artifacts more than the initial need, the violation of rights and rights of each other begins with human evils into the stage of struggle and learning. To prevent war between humans, we need to form a government that is led by the most powerful and the wisest person in the society. Thus, the advancement of social life and the excess production of education create the need for the state (Lambton, 261-266). Ibn Khaldun does not only discuss about the base of rule of government and governing power, he also discusses its constituent elements. He believes that development is affected by the social, psychological, economic and religious conditions of their rulers.

5.3. Asabiyyah

The theory of "Asabiyyah" is the most important theory of Ibn Khaldun and the most important key to understanding his thoughts in social development, which he referred to in his book "Muqaddimah". "Asabiyyah" is the main concept to understand of Ibn Khaldun's social development. He believes that the establishment of the state (political development) is not possible without the existence of "Asabiyyah" (social development), because the ruler only dominates with "Asabiyyah" and prevents the aggression (Athari, 1388:201). From Ibn Khaldun's point of view, "Asabiyyah" means transplantation and continuity, and it is caused by family ties, alliances, religions and races. "Asabiyyah" is more prevalent in the Bedouin, and they are using a lot "Asabiyyah" and due to the low "Asabiyyah" in cities, they attack the urban people and replacing the old government

with a new government... but "Asabiyyah" in the Bedouin who have formed new government and have been urban people, gets low gradually. Thus they are under attack the other Bedouin (Lambton, 272)

5.4. Citizenship Rights

Among Islamic scholars, Ibn Khaldun mentions the phenomenon of citizenship and its cultural named "science of civilization" and progresses with the study of urban damage so far that he makes Takfir (denies) the formation of a city and civilization without realizing citizenship rights and called it as a place of corruption and criminality. He believes that Urbanization is a goal for the Bedouin who are moving towards it, and when they attain welfare and wealth, at that time, they tend to luxurious lifestyle and customs and want calmness in their life and finally, accept of the limitations of urbanization (Ibn Khaldun, 1984:230). According to Ibn Khaldun, urbanization has its own culture, which today is interpreted as citizenship rights. In this sense, the ultimate goal of science of civilization can be realized of citizenship rights.

5.5. Scientific Growth

Ibn Khaldun has been considered an important place for scientific development, and has dedicated chapter six of the Muqaddimah to the study of various types of sciences (Zaid Ahmad, 2003:77). He establishes a direct link between the expansions and scientific development with the development of Islamic civilization and writes: "The institution of academic education has been weakened among inhabitants in Spanish region of Islamic world and their previous concerns about the education and learning of science have been lost and after that, Islamic civilization in Spain went down For hundreds of years...., and there is nothing left from the rational system but a shadow. The only reason was fall of the transcendental tradition of religion and major parts of the educational institutions were controlled by the enemy (Muqaddimah, 2009:341). He also believes, when the field of science flourishing is provided that necessities of life exist. From his point of view, the extent of the progress of science depends on certain conditions such enough free time, the continuation of civilized traditions, the social demand for the services of scholars, appreciation and encouragement of scholars and scientists from the rulers in establishing schools and the foundation of the endowments to save and protect them.

5.6. Justice

In the view of Ibn Khaldun justice as development cannot be conceived in a limited economic purpose, but justice has a very comprehensive concept that includes all areas of human life. He explains clearly: "any ruler who confiscates property or forces people to work for him or falsely accuses them, or impose burdens on them that requires the confirmation of "Sharia", he commits cruelty and injustice. Getting taxes falsely is

injustice. Denying the rights of the people is one of the examples of oppression and injustice which leads to the destruction of civilizations.” (R.M& G.M:II.288, 106–8).

5.7. Rationality

Ibn Khaldun is the first person who expressed rational analysis in history. He put rationality in history as a narrative science. Ibn Khaldun in the first part of the book of 'Al Ibar "which has posed entitled the Muqaddimah, seeks rational nature to history which the main task of this science is the study of human actions. Ibn Khaldun seeks rationality in historical events. Historical rationalism is not a purely theoretical work; historical events must inevitably be reasonable. Ibn Khaldun seeks to prove reasonable nature of human. He believes: “Acts in the world of events are done only by the power of thought” (Ibn Khaldun , History, volume III:976– 977).

5.8. Population Growth Rate

Ibn Khaldun introduces the dimensions and components of population growth and population transition in the context of development and emphasizes the dynamic interaction between population and development. Also, from the point of view of Ibn Khaldun, the positive or negative impact of population growth on development and well-being depends on the structure and quality of the population as well as on the structural conditions of the society. Therefore, Ibn Khaldun's theory of development is based on demographic theory. Also, Ibn Khaldun has a multidimensional perspective on the analysis of the relationship between population and development, and explains the manner and mechanism of the formation of this relationship and its output in relation to a set of peripheral conditions. Ibn Khaldun, in a discussion of demographic change, presents some form of population ideology. With the difference that, in addition to the natural mechanism of population growth, the element of migration has been considered in the transition process. Although Ibn Khaldun regarded population growth as desirable, he did not have a pessimistic or optimistic view of population growth, but in his demographic theory, he described the negative consequences of both situations for society. In his theory, he presents the idea of a population–appropriate limit, which is commonplace in politics. This means that population growth can be destructive or constructive in proportion to the economic and social conditions of societies. Therefore, from Ibn Khaldun's view that population growth is positive or negative for development and welfare depends on the structure and quality of the population as well as on the conditions of the social system (The Muqaddimah, 2003, vol. 1:211, 588–589).

5.9. Emphasizing on Temperament

Ibn Khaldun believes that the inhabitants of temperate zones (who are safe from the heat of the south and cold of the North) are moderate due to their temperament and their behaviors are more suitable for creating civilization, livelihood and economics, art and Knowledge. He raised the boundary of this discussion to the issue of prophecies, and the reason for choosing prophets in these areas (because there is no news of Prophet's existence in the Arctic or the South) has been mentioned in this point and the growth of science and industry and ... in this area is related to this issue and notes that moving away from moderate weather will lead to be far from knowledge and religion as well as avoiding human behavior. Ibn Khaldun adds: "The environment affects the intelligence and talent, tact and individual adequacy of persons, mental and physical health, moderation in behaviors and human actions depend on environmental health. The inhabitants of the temperate zones of the planet have a special happiness and vitality, their way of life is moderate, Extremism in their lives is less than normal, growth and development in their areas is higher. Moderation is dominant on their body, skin color, ethics and beliefs. Foresight and reasoning in affairs are in their affairs, and ridiculousness and extreme joy are less among them. Height, color and appearance of the body and even the thought and behavior of each person depends on his nature and environment (The Muqaddimah, 82–86). Protecting the environment and preventing its destruction in Ibn Khaldun's thought has a fundamental role in sustainable development

5.10. To be Based on People

The centre of Ibn Khaldun's analysis is the human being because the rise and fall of civilizations is closely dependent on the well-being or misery of the people. This is, in turn, dependent not just on economic variables but also on the closely interrelated role of moral, institutional, psychological, political, social, and demographic factors through a process of circular causation extending over a long period of history. Ibn Khaldun emphasizes the role of human beings themselves in their rise and fall. This is why all the messengers of God came to this world to reform human beings and the institutions that affect their behavior (Umer Chapra, 2008: 6).

5.11. Finding Analysis by ISM

After extracting the findings from Ibn Khaldun's book, the final model is presented through interpretive structural modeling. Accordingly, the quoted statements were presented to ten experts familiar with Ibn Khaldun's views and Their views were summarized in the form of an interpretive structural model. According to the model presented in Fig. 1, "Asbiyyah", "Emphasizing on temperament" and "To be based on people" have the greatest impact on sustainable development.

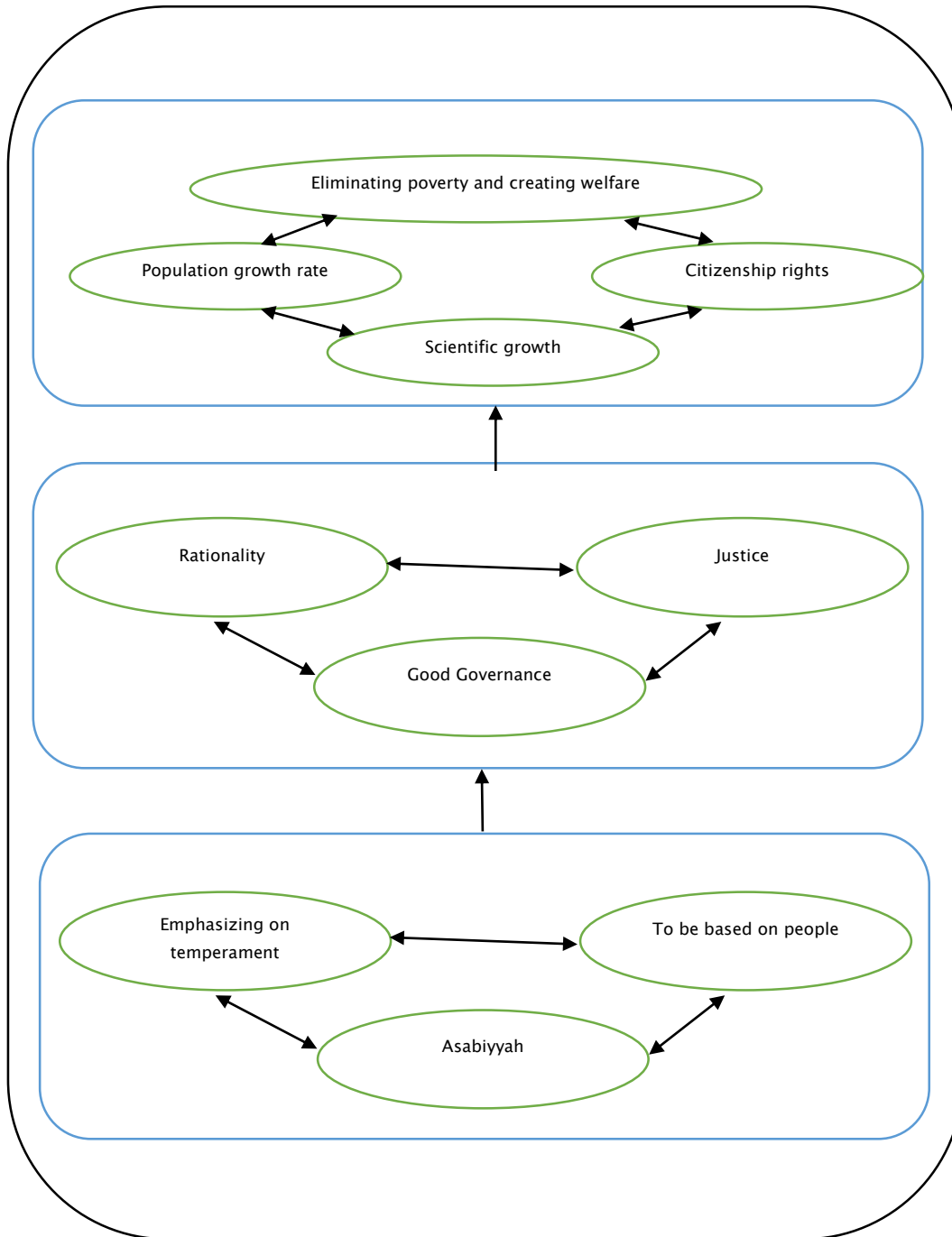


Figure 1. The Interpretive Structural Model of Sustainable Development Based on Ibn Khaldun's Viewpoint

6. Final Conclusion

According to Ibn Khaldun, achieving sustainable development requires to have indicators in Islamic society which can meet its needs and requirements to the extent required, not only for the current generation, but also for future generations. In Ibn Khaldun's model, prominent variables such as cultural, environmental, management and popular participation have been considered. Ibn Khaldun's dynamic and multi-disciplinary theory of sustainable development suggests that the development or rebound of the society does not depend solely on one factor, but the interplay between the moral, social, economic, political and historical factors in the long term. Among these factors, someone acts as a mechanism of action, while other factors react to this parameter, the progression or degeneration of the society accelerates through reaction of the factors of the factors, So that identifying cause and effect get difficult. The strength of the analysis of Ibn Khaldun is a dynamic and multidisciplinary property. The characteristic of this analysis is multidisciplinary, since it is a link to all the important socio-political variables such to be based on people, Asabiyyah, emphasizing on temperament, Justice, Good Governance, rationality, scientific growth, population growth, and citizenship rights, eliminating poverty and welfare, and this link is circular and interdependent. The results of interpretive structural modeling show that from the perspective of Ibn Khaldun, the factors of Asabiyyah, to be based on people and emphasizing on temperament have the greatest impact on the sustainable development of a society.

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Analyzing Concept and Functions of Fairness in the Islamic Economic System and Presenting Some Teachings for Existing Economic Systems*

İslam Ekonomik Sisteminde Hakkaniyet Konseptinin ve Hakkaniyetin İşlevlerinin İncelenmesi ve Mevcut Ekonomik Sistemler için Bazı Öğütler

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Abstract: One of the most important concepts and indicators in the Islamic Economic System is fairness. The present study intends to examine this important rule in the economics literature and Islamic texts in order to analyze its various dimensions and aspects. In the present study, the functions of fairness are described in four field in the legal system of economy, international trade, transactions and banking. The added value of the present research is that fairness is one of the policy instruments for evaluating and monitoring the Economic System performance. Finally, some teachings of this important rule are presented to improve domestic and international Economic Systems. Institutionalizing and realizing fairness in the Economic System leads to the justice of the information system, reduce the control cost, realize the fair system of information flow in order to secure the right, fairness in determining the production profit or the added value of commodity, resolve the problem of transparency and symmetry of information in financial markets, the social balance in economic issues, improve the accountability in Economic System.

Keywords: Economic System, Justice, Islamic economics, International Economy

Öz: İslam Ekonomik Sistemindeki en önemli yaklaşım ve öğelerden biri hakkaniyettir. Elinizdeki bu çalışma ekonomi literatürü ve İslami metinlerde geçen bu önemli kaideyi farklı boyutları ile analiz etmeyi amaçlamaktadır. Bu çalışmada hakkaniyetin işlevleri ekonomi, uluslararası ticaret, alış veriş işlemleri ve bankacılık alanlarını tanımlayan hukuki çerçeve içinde dört ana alanda

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tanımlanmıştır. Çalışmanın sonucunda hakkaniyet konseptinin ekonomik sistemin performansının değerlendirilmesinde ve izlenmesinde önemli bir politika aracı olduğu tespiti yapılmıştır. Sonuç olarak bu önemli kaidenin ışığında yerel ve uluslararası ekonomik sistemi geliştirecek bazı noktalar sunulmuştur. Ekonomik sistemde hakkaniyetin kurumsallaşması ve gerçekleştirilmesi bilgi sistemlerinde adalete, kontrol maliyetinin azaltılmasına ve hakların korunması adına adil bir bilgi akışının kurgulanmasına, üretim karlarının veya ürünün katma değerinin belirlenmesi konusunda hakkaniyete, finansal piyasalarda bilginin simetrik ve şeffaf olarak dağılmasına, ekonomik alanda Sosyal dengeye ve ekonomik sistemde hesap verebilirliğin gelişmesine katkı sunacaktır.

Anahtar Kelimeler: *Ekonomik Sistem, Adalet, İslam Ekonomisi, İktisat, Uluslararası Ekonomi*

1. Introduction and the Problem Statement

Different Economic Systems are based on schools and the epistemological basis and ontology of the self. This makes the principles, concepts and tools to be different in Economic Systems. Economic System based on Islamic school is one of the well-known Economic Systems in the world. The Islamic Economic System has some components and elements specific to itself, as well as some other components in the Islamic Economic System which is common to other Economic Systems. The common features of the Islamic Economic System with other Economic Systems do not mean full compliance with other Economic Systems. One of the components of the Islamic Economic System is the concept of fairness which is more or less present in other Economic Systems.

In the Islamic school and Economic System, at first glance, observing justice and fairness in social and economic interactions is one of the moral necessities. But the concept of fairness in the Economic System is not just a moral necessity, but sometimes it also takes legal and juridical aspects. One of the concepts that has a meaning close to fairness in terms of semantics and application is the concept of justice.

In the context of Islamic studies, both in the field of politics, jurisprudence and law, as well as economics, there has been paid little attention to the recognition of the fairness concept and its relation with justice. Providing a clear definition of fairness against justice is not just a theoretical debate. This debate can be the source of governmental policy-making. If fairness is considered to be as justice or necessary for justice, the legal system is required to protect it. On the contrary, if fairness is considered as a virtue beyond justice, the most appropriate policy is to promote fairness, create a supportive framework for fairness observance, develop a legal framework for fairness, and create the culture of fair trade (Tavakoli, 2015).

Regarding the necessity of paying attention to fairness in economic policy, it must be stated that it is vital for each economic planner to pay attention to the principle of fairness for ensuring the welfare of community and reaching important goals such as social satisfaction, social awareness, and policy decisions about variables such as resource distribution, justice, motivation, efficiency, and altruism are important. From this perspective, we can say that a society with egalitarian thinking of fairness requires to plan and build a system of legal and economic ownership of production, distribution and consumption, and a redistributive tax system which is different from a society which has the tendencies and conception of just deserts or commutative justice.

As stated earlier, in this research we try to create a proper understanding of the fairness concept in the Islamic Economic System, and to describe fairness functions in the Economic System from the aspects of transactions, the legal system of the economy, international trade and Islamic banking.

2. Concept of Fairness

One of the most important ambiguities in explaining the concept of justice, is the determination of its relation with concepts such as fairness, equality, and freedom.

In the contemporary discourse of applied ethics, the concept of fairness has sometimes been presented as a concept distinct from justice. For example Joseph Eugene Stiglitz, the Nobel laureate of the economy in 2001 in his book "Fair Trade for All" considers the need for fairness in foreign trade as maximizing the profits of the poorest countries through low tariffs on exports of these countries to the developed countries (Stiglitz & Charlton, 2007). The proposed Stiglitz principle of fairness is similar to John Rawls's approach in the theory of justice as fairness. Rawls in his justice principles considers it essential to benefit the poor people (Rawls, 1958). This idea has some critics like Robert Nozick who define justice in a completely liberal framework based on the ownership right (Asghari, 2009, p. 267).

In justice theory of John Rawls, fairness has been proposed as one of the justice tools. In his view, justice will be realized when the initial facilities are distributed equitably among the people and the final distribution will not be excluded from the fairness area (Tavakoli, 2009). Justice such as fairness initially was considered as a radical political concept of justice. A fundamental question that Rawls considers, is the way of people working together in a society in spite of their commitment to "inclusive, deeply conflicting, yet rational beliefs" (Rawls, 1971).

Chris Cock (2009) in an article entitled "Differences in the justice and fairness concept" considers the former as essential and the latter as preferable. In his view, justice is related to something that is ethically necessary and is opposed to something that is ethically preferable. For example, benevolent help is not a justice tool, but is something beyond that; it is something that although ethically is good, but we do not have to do it (Cooke, 2009). Another important point is that fairness is not merely an ethical phenomenon; other than ethics, the factors such as gender, age, income, and field of study affect people's attitude toward fairness (Taylor, 2015).

As stated earlier, one of the important points is the distinction between the concept of justice and fairness. Aristotle about the difference between fairness and justice says: fairness is like justice, but not law-based justice, but it is correcting legal justice. In other words, the fairness nature is a correction of the law, where there is a defect due to the general rule of law. He states that a fair person is one who does not consider the rule too much where the law is to the detriment of another person, but neglects his own right (Ahangari, 2014).

One of the important issues in economic relations and interactions is observing fairness (Taylor, 2015). Fairness in Islam is not just a religion but it is a global political system in which has two synonym words as justice and fairness; and its meaning refers to all terms and conditions before judgment (Falcon Y Tella, 2008). To determine the fairness requirements in the Islamic approach, it is necessary to present a specific criteria to determine the fair condition. Determining this criteria is different in each of the meanings of fairness. If we consider fairness as justice, and the justice as just deserts, there is no difference between the requirements of justice and fairness. If we consider fairness as the same meaning as justice or one of its tools, the justice necessity is the same as the observing the rights; and fairness also relate to areas where people are entitled to equal right. In contrary, the situation in two other fairness usages, is different (Tavakoli, 2015).

Some jurisconsults has referred to fairness as granting half of the property to the other party and considering justice. In this definition, justice and fairness are correlated with each other (Rabbani Mousavian and Naimi, 2018). From a perspective, fairness can be divided into two categories as follows:

- Fairness in speech: the man observes the right and tells the truth as he likes to hear the truth from others. Fairness means confessing to the others' words accuracy.
- Fairness in behavior: man observes the right in dealing with others, places himself in their place, and regards their rights and interests as his own (Amanipour, 2010).

In general, it can be said that the idiomatic meaning of fairness is the same its literal meaning which means giving the equal right. In other words, the person gives the other the same right that he likes and the same benefits that he enjoys, and the divide the losses equally between himself and the other (Amanipour, 2010). The important point in this definition, is that fairness is the giving of rights, and the profits and losses in the transaction and service are the implied meaning of the right.

3. Concept of the Economic System

As stated in the previous sections, this paper seeks to investigate the fairness functions in the Economic System. For this purpose, the present section provides some general points regarding the Economic System and its components.

Holesovsky states that there are four main categories of components that form an Economic System: Resources, Participants, Processes and Institutions. He also divides the Economic System participants into three groups. First, institutions that mainly convert input into output. Second, households that on one hand are the ultimate consumer of output, and on the other hand are suppliers of labor and capital. Third, the government that different schools have different definition about its nature (Mirmoezi, 2006). Also, in the current world with the dominion of the information economy, ignoring processes that include information, decisions, implementation and results is inevitable (Mirmoezi, 2015).

There are two types of institutions in an Economic System:

- First, institutions that indicate the type of communication between participants and resources; patterns of consumption, investment, and savings.
- Second, the institutions that represent the type of communication between participants in the system. Such as the pattern of buying and selling, rent, debt, charity and gift which indicate the type of communication between the people, and receiving tax and spending on government expenditures which express the type of communication between the state and the people (Mirmoezi, 2015).

It can also be stated that current relations in the Economic System are mainly in the form of an exchange relationship with interest-earning incentive (renting, renting, and peace); a participation relationship with interest-earning incentive (bailment of a capital, Sharecropping, farm letting, reward, reconciliation and participation); Sacrifice relationship (charity, interest-free money, endowment (wagf)) (Mirmoezi, 2015).

In the present study some functions of fairness are described in the components and entities of the Economic System in order to determine the functions of fairness in the Economic System in an exemplary manner. For this reason, fairness will be expressed in the legal system of economics, international trade, transactions and banking.

4. Functions of Fairness

In this section, the functions of fairness and its components in the Economic System are shortly described. According to the cases in which were expressed in terms of the concept of fairness as well as the Economic System's conceptualization, in this section, we describe the effects of fairness on the Economic System. By reviewing the scientific resources, the functions of fairness in the present study are described in four areas of international trade, the legal system of economics, transactions and banking.

4.1. Fairness in the Legal System of Economy

In legal terms, the principle of fairness is used to resolve legal conflicts and its main meaning is equal distribution of disputed property (Asghari, 2009). In legal terms, fairness means equal rights and justice (Oxford Advanced, 2015, p.423). It can be stated that fairness has undergone three important steps in its evolutionary process:

- 1) The Anglo-Saxon system which is obviously rooted in facts based on factual proceedings;
- 2) The Roman-Germanic system which is related to normative process;
- 3) Islamic legal system which is dedicated to the conscientious values process (Falcon Y Tella, 2008, 45).

Hudson states that the fairness principle is one of the components of British legal system (Hudson, 2015). In the United States, the Supreme Court of Justice has begun to exercise fairness in its own vote, since the late nineteenth century (Sheppard, 2009, p. 414). Generally, the fairness principle is considered as a legal norm which is applied in international treaties & agreements (Blaszczak, Kolber, 2013). Based on the fairness principle, a judge or referee has more freedom of action , authority and flexibility (Belohlavek, 2013) and he can even decide outside the framework of law and in accordance with moral standards and contrary to the law (Herboczková, 2008).

Also, another instance of the fairness principle in the legal Economic System, is to provide the required infrastructure for the fair access of individuals to the information and flow of information in the Economic System. The fairness principle prescribes that

any information rents should be eliminated from the Economic System, and the flow of information must be transparent in the Economic System (Sekhon, Roy & Devlin).

4.2. Fairness in International Trade

One of the areas of fairness in the Economic System is related to international relations in international trade and economics. What is needed for fairness in commercial exchanges, is contenting with little profit. Fairness can be expressed in two parts in international trade:

1) Fairness by setting preferential tariffs in favor of poor countries

When the price of a commodity increases sharply due to unexpected changes in the market, selling pre-purchase goods at a new price is in contrary to fairness. It may be said that it is fair that inventory stock is sold at a previous price or price between the previous price and the current price. It is clear that when the seller put himself in the position of purchaser, he wants to be given more discounts. Giving discount is a little benefaction. Because, the seller still receives a profit from the buyer; But, he reduces his profit rate according to his circumstances. What is needed for fairness in trade, is observing the weak parties in trade exchanges and trying to profit them. Observance of fairness in trade can be observed in the form of discount at the profit rate, prioritization of business parties, and so on. Equity in foreign trade makes sense in the form of preferential tariffs in favor of poor countries (Tavakoli, 2015). In short, it can be stated that the need for fairness in business is benefaction as much as possible and discount in the transaction. Fairness like tolerance requires that one of the two parties of the transaction do well to the other one and reduce their profits.

2) Fairness in resolving foreign investment disputes

At present, fairness has become a successor in resolving foreign investment disputes in principles of international trade laws; therefore, fairness should be considered as a substitute resource for international trade law. That is, firstly it should refer to other sources of international trade law as a principle and then consider fairness. By examining international documents and foreign investment contracts, fairness in foreign investment disputes is concerned with resolving disputes and settling them by fairness. In short, fairness is one of the general legal principle that acts as a bridge between different legal systems and plays an important role in resolving foreign investment disputes (Ahangari, 2015).

4.3. Fairness in Transactions

Fairness in the Muslim market trading also has many functions. In the following, four important functions of fairness in transactions are summarized.

1) Giving discount to the buyer

In transactions, fairness means ignoring your own right and discounting the buyer. In other words, in transactions and trading, if the seller finds that the buyer does not have the ability to buy and needs this product, fairness prescribes that the seller ignores his or her own profit or principal (Rabbani Mousavian and Na'imi, 2018).

2) Granting a debt repayment deadline by instalments

Another application of fairness in transactions is to grant a debt repayment deadline by instalments. The basic principle of debt is "to pay in cash", but based on the fairness principle and considering the economic circumstances of the debtor, repayment of debts can be made by installments and by the creditor agreement (Rabbani Mousavian and Na'imi, 2018).

3) Ignoring the debtor's essential property if there is a debt

Also, another application of fairness is that if there is a debt to the debtor, the debtor's or the bankrupt's essential property in which the continuation of his life and his family is based on the them, will not be considered in debt payment. While justice requires a debtor to pay his own debt and the creditor can take the debt out of his property (Rabbani Mousavian and Na'imi, 2018).

4) Discount in the amount of damage or debt

Another application of fairness in transactions is that judicial courts under some conditions and by studying the debtor's circumstances can discount up to certain level in payment of damages. This discount can be performed on the amount of debt with the judicial authority's order and the creditor's satisfaction (Rabbani Mousavian and Na'imi, 2018).

4.4. Fairness in Banking

Fairness in the banking system will be one of the key instruments for establishing fairness in the Economic System. The money market is intended to carry out exchanges as the main mechanism of the world economy. According to Islamic teachings, the fairness observance is very close to the ethical banking concept in new economic theories. In the following, the most important principles of fairness in banking will be mentioned.

- 1) Non-discrimination: To ensure fairness in banking, the first point is to avoid discrimination. This discrimination in the first phase will be defined for different industries. Banking should not only consider the profitable industries to support the implementation of economic policy. The lack of support for small industries is due to the short-term profitability. This discrimination in the second phase will be defined for individuals in the banking system. And in the last phase, the regional balance will be created by the regional non-discrimination in the banking system.
- 2) Fairness in determining the interest rate: the banking system will lead to the advance of the Economic System and economic prosperity by decreasing the interest rate and reducing its revenues. This economic prosperity in turn will lead to an increase in the banking system's revenue (Sekhon, Roy & Devlin, 2016).
- 3) Balanced growth of wealth and assets in society: With observing fairness in banking, Wealth and assets will have a balanced growth within society and even in different economic sectors of society (Mohagheghnia, 2016, p. 102).
- 4) Look differently to financial claims: Fair Banking will always have an active approach to solving the claims issue. Providing different solutions, and conducting free advisory services for holders of deferred facilities, will be the first action in the fair banking system. On the other hand, it will help in solving the economic problems of society by providing a deadline and a discount to poor people (Mousavian and Meysami, 2016).
- 5) Culture-building in line with the fulfilment of obligations: Fair banking, in addition to complying with all its obligations as an indicator of compliance with the obligations and commitments in the Economic System, will lead the society to fulfill its obligations in the concluded contracts by providing the necessary incentives. Reducing the cost of providing services, and the rate of interest to credit worthy customers, will be fair samples in the banking system.

5. Conclusion and Presentation of Policy Recommendation

Designing the Economic System, economic instruments, and economic mechanisms must be based on fairness to achieve the desired performance. In the present study, the effects and functions of fairness were determined in the Economic System. In the legal dimension of the Economic System, fairness can play a major role in resolving economic legal disputes. Flexibility and freedom of action in ruling, introducing ethical standards in decision making and notification of a sentence, distribute and redistribute fairly, and providing legal infrastructure for fair information flow are some functions of fairness in the legal dimension of the Economic System.

In the field of international trade and international economics, fairness functions are in the two dimensions of preferential tariffs in favor of poor countries and the resolving foreign investment disputes. Transactions and trading are also other areas that are affected by fairness. Giving discount to the buyer, granting a debt repayment deadline, ignoring the debtor's essential property if there is a debt, and discount amount of damage or debt are some examples and functions of fairness in trading. Fairness in banking which is an important institution in the economies of the country, can also play a major role. Avoiding discrimination, fairness in determining the rate of facilities, establishment of the balanced development of wealth and assets in society, a fair treatment for claims management, and culture-building based on fairness In line with the fulfillment of obligations, are the most important application of fairness in the banking system.

Finally, some of the policy suggestions and recommendations are presented based on research findings as the following:

A) Policy suggestions related to economic institutions:

- 1) Provision of executive regulations and instructions in order to institutionalize fairness in activities;
- 2) Applying appropriate incentive tools to promote fairness in economic institutions;
- 3) Considering the fairness index as a criterion to assess the efficiency of economic institutions.

B) Policy suggestions related to international relations in the economy:

- 1) Introducing the international bodies such as the World Bank, International Monetary Fund, and the United Nations in economic relations between countries to achieve fairness
- 2) The attention of international courts to the fairness in issued sentences for the countries of the world
- 3) Considering the incentive facilities provided by international monetary institutions for fair trading.

C) Policy suggestions related to economic behavior:

- 1) Use of advertising and media instruments to institutionalize culture and the value of fairness in society
- 2) The use of behavioral instruments and nudge units in order to push society towards fairness in trading

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Khaldunian Understanding of Economico–Legal Philosophy: A Living Mechanism for Civilizational Existence*

İbn Haldun'un İktisadi Hukuk Felsefesi Anlayışı: Medeni Yaşam için Canlı bir Mekanizma



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Abstract: Ibn Khaldun is one of the erudite Islamic polymaths. Though he had contributed, as the biographic corpus suggests, to wide range of sociology, jurisprudence, historiography and economico–political philosophy, Ibn Khaldun is best known for his historiographical contribution. Hence his dynamic economic understanding, though pre–modern yet well capable of answering even the postmodern economic questions, almost remains *terra incognita* to many people. This paper, in adopting doctrinal method and comparative jurisprudential approach, has attempted to explore Khaldunian economic views with special focus on examining the core characteristics of three ideas of *kasb ma'āsh* and *jibāyah* (later referred to as KAMAJ) as to how these three tools, if developed and cultivated in a mutually exclusive framework, make a given nation blossom and flourish, and absence of which, especially rigging *jibāyah* (taxation) policy, may corrode production industries, consequentially leading a given country to the cataclysmic escalation of decadence and disappearance from civilizational cartography. By so presenting, the study has demonstrated that Khaldunian economic conceptions would be a better alternative–not pioneer in the theorization of economics as seen by some academics–to the western economic thought.

Keywords: Ibn Khaldun, Kasb, Taxation, Wealth Generation, Sustainable Economic Theory

Özet: İbn Haldun mütebahhir İslam bilginlerinden biridir. Her ne kadar hakkındaki biyografik kaynakların ileri sürdüğü üzere sosyoloji, hukuk, tarih yazımı ve politik ekonomi gibi çok geniş alanlardaki çalışmalara iştirak etmiş olsa da kendisi daha çok tarih yazımı ile ilgili katkılarıyla tanınmaktadır. Dolayısıyla onun, modern öncesi olmasına karşın post modern ekonomik

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problemlere dahi yeteri kadar cevap verebilecek ehliyete sahip olan dinamik ekonomik anlayışı neredeyse birçokları için bir terra incognita olarak kalmış vaziyettedir. Bu makale, doktrinel metot ve karşılaştırmalı hukuki yaklaşımı benimseyerek, hususi olarak kesb, maaş ve (daha sonra KAMAJ olarak bahsedilecek) cibayet (vergi) düşüncelerinin esas niteliklerini ele alıp İbn Haldun'un iktisadi görüşlerini keşfetmeye çalışmakta ve karşılıklı olarak münhasır bir çerçeve içerisinde geliştirilip işlendiği takdirde bu üç aracın belirli bir milleti nasıl canlandırıp ilerleteceğini ve yokluğunun da, özellikle cibayet politikasının düzmece şekilde tesis edildiği bir durumda, üretim endüstrisinin nasıl aşınabileceğini ve buna mukabil nasıl bir milleti medeniyet atlasında kaybolmaya ve çöküşün yıkıcı eşiğine sürükleyebileceğini incelemektedir. Böylesi bir sunumla bu çalışma, İbn Haldun'un iktisadi kavramlarının –bazı akademisyenlerin gördüğü üzere ekonomi biliminin teorileşmesinin bir öncüsü değil– batı iktisadi düşüncesine yönelik daha iyi bir alternatif olabileceğini ortaya koymaktadır.

Anahtar Kelimeler: İbn Haldun, Kesb, Vergilendirme, Refah Nesli, Sürdürülebilir Ekonomik Teori

1. Introduction

Islamically viewing, philosophical act is an engagement with the reality through the lens of observation and experience.¹ Hence economico–legal philosophy implies to a thought which would and should be based on experienced economico–judicial activism and observation, and not founded on numbers and symbols alone. Inspired by tremendous inclusivity of Islamic intellectual heritage² and having empirically experienced a multitude of executive and judicial offices ranging from deputy ministry to the office of chief justice, Ibn Khaldun might have instilled such dynamic functionaries into his

¹ Unlike the existing western enervating philosophy, Islamic philosophical understanding always stands on the premise of the tradition of utilizing the concept of *nazar* (philosophization) which bound the Muslim scholars, engaging in the philosophization of any fact, to constantly refer to the metaphysical source of the Ultimate Authority of knowledge, wisdom and everything that enabled them to walk the right path. Such motivation would be understood from the Quranic verses. See Al–Quran, 59:18, 7:84, 27:14, 10:73.

² The holy Quran ascribes pre–eminence to wealth management. It clearly orders that “do not give your properties to the stupid which Allah has made the mechanisms for survival...” (Al–Quran, 4:5) The Book of Allah Subhānahu mentions regarding *māl* (property) roughly more than 86 places. As the Quran unequivocally describes wealth as the tool for survival and Prophetic teachings offer practical example, the Rashidun period including all the later Muslim Establishments have payed huge importance to the wealth management. *Kitāb al–Kharāj* by ‘Abū Yūsuf (d. 182 H), *Kitāb Ahkam al–Awqāf* by Hilāl b. Yahyā al–Baṣrī (d. 245 H), *Kitāb al–Amwāl* by Ḥumaid b. Zanjawiyyah (d. 251 H), *Kitāb al–Amwāl* by ‘Abū ‘Ubaid Qāsim b. Sallām (d. 224 H), *Kitāb al–Kharāj* by Yahyā b. Ādam al–Qarshī (d.203 H), *Kitāb Ahkam al–Awqāf* by Imam al–Khaṣṣaf al–Shaibāni (d.261 H), *Kitāb al–Amwāl* by Abu Jafar al–Dawudi (d. 402 H), *Kitāb al–Istikhrāj li Ahkām al–Kharāj* by Ibn Rajab Ḥanbalī (d. 790 H) and *al–Is‘āf fī Ahkām al–Awqāf* by Ibn Abi Bakr al–Ṭarablusī (d.922 H), *Tasjīl al–Awqāf, Risālah fī Masāil al–wuqūf, Biḍā‘a al–Qādi fī al–ṣukūk* and *Qānūn al–Mu‘amalāt* by ‘Abū al–Sa‘ud Āfindī (d. 982 H) would be grim illustration of how Islam taught its followers regarding the importance of wealth. It is also to be noted that all the Fiqh manuals contain chapters dealing with how to engage economic activities. Obviously Ibn Khaldun was one of the erudite sequels to this dynamic and brilliant intellectual heritage.

politico–intellectual versatile workmanship. A deep inquiry into his scholarly legacy related to economic affairs suggests that he had woven his economic ideas with an intertwining living thread of *iqtisād*³ and jurisprudence. The study has argued that once the various layers of the tapestry of his economic scholarship got successfully unfolded, economic leaders would benefit from the lessons emergent from the thread.

Viewed in the above way the paper has tried to explore that Khalidunian economic views of *kasb ma'āsh* and *jibāyah* (later referred to as KAMAJ) are not only three core components of economic activities per se. Rather it better represents the theory of having a large number of economic activities as, Antonio Seer proposes,⁴ which may allow a given nation blossom, flourish and ultimately emulate its counterparts, and absence of which, especially rigging *jibāyah* (taxation) policy⁵, may corrode wealth generating forces and their entrepreneurships and, ultimately contributing to the recession of those entrepreneurships, such inertia would lead a country to the cataclysmic escalation of decadence and disappearance from civilizational cartography. A huge data would back up the above claim. British Bengal would be a grim illustration of how the richest part of the globe turned to be one of the poorest countries of the time.⁶ In this regard the study has argued that long before ‘an Inquiry into the Nature and Causes of the Wealth of Nations’ by Adam Smith, Ibn Khaldun had categorized pivotal spectra of wealth generation and also offered the theoretical premise of incubating those wealth industries in a much more sophisticated way.

³ We have preferred *iqtisād* to economics, because, the former implies to a set of transaction principles which better nurtures *falāh* hegemony mandating both individuals and society to strive towards a true success in this world and the next. The latter, in contrast, refers to capital hegemony which deals with the conviction of accumulating money and wealth no matter event at the cost of others including environmental degradation and at the expense of the hereafter life.

⁴ A seventeenth century Neapolitan jurist who is the first western economist to produce the theory of uneven economic development *Breve trattato* or ‘Brief treatise’ in 1613. It is worth noticing here that long before him has the Quranic verses provisioning about *ribā* (interest/usury) clearly articulated the very concept of uneven economic development. See Al–Quran, 30:39, 2:275, 13:17.

⁵ We have understood *jibāyah* not only to be the taxation law and policy per se, rather to be whole set of laws and regulations including export and import laws and the laws of international organizations that for practical reasons influence the domestic economic activities of a given country. Thus, in the context of present global economic endeavors, a country must know when why and how to sign any regulation/s of international organizations which may negatively affect the domestic production industry.

⁶ Hunter tellingly comments “A hundred and seventy years ago it was almost impossible for a well–born Musalman in Bengal to become poor; at present it is almost impossible to him to continue rich.” To know in further details, see W.W. Hunter, *The Annals of Rural Bengal*, vol. I, (London : Smith Elder Co, 1868)

In the process of his structuring *jibāyah* principles, Ibn Khaldun thinks that the legislator must promulgate wealth industries–friendly taxation policies which embolden the industries’ producing capacity. He strongly suggests that it would not be appropriate to tax the citizenry in general and production industry in particular in a way which, intervening the due course of wealth generation enterprise, may alarmingly decrease the volume of wealth production domain and ultimately push the given nation deep into deficits. We find his discussion on *kasb–ma‘āsh* drive together with *jibāyah* policy as having viewed that economic institutions should run in a mutually exclusive manner yet in line with state machineries (Ibn Khaldun, 2001, p: 477).

The paper has contended that Ibn Khaldun’s economico–legal understanding is an advocate of intrinsically monetary value–based economic system which for sure would foster a sustainable economic platform inspired by both the local and international interests as opposed to the capitalist economic system, which, allowing unqualified absolutism, has been almost plaguing post–modern economic life. The study has further maintained that Khaldunian synthesization of wealth management would better serve in understanding and realizing the sustainability drives, and may nurture morality, sustainability and justice and reconcile the dichotomy between economic development and social justice and moral values in both national and global economic engagements. And as such, Khaldunian economic tradition function as a better alternative–not pioneer in the theorization of economics as seen by some academics–to the western economic thought.

With the above concerns in mind, the second section translates Khaldunian KAMAJ episteme into contemporary economic spectra to see how it may provide a given country driving mechanisms for survival, and whether it may cover wider swath of domestic production industry that would compete the global economic market. And then a comprehensive explanation is dedicated to the concept of *jibāyah*. The concept will discover itself in an extended structure both in domestic law and global governance. The third section investigates the reasons of the planet being so despicably unsustainable. The fourth section tries to locate Khaldunian integrated economico–legal pattern in the context of the Millennium Development Goals (the MDGs) to what extent it would function as an alternative mechanism to the existing defunct economic policies in redressing the sustainability drives. Herein a set of recommendations is offered to how best reconcile the dichotomy between domestic economic growth and international trade drives, and guarantee climate friendly economic engagement. And the final section ends with a concluding remark.

2. Exploring and Theorizing Khalidunian Economic Views

Before the essay follows the illustration, it would be worth reading few more words which may allow the import of the paper to be unfolded in a cohesive navigation. A long-lasting harmonious economics would be the one whose foundation is based on not top down but bottom up structure yet in line with both the drives of moral philosophy and the best interests of the environment. Because production which stands at the core of human economic activities (Reinert, 2007, p: 69) also springs from individual/s' labors and efforts. And combination of individuals (landowner, financier and worker) leads to the formation of entrepreneurship. Sizable wages and increasing returns embolden the economic entrepreneurship (platform for rendering production–labor) and revigorate the maximum labor productivity. All these happen only when domestic laws create a proactive legal and regulatory body responsible for the economic affairs of the state strong enough in protecting the interests of trade industry, small and big, against both the heavy burden of taxation and attacks of orthodoxy trading engagement of international economic communities. To put it otherwise, an inclusive legislation which puts the interests of sustainable economic affairs of the state at the forefront of its founding policies would permit the given country to survive both the national and international economic challenges, and hence, trigger itself to emulate its international counterparts in the long race of global trade. With that background in mind, now the treatment of Khalidunian KAMAJ theory will be briefly analyzed.

2.1. Khalidunian *Kasb–Ma'āsh* Episteme

In order to articulate the ways of how to survive the challenges of existence, Ibn Khaldun imports three different words in the discussion, for example, *kasb* (earning), *rizq* (provision) and *ma'āsh* (livelihood). He says: human being needs tools [of survival] which he lives on, grows and ages all the way from the inception of his birth to the old age. He then cites the verse: And Allah is of course rich alone and you all are destitute. He mentions that Allah created everything in the universe for the benefit of human beings. He argues that for this reason human beings have equal share in generating profit by utilizing the natural resources. One who becomes able to earn livelihood, ibn Khaldun thinks, does not take the property of others except for consideration

Ibn Khaldun contends that once human being overcomes the stage of weakness and gets capable of generating wealth, he engages in acquiring provisions so that he may spend his wealth [according to the recognized transaction laws] in meeting his needs and necessities. Though he is seen to have distinguished between and among *kasb* and *rizq* and *mash*, *riāsh* and *mutamawwil* (Ibn Khaldun, 2001, p: 477), he finally heads to

channel the concepts of *mash* and *kasb* to be pivotal premise of wealth generation and management. He explains how to attain *kasb*. He says: it should be understood that *kasb* is actuated through strong determination for the acquisition of wealth and practically employing entrepreneurship for that cause. Hence it is compulsory to strive towards acquiring wealth. It is even still necessary in your way to find out the earning tools (Ibn Khaldun, 2001, p: 478).

Employment should always, thinks ibn Khaldun, be there in regenerating more wealth from already earned provision and capital. He then turns to two precious stones—gold and silver. To him, these two stones are the inherently valued stones and hence deserve to be the media of trading exchanges. All other economic activities are in essence seen to be directing to these precious substances. Here we would add that, one of the fundamental reasons for inconceivable economic imbalance and unsustainability has been formally caused by the initiation of FIAT money⁷ characterized by the fashion and inclination of Bretton Woods Conference. Khaldunian treatment of gold and silver as the ever-living media of exchange may restructure the existing global (economic) leaders' policy concerns.

Ibn Khaldun pressingly emphasizes the role of strong determination and ambition of the people in generating wealth. For him, hope for better living and dignified survival give the people impetus to the wealth generation struggles, and as will be seen later in the section of *jibāyah*, loss of hope for sure pushes them back from that engagement which may eventually cause the national deficits (Ibn Khaldun, 2001, pp: 476–79).

In his discussion on *ma'āsh*, Ibn Khaldun explores multitudes of tools and mechanisms which naturally facilitate human being to make livings and generate wealth. He says: "*ma'āsh* implies to an attempt to quest provision and [in order to acquire that provision] employ human endeavor accordingly. *Ma'āsh*, he continues, has been named as *ma'āsh*, because, it is derived from *'aish* meaning to survive, or live a life. And *ma'āsh* etymologically means the time and or place of survival. As though he seems to argue that for one's survival as an individual and as a nation, he must know and map his own time and place's mechanisms of how to generate wealth and manage in a functioning manner.

⁷ Imran N. Hosein, *The Gold Dinar and Silver Dirham: Islam and the Future of Money*, (San Fernando: Masjid Jāmia Publication, 2007), has offered a good account of the predicament of paper money.

With that definition in mind, Ibn Khaldun categorizes various ways of *ma'āsh*. He thinks that mash would be made by employing other human beings' labor according to the recognized law which is branded as *magrama*⁸ and *jibāyah*.⁹[as will be observed in the next discussion, it is incomes of the state.] Mash would be also entertained by hunting wild animals. It may be attained by selling benefits from the tamed animals (Ibn Khaldun, 2001, p: 479). *Kasb* may also be done by employing human services in certain components like script writing, trading, sewing, knitting, horsemanship and the like, or in undefined sections which involve all types of labors and efforts. It may be gained through producing and manufacturing goods [in national and international market]. [by employing labor once you generate produces and goods], you may sell it in local market, or for greater benefit either merchandize from cities to cities (it may represent today's international trade) or hoard intact with the hope of better price in the future. To him it is called business/trade (Ibn Khaldun, 2001, p: 480).

For Ibn Khaldun, *ma'āsh* is an inclusive mechanism that may cover anything which would facilitate the people to generate wealth ranging from agricultural activities to the craftings. In order to substantiate the meaning given to *ma'āsh*, Ibn Khaldun cites Ḥarīrī¹⁰, and summarizes the concept in the following way: *ma'āsh* is *'imārah* (earning custom duties through governance), *filāḥa* (farming), *tijāra* (trading) and *ṣinā'a* (crafting). *'Imārah* is concerned with the state machineries. *Filāḥa* is the founding, not the only source, as the physiocrats thought back in the 18th century France (Reinert, 2007, P.xxii), of *ma'āsh*, and the rest spring from it if cultivated and nurtured accordingly.

2.1.1. Theorization of Khalidunian Economic Tradition

The above exploration may yield a set of propositions which would be summarized in the following theoretical framework.

Kasb-ma'āsh drive is a self-consciously mandatory move of employment which may enable every individual to strive towards generating incomes. And the same stimulus encourages them to produce more goods or render more services, physical and or intellectual, which eventually bring handsome figure of earnings/profits, and hence provide them better tools for survival. Therefore, it may be argued that economic growth is central to the Khalidunian economic tradition. However, unlike one-eyed modern

⁸ Incomes in the form of fines and compounds emergent from criminal infringements of individuals.

⁹ Here it refers to the incomes of the state received in the forms of custom duties, revenues, pecuniary fines for criminal infringements and so forth.

¹⁰ Abū Muḥammad al-Qāsim b. 'Alī b. Muḥammad b. 'Uthmān al- Ḥarīrī al-Baṣri al-Ḥarrāmī (446 H/ 1054–516/1112) is one of the legendary figures in Arabic literature.

economics, Khaldunian economic tradition proposes an integrated model which necessitates multi-folded just premise of economic engagement¹¹ and negates any concern/s which are likely to nurture certain individuals' economic interests to the neglect of others.

Khaldunian *Kasb-ma'āsh* drive may offer multitudes of production mechanisms which would allow the people to restructure their generation technics in line with the changing phases of economic activities. In other words, Khaldunian *kasb-ma'āsh* drive is an ontological mechanism which would show the clearest pathway to the most updated economic activities ever possible. Arguably, in the existing globalized setting, khaldunian economic model may guarantee the inclusive economic paradigm which would help survive the digitized challenges.

As the inclusive work forces of a nation ranging from farmer to professor in the context of khaldunian economic tradition are the heart of national economy, *kasb-ma'āsh* drive together with the *jibāyah* policy, (a concept explained in the next discussion) mandates the state to introduce a strong legal mechanism which through their economic-legal policies not only protect the interests of economic affairs of the production industry but also survive and emulate international counterparts, adopt policies and laws in line with the changing phases of domestic and international economic markets.

The art of manufacturing has a tremendous effect to impact on the speedy economic affairs. To quote Ferdinando Galiano, an eighteenth century prominent Italian economist (Reinert, 2007), 'from manufacturing you may expect the two greatest ills of humanity, superstition and slavery, to be healed'. A timely manufacturing mechanism thus is the only gateway into the globalized economic world. It is worth mentioning that Khaldunian economic tradition successfully addresses the art of manufacturing. The idea of *Ma'āsh* together with the understanding of *i'dād al-baḍā'i*¹² may lead to the introduction of an effective manufacturing sector that would solve the core economic problems of any given nation.

¹¹ Four different types of justice-commutative, contributive, distributive and legal justice- are seen to be gaining popularity in both academia and public square. '*Adl-ẓulm* (justice-injustice) binary as understood from the Khaldunian economic-legal discourse, is an enormously rich venue which inherently involves all these dimensions of justice and even beyond.

¹² It means to prepare goods. *Ma'āsh* literally refers to the time and space in which effort of generating livelihood takes place. Hence ontologically speaking, the concept of *Ma'āsh* together with the idea of *i'dād al-baḍā'i*' would be better understood to be the manufacturing section in today's economic context.

2.2. Khalidunian *Jibāyah* Institution

An in-depth reading of Ibn Khaldun's *jibāyah* episteme reveals that he does not talk only about collecting custom duties per se; rather he inclines to advice how a nation may economically flourish. Thus we are convinced to liken the khalidunian *jibāyah* discourse to the institution of wealth management. We briefly explore his thought on *jibāyah* coupled with some other key concepts mentioned side by side with *jibāyah*. For Ibn Khaldun, any likely successful government imposes low duties which in return brings huge incomes to the state treasury. On the contrary, a declining state, he contrasts, applies heavy duties which results in less incomes (Ibn Khaldun, 2001, p: 344). Ibn Khaldun says: if government administers its whole organs on the basis of *din* (religion), it only demands the *Shari'ah* imposed taxes, i. e., *ṣadaqāt*, *kharāj* and *jiziyah* [three vehicles of claiming custom duties from the subjects of Islamic government].

We argue that all three words cover a wider set of taxation institutions as understood within the purview of *al-siyāsa al-shar'iyyah*. He rightly observes that [based on the understanding of *maṣlahah*—public welfare] *Shari'ah* incumbrancers [pertaining to custom duties or revenues] count a lot not to be easily calculated (Ibn Khaldun, 2001, p: 344).

When so (due to less custom duties, passion gets stronger) happens, citizens get inspired to work more (Ibn Khaldun, 2001, p: 344). Their productivity tremendously increases which eventually triggers the flourishing of the country [globally]. He then turns to view that, when the government of growing nation indulges the luxury, it turns the government officials seriously consumeristic, consequently leading them to impose heavy taxes on the subjects in order to further their consumption. Ultimately extra burden of taxes and duties dishearten the people from having further financial activities. It also facilitates the administrators to corrupt themselves under the aegis of collecting more custom duties. Hence result has to become a shambles. When you understand the policy explained above, advises Ibn Khaldun, you must know that a possibly reasonable minimum duties upon the production industry would be one of the founding reasons for civilizational advancement, as it emboldens the hearts of production industry ¹³ (Ibn Khaldun, 2001, p: 345).

One of the key reasons for the decadence of a government, he mentions, is the engagement of the government in business activities. For him, ruler/s' involvement in business leads to dishearten the hope and expectation of production industry which

¹³ The term should not invite misconceptions. According to Khalidunian economic views, production industry involves every single individual's work efficiency who may somehow contribute to the national economy.

would ultimately leave them hopeless, and hence non-operative (Ibn Khaldun, 2001, p: 347). He reasons that market is the place where products of agricultural activities, business entrepreneurships and craftings are displayed with the hope of making profits through exchanges. When ruler himself brings the goods in market, it poses a sheer monopoly giant for ruling machines. Eventually competitive character of market may disappear which is the important impetus to generate profit through trading goods in market (Ibn Khaldun, 2001, p: 347). Consequently rulers' involvement in business may force the production industry to stagnate pushing the national economy into deficits (Ibn Khaldun, 2001, p: 347).

Policy of how to maximize government incomes through the realization of various custom duties and tolls is central to the Khaldunian economic tradition. One may find Ibn Khaldun repeatedly advises state machineries concerning the state's economic growth. He says: "it should be understood that ruler cannot make economic growth and cannot flourish except without incomes [realized through the well administered institutions of tax management system]. And it would be possible through ensuring justice to the production industry (land owner, financier, workers and all other groups somehow concerned with wealth generation) and maintaining strong concern for their advancement. In this way, their ambitions will grow, their hearts will get filled with ventures and energies in producing goods and increasing them [to the maximum level]. Eventually incomes will tremendously increase (Ibn Khaldun, 2001, pp: 348-9). If incomes collected from the citizens, he argues, is not discharged accordingly; rather decreased in grants and donation, it will ultimately affect the body of *jibāyah* (incomes) (Ibn Khaldun, 2001, p: 353). Hence in his *jibāyah* discourse, the concept of *zulm* (injustice) occupies a very significant place. More than five pages have been dedicated on the discussion of *zulm* (injustice).

Ibn Khaldun views: "oppression takes away all the hopes and aspirations from the people. The production will diminish to the extent of oppression. If injustice rules, the whole production will collapse. He says: when state is filled with oppression and persecution, people cannot merchandize their goods, and eventually their whole efforts confront heavy losses leaving them utterly stagnant. The people may flee the state persecution, and in the quest for bread and butter, try to take asylum somewhere else (Ibn Khaldun, 2001, p: 354). In the course of outlining the dangerous sequence of oppression, Ibn Khaldun narrated a satiric dialogue taking place between a male and

female owls explained by a pious wise man before Bahram.¹⁴ Due to spatial limitations, we are mentioning only the dialogue. “Male owl desired to marry the female owl. So he betrothed her. In response to the betrothal, she said: “I will accept your betrothal, if you ruin twenty cities during the tenure of Bahram.” He took the challenge, and said to her: “look! If the rule of Bahram continues, I will ruin thousands of cities for you and still my challenge would too easy compared to the ruining of so many cities (Ibn Khaldun, 2001, p: 354).”

Then he mentions different aspects of *ẓulm* (injustice). For Ibn Khaldun, *ẓulm* should not be defined as only taking away property of others or of kingdom without due compensation. It is far greater. To him, any obligation given to any individual which is not obligated by the Law of Sharia, or the collection of any property by the collectors of income departments, from individuals without due course, denying one’s rights and misappropriating the offices of public affairs...for sure, amount to biggest oppression (Ibn Khaldun, 2001, p: 354). In sum, to misplace anything or action intentionally is *ẓulm*/injustice. For Ibn Khaldun, *ẓulm* is the worst evil force which alone can destroy the entire civilization.

To substantiate his position on the wider swath of *ẓulm*, he imports the higher objectives of Islamic Legislation. He clearly reclaims the role of the five folded higher objectives of Islamic Legislation, i.e., protection of din, of soul, of lineage, of intellect and of property in ensuring justice. So the protection of human civilization, he says, is the central to the five higher objectives of Sharia (Ibn Khaldun, 2001, p: 356–58). No doubt injustice intervenes the noble drives of *maqāṣid al-Sharīah*. *ẓulm* is pronouncer of pervasive destruction of civilization, the destroyer of human lineage on earth. It should be understood, he argues, that this is the underlying reason why Sharia strictly prohibits *ẓulm*. Hence any policy or law facilitates *ẓulm*, should be strictly prohibited (Ibn Khaldun, 2001, p: 356).

2.2.1. Lessons to be Learnt from Khalidunian *Jibāyah* Tradition

After having an extensive enquiry into his *jibāyah* conception in conjunction with the drives of *kasb-ma‘āsh* drive, the following economico-legal model would be worth deriving:

¹⁴ Perhaps this Bahram was Bahram b. Bahram (276–293), the fifth Sasanid king of Persia. he is reported in *Tarīkh al-Rusul wa al-Mulūk* by Ibn Jarīr al-Ṭabarī, V.2, P. 54, to have encircled by great scholars and saints of his time and listened to them.

First, as the production industry¹⁵ is the heart of the state economy, the state must keep the interests of the production industry with special focus on agriculture and business sections at the forefront of the fundamental principles of state policies. And therefore, state should introduce a distinct legal and regulatory body who would monitor and protect the industry from going stagnant, and by constantly mapping the changing mechanisms of international economic market, keep adopting policies which help emulate the international economic counterparts. The body as recommended above, shall also advice the state whether to sign any certain intranational treaties that in the long run may undermine the domestic economic policies. According to the Khaldunian treatment of economy in the context of *maqāṣid al-Sharī'ah*, the state should introduce laws that mandate the leaders of concerned industries to both allocate the well-justified wages for the employees and teach the work forces of all levels about the likely consequences of products and goods' being corrupted and or adulterated which may cost the sustainable goals.

Secondly khaldunian restatement of *maqāṣid al-Sharī'ah* in his economic discourse impels a host of policy concerns which a given state must reflect in its domestic and international economic activities. For instance, any policy adopted and or law promulgated by the state which instead of reflecting '*adl* (justice), facilitates injustice should be declared invalid. Misappropriation of any offices by the concerned officers would be a case in point. Given that the state must undertake two-tiered mechanisms: a. it must ensure an internationally accredited educational climate inspired by the impulse of higher objectives of Humanized legislation which schools and incubates teams of noble human souls who would administer the state machineries beyond any corruption or misappropriation of their offices; b. it must empower the state machineries enough enabling the executives to dominantly rule the corporate house of the state.

Thirdly Khaldunian treatment of '*adl-ẓulm*/justice-injustice¹⁶ binary tells that the state, being the biggest market [compared to the set of domestic markets] on the global scale (Ibn Khaldun, 2001, p: 353), must formulate regional alliances to realize their respective economic interests, and also find out strategic partners who will be of greater help in establishing a common sustainable economic platform.

¹⁵ As footnoted earlier, this term should not be understood in the narrower sense of existing capitalistic production archetype. Rather it is an idea that covers every single citizen of the state ranging from farmer to a professor of a university as explained in the Khaldunian economic discourse

¹⁶ Tellingly injustice implies to the misplacing of anything or being, and justice means to place anything or being where it belongs to. Arguably all four layers of justice-commutative, contributive, distributive and legal justice-are subsumed by the Khaldunian justice-injustice binary.

Fourthly, with the help of regional and strategic partners, the state must determine its list of priorities which would function as a milestone towards attaining the sustainable goals. Last but not least, khaldunian location of *jibāyah* concerns and policies in the topography of *maqāṣid al-Sharīah* permits us to rediscover the integrated *maqāṣid-syiāsa* understanding—a nearly forgotten art of Islamic Jurisprudence—which would help address and legislate policies ontologically.

As earlier read, one of the core concerns of the present work is how khaldunian *iqtisādi* tradition may function as an alternative economic model to the orthodoxy western economics. Hence in order to set the premise for the focus on the above claim, the immediate discussion investigates the reasons which are principally responsible for the planet to have been too despicably unsustainable.

3. An Inquiry into the Reasons of Imbalance Economy

Smithian paradoxical economic understanding, ES Reinert argues, would merit the founding reason for the planet being so imbalance, because Smithian tradition advises free trade theory while emphasizing that only nations with a native manufacturing industry could ever win a war (Reinert, 2007, p: 25). Perhaps this doctrine later on permitted both the rich countries and international institutions like International Monetary Fund (IMF) to take over the management of the economic affairs of most poor countries. Dani Rodrik views for last few decades the force of globalization has been seriously prohibiting the dormant domestic economy of the nations from accordingly flourishing.¹⁷ Another author argues that for a nation being poor lies in state machineries not being mutually affiliated with the economic institutions. Extractive economic and political institutions are always at the root of the nation's failure (Acemoglu & James Robinson, 2012, p: 295). Ricardian comparative advancement theory is also seen to have contributed to the formation of ever-growing discrepancy between the poor and rich.

We argue, though not completely, the reverse that these are obviously some valid reasons but not the pivotal ones, rather some offshoots therefrom. A more thoroughgoing investigation suggests that the pivotal reason rests in the niche of absolutism. The planet has been witnessing the economic players' sheer selfishness and altogether ignoring of the concerns for sustainability in economic affairs,

¹⁷ "The Globalization Paradox: Democracy and the Future of the World" and "Has Globalization Gone Too Far" by Dani Rodrik, a professor of political economy at Harvard University would offer a handsome grasp on the rapid domino effect of globalization.

governance, society and environment. Such absolutism characterized by huge economic empowerment without any restraint what so ever has forced the poor (individuals and states) to perennially lag behind while allowing the rich (individuals and states) to get richer. And the list goes a long way. With that concern in mind, the following lines will try to find out the underlying reasons which would be responsible for the absolutism to have long been at work.

In our venture to unfold the exact venue of absolutism, we may appreciate the notion of Thorstein Veblen. He thinks that economists' instincts have been contaminated by their education (Reinert, 2007, p: 26) which would be leading them to be paradoxically maintaining two opposite thoughts of rhetoric and reality.

History tells us that economic matters have been taught and discussed as a branch of moral, theological, jurisprudential and political studies. In the mid thirteenth century when Aristotle was resurrected in western Europe, Nichomechean Ethics was used as one of the leading textbooks. From this point forward economics emerged and flourished. Arguably Scholastic economics was none but a by-product of Aristotelian Ethics (Langholm, 1979). Arguably, Scholastic's economics was an intertwined discipline of ethics and theology (Gordon, 1975). For instance, the disputes around the validity of interest were of moral concerns (Hamouda O.F & Price B. B., 1997, The Justice of the Just Price, *The European Journal of the History of Economic Thought* 42, 2, 191–216).

This intertwining fashion had continued to exist in the European academia till the mid 18th century so far (Canterbury, 1995). A Short Introduction to Moral Philosophy by Francis Hutcheon, the teacher of Adam Smith would be a case in point whose one of the two parts was law of nature. The latter had involved three sections: private rights, economics and politics (Ross, 1995). Economics is found to have taught within the province of jurisprudence which by definition worked out within the purview of moral philosophy. However during the periods of the 17th and 18th centuries, the dormant resistant for divorcing religion from social life had begun to economically appear through the mercantile pragmatism.

No doubt, being influenced by his teacher Hutcheon, Smith¹⁸ was also proponent of keeping morality at the core of economics. Smith's student John Miller reasserted the

¹⁸ Adam Smith though first got appointed as a professor of logic at the university of Glasgow, but later on, shortly after Thomas Craigi, the then professor of Moral Philosophy at the University of Glasgow died in November 1751, he was translated from his Chair of Logic to the now vacant Chair of moral Philosophy. (collected from Introduction, Adam Smith, Lectures on Jurisprudence 1982, 1978)

Smith's stand on moral philosophy. Smith locates economics what he himself taught as political economy under the wider swath of moral philosophic projects. In the Smithian economic scholarship, Virtue and justice occupy a significant place. Smithian economic understanding was thus also closely tied to the morality and ethics. Thomas Malthus, the first professor of political economy is seen to have followed the same track as Smith did. It is worth pointing that nonetheless having strong moral conviction, moral Smith had to finally submit to the liberal Smith in the practices of his brainchildren in the subsequent times. David Ricardo¹⁹ would be a good example who treats economics as a mere technical subject. One finds him to say how to become rich, but not to advice when to prefer riches to indolence or vice versa (Ricardo, 1821).

Perhaps Ricardian approach to political economy clearly marked the break with the time-old tradition of the existence of morality in economics. Ricardo's Principles of Political economy and Taxation gained him a huge dominance in the discipline leading him to be the extraordinary economist in both academia and public squire. Almost all the economists came after him including some of his contemporaries got influenced by his positivistic economic abstraction. Over the decades Ricardian approach led the economists and natural scientists to restructure the discipline in line with mathematics and physical sciences. Eventually it turned out to be economics, and hence, was left value free.

William Stanley Jevon is the transiting figure for political economy to pass from its earlier form to the stage of modern economics. He was utterly radical in taking the positivistic notion toward economics. He was perhaps the first to see the extended analogy between economic science and physical sciences. His 'Theory of Political Economy' is a testimony to his mechanical and mathematical approach to economics (Schabas, 1990, P.138). Marshall is the immediate next figure who treated the discipline more radically than Jevon's. He was a strong proponent of divorcing economics from moral economy and naming it economics as an independent science (Alvey. E, & Staveley, 1996, Vol.8). Kenneth E Boulding, a prominent economist and interdisciplinary philosopher, rightly commented: "economics ...only became a science from the casuistry and moralizing of medieval thought (Boulding. E, 1970, p: 117).

Post-Marshall economics had to undergo a heavy burden of *deethicalization*. A good number of the mathematician economists coming after Marshall throughout twentieth century onward are seen to have positivized the economics which means to rule out

¹⁹ A sincere reader of the Wealth of Nations.

economics of moral science. Among many Robbins (Robbins, 1936) and Friedman (Friedman, 1953) are two promising figures who worked it out the said way. Solo views that “between 1940 and 1990...economics became a self-consciously technical subject (Solow M, 1997, How Did Economics Get that Way and What Way Did It Get? *Daedalus* 126, 1, 42).” For good reason, this technicalization might have gradually led them to enveloped themselves in the grip of greed.

3.1. Summary of the Enquiry

Adam Smith, As Smithian collective intellectual works suggest, was a heart-core proponent of democracy and individual liberty. Tellingly democracy is the reactionary child of medieval theocracy whose central focus was and still is the absolute freedom of individual rights. Capitalism is no doubt the twin of the unqualified conviction of individual rights. Hence slippage from moral concern to absolutism was inherent in the Smithian economic thought. For practical reason, Smithian economic tradition coupled with the Ricardian view, the two Biblical figures²⁰ of modern economics are seen to have ultimately facilitated the subsequent economists to divorce the economic studies from moral concerns.

The gradualities and stages modern economics²¹ had to undergo all the way from medieval Scholastics period down to the present days clearly show that economics divorced altogether from ethics and any metaphysical sanctions gave rise to the transaction laws, domestic and international, which are better characterized by the stimuli of unqualified human rights. This unqualified rightism has led certain entities (individuals, corporate houses and states) to be unqualifiedly empowered with massive wealth accumulation to the complete neglect of others.²² Eventually both modern economic theory and the laws national and international concerned with economic affairs are left utterly individualistic to a huge mistake in letting them decide to do with their money and wealth whatever, however and whenever they desire, and leaving them unmonitored with what they have decided. Thus, we are inclined to view that today’s shockingly opposite economic images of the planet are the products of the collectively synthesized formula of these hyper-individualistic economic-legal ideas.

²⁰ So have been branded by Thomas Gerber, see, David Ricardo: His Personality, His Times and His Principles in R.W. Jones, R. Weder (eds.), 200 Years of Ricardian Trade Theory, Springer International Publishing AG 2017.

²¹ To have a more perceptive understanding, see, Roger E. Backhouse. *New Directions in Economic Methodology*, London & New York: Routledge 1994; Abdulkader Cassim Mahomedy. The Ontological Foundations of Modern Economics: How Do They Compare? SAEF Working Paper No. 2016/01/13.

²² This is a clearest demonstration of how Satan whispers the souls to gradually mislead to the destiny of destruction. See the noble Quran, 24:21.

Contrastively Khaldunian *iqtisādi* tradition asserts the irreconcilable nexus between economic engagement and religious life of both individual and state, and the location of economic discourse in the context of *maqāṣid al-Sharīah* has indeed perfected a comprehensive economico–legal paradigm which would help both establish a strong domestic economy and put the sustainability into practice nationally and globally, and hence gain the true SDGs. The next section sketches the detailed picture of how Khaldunian economic tradition would better function in the realization of the SDGs.

4. Significance of Khaldunian Economic Tradition to the Sustainability Drives

Due to the ever-growing discrepancy between the rich and the poor and the plight condition of the planet, the concept of sustainability has emerged and been gradually gaining the dominant position in the priority list of both the economic leaders and the academics. Sustainability has been so far figured out in four different sections. Economical, institutional/governance, social and environmental. Practically speaking, though the SDGs has already attained the age of maturity, the realization of sustainability still remains fetus, because international policies over the sustainable convictions especially economic and environmental is rhetoric yet. As through an uneven economic development, a certain individuals or groups own the maximum resources and wealth of the globe, the policies and regulations have been left almost abortive. Only the inclusively integrated just economic model would work out the SDGs. This paper, as earlier seen, argues Khaldunian economic tradition, being an alternative economic model, is tremendously rich with dormant forces and stimuli which would readily help realize the convictions of SDGs. The below is a discussion of how and why.

So far, the sustainability conviction is concerned, three different blocs would be at work. Individuals, state and international communities. In order to provide effective mechanisms to the four-tiered sustainability, three parties have to play their respective roles accordingly. As earlier seen, the traditional economic theories and policies have remained almost rhetoric while furthering the gap between the poor and the rich more precipitately

Khaldunian economic tradition would help implement four-tiered sustainability in domestic level effectively. As seen above, for Ibn Khladun, a well-nurtured production industry allowing itself to tremendously flourish triggers the advancement of national economy. However, corruption, he thinks, is a demon which would easily corrode the foundation of national economy. Hence in order to attain Economic and institutional

sustainability, the state shall undertake comprehensive steps home and abroad ensuring every citizen with the age of majority employment facility, and accordingly monitors their conditions. Consequently, the collective efforts of the bulk citizens would turn out to be a strong production industry whose industries and labors bring the state huge incomes. Based on the Khaldunian justice–injustice binary, those incomes must be utilized to empower the citizenry in a much more consolidated way. This expectation would be possible only when a strong transparent executive body committed to bettering the nation dedicate their labors and intellects and mutually work with private sectors alongside their public offices’ responsibilities. Hence a meaningful enforcement of *kasb–m’āsh* drive together with the *jibāyah* policy would establish economic and institutional sustainability in any given jurisdiction.²³

In terms of surviving the international economic challenges and paradoxical global governance, which may prohibit any nation from being capable of emulating them accordingly, Khaldunian economic model would suggest three recommendations. The state must introduce an effective manufacturing sector²⁴ which may translate every single possibility of work force into internationally tradable product.²⁵ Countries with the seemingly maintaining economic interests must formulate a strong regional and strategic alliance which together would empower them to pressure the big brothers not to impose any policy or decision to the exclusion of their respective economic interests. Thirdly almost all the earnings emergent from the existing monetary system are always being credited to the account of powerful countries leading them to be more irresponsible and absolute. Given that, a strong voice must be raised out for an alternative monetary system to be introduced which may help better work out the SDGs.

Khaldunian integrated *maqāsid–syiāsa* understanding would allow the law makers to move away from the ever–contradicting one–eyed laws, huge inequality and social instability are whose direct products, and move back to a functionally accommodative legislation leading them to decide the social issues ontologically. Hence, we argue that

²³ One may question political institutions are seen to be often responsible for both economic and institutional unsustainability. We are better convinced to contend that once a strong transparent executive organ is at work, all sort of political disturbances would be easily removed from the state machineries.

²⁴ Kindly take note we have explored how Ibn Khaldun articulated merchandizing the goods from cities to cities.

²⁵ Here it is worth mentioning that human capital is by far the most valuable capital ever. We argue that training the populace, preparing them in line with the demand of international workforces and finally export them abroad would fall within the purview of effective manufacturing industry.

a due realization of comprehensive Khalidunian economico legal paradigm would easily address the social sustainability.

In terms of social and environmental sustainability, Khalidunian location of *jibāyah* system in the context of *maqāṣid al-Sharīah* would recommend a lot of functionalities which may actuate the sustainable goals. It is to be remembered here that protection is central to the *maqāṣid* paradigm which involves five venues—religion, life, intellect, lineage and property.²⁶ Parenthetically speaking, consumerism is central to the modern life which led the earth to the cataclysmic devastation. Having observed the likely horrible consequences of environmental degradation, the activists have developed a host of green theories, for instance the social practices theory,²⁷ which, they hope, may protect the planet including ourselves. However, because of their foundational backdrops, the theories are often left seriously restrained in their capacity to gain the aim.

Empirically speaking a venture of true humanization would protect us from destruction which may be attained by instilling the sense of religiosity into the heart of human being. So far Khalidunian *iqtisādi*–legal pattern would be a founding device which may successfully restore the function of ethics in the economics studies in particular and in all other fields of sciences in general, and thereby function meaningfully as an effective alternative economic model mandating the people of all sects nationally and globally to develop behaviors and take decisions in the best interest of the sustainability.

5. Conclusion

The Khalidunian historical–legal observation of civilizations’ wealth management and their rise and fall is seen to have been somewhat echoed by both German economist Gustav Schmoller’s (1838–1917) historical approach to economics and the founder and first Dean of Harvard Business School, Edwin Gay’s (1867–1946) case study methodology

²⁶ As known to almost all that these five–folded–paradigm has been structured by Imam *Ghazālī*. Some later *‘ulamā* are seen to have added dignity to the *Ghazālī* paradigm. Imam Ibn al-Qayyim however offered a quadripolar *maqāṣid* paradigm. According to him, *rahmah*, *ḥikmah*, *maṣlahah* and *‘adl* are the pivotal premise of *maqāṣid al-Sharīah*. He appears to say that any action/omission goes against these drives would be regarded as a prohibited act by *Sharīah*. See, Ibn Qayyim al-Jawziyyah ‘Abū ‘Abdullah Muḥammad b. Abī Bakr b. Ayyūb. *I‘lām al-Muwaqqa‘īn ‘an Rabb al-‘Ālamīn*, Verified by Uzair Shams and Authenticated by Ja‘far Hasan Sayyid (Makka al-Mukarramah: Dar ‘Alam al-Fawaid, 1437), 1st ed., Vol. 3, P. 429.

²⁷ To know more, see “Emily Huddart Kennedy, Maurie J Cohen and Naomi T. Krugman. Putting Sustainability into Practice: Application and advances in Research on Sustainable Consumption, (Cheltenham: Edward Elgar Publishing, 2015).

that claim that it is not the mathematical lens but the historical evidence is of the relevance to the pathway towards economic emancipation (Reinert, 2007, P. 4). Arguably Khaldunian economic tradition has massive data to show that failure to protect the domestic production industry through a comprehensive strong legal mechanism led many nations to dire poverty, British Bengal would be a case in point, while a strong legal and regulatory body catering for the national economy triggered their socio-political dominance. USA would be a grim illustration of this conviction. Hence khaldunian economico-legal paradigm, if implanted accordingly, would solve the fundamental economic crises of any given nation.

Though Smithian-Ricardian economy contributed to the advancement of economic understanding in both academia and public square, like the fall of Berlin Wall, their economic traditions placing consumerism at the core of modern life utterly failed in establishing a sustainable globe. Contrastively having learnt from the ups and downs of civilizations across the human history and experienced by the extraordinarily brilliant Islamic intellectual heritage, Ibn Khaldun has located his economico-legal discourse in the context of *maqāṣid al-Sharī'ah* where religiosity, protectionism, justice and public good²⁸ inspired by the principles of *siyāsa shar'īyyah* always stand firm. We are therefore inclined to conclude that Khaldunian inclusive treatment of economic-legal philosophy in the topography of integrated *maqāṣid-siyāsa* landscape would ensure a multitude of founding mechanisms triggering the civilizational existence yet in line with the best interests of sustainability.

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²⁸ Note should be taken that public good inspired by the principles of *siyāsa shar'īyyah*, a set of behavioural practices that respect the natural course of ecosystem, is meant to exclude the mechanistically defined public good characterized by the growing demands of acultic practices across the globe which is undergoing a heavy chaotic transition.

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Power and Urban Life: Reading the Historical Changes of Tehran Before and After the 1979 Revolution From the Perspective of Ibn Khaldun's Theory*

İktidar ve Şehir Yaşamı: Tahran'daki Tarihsel Değişimi 1979 Devriminden Sonra Ibn Haldun Teorisi Perspektifinden Okumak

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Abstract: How to explain the decline of cities? In response to this question, Ibn Khaldun has presented a broad theory that seems to be still functional after several centuries. In this paper, we aim to explain the history of Tehran before and after of 1979 Islamic Revolution with Ibn Khaldun's theory the history. The method of article is historical study and historical documents (newspapers, newsletters and other authentic historical sources) and books related to the city of Tehran have been cited as the main sources in this regard. The result of this study shows that if, based on the division of Ibn Khaldun, we consider five main courses for Tehran, in both historical periods (before and after the 1979 revolution), the city witnessed the passage of these stages. In the pre-revolutionary period, Tehran, with the presence of the Allies, and the coronation of Mohammad Reza Shah Pahlavi began their new era. With the coup d'état of 1954, the autocracy began in this city. the flourishing of intellectuals , the oil revenues in the 50s , the invasion of the labors to suburban and the Islamic revolution are the four phases in the fall of city ,respectively. With the victory of the Islamic Revolution and the burning of nightclubs, the era of victory began. Expansion of Islamic values and post-war reconstruction can be considered as the peak of power but Environmental crises and the problems caused by the immense growth of the urban population are greatest issues that the city faces during its decline. So these changes are explained using Khaldunian ideas in the area of government, city and power.

Keywords: Ibn Khaldun, Power, City, Asabiyyah, 1979 Islamic Revolution.

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Öz: Kentlerin çöküşü nasıl açıklanır? Bu soruya yanıt olarak İbn Haldun, birkaç yüzyıl sonra bile hala işlevsel görünmekte olan geniş bir teori sunmaktadır. Bu yazıda, 1979 İslam Devrimi'nden öncesi ve sonrasındaki dönemlerdeki Tahran tarihinin İbn Haldun'un teorisiyle açıklanması amaçlanmıştır. Makalenin yöntemi, tarihsel çalışmadır ve bu bağlamda tarihi belgeler (gazeteler, bültenler ve diğer otantik tarihi kaynaklar) ve Tahran ile ilgili kitaplar, ana kaynaklar olarak belirtilmiştir. İbn Haldun'un bölümlerine dayanarak, bu çalışmanın sonucu, Tahran için her iki tarihsel dönemdeki (1979 devriminden önce ve sonra), beş ana dersi ele aldığımızda, şehrin bu aşamaların geçişine tanıklık ettiğini göstermektedir. Devrim öncesi dönemde, Tahran'da müttefiklerin varlığı ve Muhammed Rıza Şah Pehlevi'nin taç giymesıyla yeni bir çağ başlamış, 1954 darbesi ile de şehirde otokrasi başlamıştır. Entelektüellerin gelişmesi, 50'li yıllarda petrol gelirleri, işçilerin banliyölere akını ve İslam devrimi kentin düşüşündeki ayrı ayrı dört aşama olarak yer almaktadır. İslam Devrimi'nin zaferi ve gece kulüplerinin yakılmasıyla, zafer çağı başlamıştır. İslami değerlerin genişlemesi ve savaş sonrası yeniden yapılanma, iktidarın zirvesi olarak değerlendirilebilir, ancak çevresel krizler ve kentsel nüfusun muazzam büyümesinden kaynaklanan sorunlar, kentin düşüşü sırasında karşılaştığı en büyük sorunlardır. Dolayısıyla bu değişimler İbn Haldun'un hükümet, kent ve iktidar alanındaki fikirleri kullanılarak açıklanmaktadır.

Anahtar Kelimeler: İbn Haldun, İktidar, Şehir, Asabiyyah, 1979 İslam Devrimi

1. Introduction

How do cities survive growth and decline cycles? This question has occupied many minds for years and many have sought to answer the question so that they can explain the relation between power and city life. Ibn Khaldun is one of the thinkers who have done theoretical work in this field. In order to explain the growth and decline cycles, he has presented a kind of linear evolutionary theory that, although it has been criticized, appears to have proper capabilities for explaining some of the characteristics of the Third World countries, especially the Middle East. According to Ibn Khaldun, all human societies have common ground in spite of the cultural, social and historical differences and diversities, so that the principles and components can be generalized to all human beings and communities. Though Ibn Khaldun's Cyclical Theory has been variously applied to the study of some Muslim Empires and cities especially of the Middle East origin; Umayyad, Abassid, Saffavid, Seljuk, and those of Central and Southeast Asia like, Mughal, Aurangzeb, Qutub Shahi, Aceh and Malaka (Hitti 1970; Itzkowit 1972; Lipidus1991; Ishak 2000; Lindholm 2002; Oloruntimehin 1972; Ahmad 2003) it has not been done (not to the knowledge of these scholars) to the Tehran, the capital of Iran. In this article we will try to study the history of Tehran before and after the Islamic Revolution in 1979, in light of Ibn Khaldun's theory of Transformation and political governance, to determine the extent to which this theory can explain these changes.

2. Cyclical Evolutionary Theory of Ibn Khaldun

Ibn Khaldun adopted a systematic approach to the study of society which he called *Ilm Al Imran*, the “science of culture and society”. The work has several aspects to its expositions. However, the concern of this research work is the area that espouses on the span of governance and city life.

To Ibn Khaldun political administration lasts for four generations before it is overthrown or supplanted and replaced by a new one, which replenish and then, follow the same process to apogee and then, collapse. At rise and growth, rulership is held together and united by what he called *asabiyyah* broadly translated as “group-feeling/solidarity” which is the fundamental building block which provides strength to the successful origins and development of a fledgling empire or polity. “*Asabiyyah*” is a rich term which encompasses a range of meanings – authors have generally translated it through particular expressions of universal sociological notions such as “public spirit”, “social solidarity”, “group cohesion”, “*esprit de corps*”.(Lacoste, 1984: 110). Erwin Rosenthal describes it as “the motor development of the state (Ibid, 109), whilst Toynbee posits ‘*Asabiyyah* as the “basic protoplasm all bodies politic and bodies social are built up”.(Ibid, 110).

The central thesis of Ibn Khaldun then is that a ruler unites his virile Bedouin people with a common feeling of ‘*Asabiyyah* and often comes to power by overturning an existing established civilization which has reached the end of its life-cycle, reveling in decadence and luxury. The whole conception of historical development is based upon these two dichotomous groups: the nomadic and sedentary (Lacoste, 1984: 94).This was witnessed with the rise of the first Islamic Caliphate, from its humble desert origins, defeating the Roman and Persian Empires.

Due to solidarity and cultural togetherness, the group takes control of governance; administer justice and as time went by, the controlling group living a luxury and opulence of urbanization and sedentalization are also overthrown by fresher tribesmen, who soon became urbanized and are also overthrown by fresher tribesmen (Ibn Khaldun 1981:313). To Ibn Khaldun, the cyclical pattern marks the Islamic political history. In essence, social group came together to organize themselves and take over governance through violence. In power, the rulership group institute good leadership, organized egalitarian economic system, fortified themselves by social reorientation, variables and functional political activities. Soon afterwards, the social cohesion began

to drift, dwindle and visibly decay as individualism, greed, avarice, corruption and sleazebag cropped in the system of government.

This is so because, the rulers due to foundational derailment, after several generations began to seek, according to Ibn Khaldun “the help of clients and followers against men of his people” in order to sustain themselves in governance. The gradual disenfranchisement of his kinsmen occurs because the ruler fears that they, as co-equals and tribal brothers, can and will make claims on his sovereignty. In response, he slowly replaces them with slaves, clients and hired employees who are directly reliant on him for their positions. The ruler’s aim is to increase his authority by exchanging his potential rivals for a convoy of dependants. Despite its advantages to the rulers, Ibn Khaldun, argues that the eventual effect of the systematic downgrading of one’s kin and close tribal allies in favour of dependant clients is negative. The ruler does gain more leeway, in Charles Lindholm’s words, for exercising his own autocratic authority dispensing with those who had helped his ancestors’ to victory (Lindholm: 51). But according to Ibn Khaldun, without these kinsmen and allies to his own to support him, he is instead surrounded with flatterers and sycophants, and can be easily ousted by more aggressive and unified tribal opponents invading his realm from the periphery. This is understandable because clients, hangers-on and slaves lack the essential ingredient that promotes social solidarity and self sacrifice; this ingredient is to Ibn Khaldun, the *asabiyyah*, group feelings. Leadership becomes authoritarian and viciously tyrannical. They employ coercion and threat to extract the people’s loyalty. The consequences of this are many. Qualities of administration begin to erode until the regime meets its waterloo and subsequently eased out by another group of rulership. These processes of rise, growth and fall to Ibn Khaldun continue in a cyclical manner. Before, during and after Ibn Khaldun’s theory, empires, kingdom, caliphates, sultanates, etc, have risen and fallen following the pattern enunciated by Ibn Khaldun. This was the story of Abbasid and Umayyad caliphates, Seljuk, Saffavid and Mughal kingdoms in one way or the other. Scholars who criticized Ibn Khaldun can be classified in to three groups. The first are made up of those who think Ibn Khaldun was too simplistic in looking at the history of Muslim states within small span of just four generations.

Many polities like Ottoman, Saffavid and Mughal according to this school survived beyond four generations specified by Ibn Khaldun. Indeed, the Ottoman lived between 13th and 20th Centuries. The defense here is that Ibn Khaldun’s mentioning of four generations is allegorical and not categorical. In this vein therefore, the import of Ibn Khaldun’s theory to this study is that whatever the extent of growth and span of an

empire or a political authority, it shall decline and collapse. The second category charged that Ibn Khaldun did not apply enough moral and adequate faith-based gauges in his theory. To this group, what should be upper most in the rise and fall of any Islamic polity is that the “fresher” coming from the periphery are motivated by the zeal to return Islam and Society to the Caliphate style as witnessed during the era of the rightly guided Caliphs who succeeded the Prophet(SAW). However it should not be lost here that whatever the reason for a fresh overthrown, the fact of social feelings as expounded by Ibn Khaldun cannot be discountenanced. It also meant that whatever the social order that motivated the takeover depend entirely on the inspiring ideology, philosophy and social form. Except in few cases, most “fresher” are motivated by group interest and solidarity feeling to seek power and wealth (Lapidus 1991:207; Lindholm 2002:59). The third group contains those who felt that the cyclical theory is no longer applicable to the modern highly developed and organized world. To this category of Thinkers, there are no longer Bedouins with uncivilized characteristics uncouthness and insubordination. Even if they exist, they no longer have access to the cities which are now developed, fortified and transformed by technology. In addition, complex nation states, civic responsibilities and nationhood system have been evolved which render constant rise, fall and collapse mechanisms in nullity. Nations are now defined by inviolable borders and national institutions, organs and imperatives. In essence, to this group, Ibn Khaldun never foresaw that development in government, security, military and structuralized economy will erode tribal feelings and thereby eliminate cyclical theory (Ahmad2003:71). In as much as all these are obvious developments that have questioned the veracity of Ibn Khaldun theory, they do not in themselves repudiate the complete correctness of the theory. A modern re interpretation of the cyclical theory would construe the phrase “rise” and “fall” from dynamic perspectives. Rise may not necessarily continuously mean the physical creation or evolvment and growth of a particular state. In the contemporary sense, rise should mean, playing the centre-stage role; dominating the global scenes, and directing international thinking and actions. In the same vein, decline, fall or collapse mean inability to play a frontline role in the global equation of power (Okene & Ahmad, 2011: 82–84). If these re interpretations are latent, it means therefore that the Ibn Khaldun theory is still valid. Indeed, this is the position of this work.

3. Method

The method of article is historical study and historical documents (newspapers, newsletters and other authentic historical sources) and books related to the city of Tehran have been cited as the main sources in this regard. The data collection tool was

reversed questionnaire and researchers have tried to collect evidence from various historical periods, while investigating the history of Tehran in historical sources, provide tools for testing the theory of Ibn Khaldun.

4. Findings

4.1. Tehran before 1979 Islamic Revolution

Tehran was elected to the capital of Iran at the beginning of the thirteenth century, and from that time on, Tehran was called the Darul-Khalafeh (meaning the capital). In the pre-revolutionary period, Tehran, with the presence of the Allies and the coronation of Mohammad Reza Shah Pahlavi, began his new era. Certainly, radical changes have been made in Tehran since 1920, which is divided into four distinct periods. From 1920 to 1942, after which the gutters and gates were destroyed, the city expanded from four directions and found some regular and geometric shapes. Also, buildings and facilities of the National Bank (including the National Bank of Iran Fund), the Ministry of Foreign Affairs, the country's commander-in-chief, the railway station, the University of Tehran, Tehran Radio Transmitter Station, the Club of Officers and several hospitals related to this course. In this period from, following Tehran city politics, the city of Tehran has cultural facilities such as the Culture Hall, cinemas and active theaters, and light cafes and restaurants and small hotels in the streets of Lalehzar, Shahabad, Shahr Reza and Pahlavi streets, including two enclosures A great amusement park next to the Mayor's Guesthouse with a variety of games and amusement arcades and open-air cinema called City Hall Café, as well as another entertainment area called boot clubs with a large lake swimming pool, which was a sailing and submarine hangar, with a variety of entertainment halls And a place to move The electric cars on Pahlavi Street were among the most attractive places to spend their leisure time

Between 1942 and 1954, which was at the same time as World War II, there were no significant changes in the country due to the consequences of the World War and political problems.

During 1954 to 1979, the city of Tehran rapidly expanded and modern buildings newly constructed townships and alleys (boulevards) were to be built, a large urban complex called Shahrestan Pahlavi was to be built in Tehran's Abbasabad hills in this year. A total of high-rise buildings and towers, such as the Lion and Sun Tower, were to be built and, after construction, could be turned into the largest and most advanced in Asia. The advancement of Tehran technology was that foreign tourists called Tehran the Tokyo II Asia, in 1977 Tehran was unveiled as the 11th most advanced city in

terms of building and modern technology. According to the statistics of the year 1355, the population of the city amounted to 4,350,000.

To illustrate the extent of urbanization in Tehran, we can refer to the various photographs of that era. In pictures 1 and 2, Tehran's image has been shown in the space of thirty years (from 1946 to 1976). The volume of traffic and the change in the manner of coverage, along with various signs of urban life, show how extensive



Tehran's changes have been in these three decades.

Picture 1. Tehran, 1946

picture 2. Tehran, 1976

(Source: Business insider, 2019).

This growth, which was accompanied by the expansion of large and small industries in the outskirts of Tehran and the exorbitant growth of the body of the state system, sent migrant populations to Tehran, the immigrants who, despite the empty tissues inside the city, had the power and financial power. There were no residences in them. The onset of the outbreak of marginalization in the suburbs of Tehran and the outbreak of some urban intrusions occurred when residential towers were built on the periphery of the city's central axis. Immigrants, with the purchase or occupation of small plots and gradual growth, created limited, but dispersed neighborhoods on the margins of the external communication axes such as Karaj Road, Khorasan Road, Damavand Road and Saveh Road, and, by recruiting services, equipment and facilities The city provided its permanent housing equipment in these areas (which now constitute the satellite towns of Tehran), including the city of Karaj and its suburbs, the white ground and Islamshahr. The demands of this disadvantaged class became very effective in the years to come, especially at the beginning of the revolution, in consolidating marginal settlements and changing the city of Tehran.

4.2. Tehran after the 1979 Islamic Revolution

As noted, the unbalanced development of Mohammad Reza Shah Pahlavi caused a large marginal population to invade the border of Tehran. The imbalance between political space and cultural space has led various forces to cooperate to overthrow the Pahlavi regime. Eventually, in 1979, the Pahlavi regime collapsed and the revolutionaries took control of the government. For the analysis of this era in the language of Ibn Khaldun it can be said that a group with a more powerful *asabiyyah* could defeat the Pahlavi regime, which no longer had a powerful *asabiyyah* of the past. The plans of Mohammad Reza Shah Pahlavi's period were almost stopped by Iran's 1979 revolution. And Tehran's Mayor Nikpay, for the sake of cooperation with Western colonialism, Disability to solve the traffic scourge, the massive bribes during the responsibility, the large amount of corruption, the transfer of government bids to individuals for personal gain, the change of Tehran's master plan, the creation of a market for the sale of foreign tools and machines. And to prevent the national bourgeoisie and to reduce national production and ... was sentenced to death and executed on April 22, 1979. The conquest of Tehran was accompanied by the rule of Islamic rulings, in such a way that Shahr-e -no was burned down as a symbol of prostitution and corruption by the revolutionary forces. This era can be called a victory period. During this period, the most important Islamic law was laid the foundations of the Islamic Tehran. Examples such as the burning of Shahr-e-no and the collection of alcoholic beverages and the closing of gambling houses, along with much other evidence, show that revolutionaries in this period tried to implement their principles and laws in the city. pics 3 and 4 show the most important signs of this era.



Picture 3. burning Shahr-e-; burned corpse of a prostitute on the hands of the revolutionaries



Picture 4. Collect alcoholic beverages from the city of Tehran and homes

With the start of the war between Iran and Iraq, the development plan of Tehran was also in trouble. In the last years of the war, Tehran witnessed a missile bombardment, which raised the need for reconstruction for this city more seriously than ever. The

invasion of war-torn people from the southern parts of Iran to Tehran has increased the population of Tehran. In the meantime, everything that is not on the path to the ideology of the revolution comes out of the process of experience. The street whose name has been changed or the cinema that is closed is examples of the cleaned spaces after the 1979 Iranian Revolution. The division of cities by the Ministry of the Interior into two types of migratory and clandestine climates fueled the structural divide between cities and provided more grounds for the economic prosperity of Tehran in the following years. In these years a group seized Tehran with the seizure of seized land by the revolutionary regime. By issuing a decree establishing the Housing Foundation and the 100 account, the new government placed housing for the poor on top of its plans and provided the groundwork for fulfilling one of the demands of the revolution. Housing production peaked in the years 1979 and 1980. On the other hand, due to ideological differences with the previous government, the revolution coincided with the abolition of any urban execution plan, such as comprehensive plans and a system of boundaries. The revolutionary government looked at these plans in the form of an affiliated and accepted pattern of the West, and by the end of the year 1979, when it returned to the Ministry of Housing and Urban Development, there were no plans for the city. By disregarding the criteria for the development of Tehran, the extravagance growth in all directions of the city continued to increase, and with the continuation of revolutionary plans, migration to the regions around Tehran increased.

After the war between Iran and Iraq, the new organization of Tehran during the period of construction – with the introduction of the concept of development into the socio-political space of Iran and the subsequent construction of highways and parks – once again made the development of urban spaces. The effort to create a modern city was centered on work. Tehran Metro Construction started in 1365 and is still unfinished. With the growth of urban structures, for example, highways, which were actually built to create communication routes between different neighborhoods, once again challenged the separation of space and class in Tehran. In the early 2000s, questions such as urban life and civil life were raised about Tehran. Establishing cultural corridors and reviewing the map of parks were among the measures that tried to improve urban life. But, in general, all of these plans could not significantly increase social exposure due to one-sided participation and planning.

Due to these changes in power patterns, Tehran has faced numerous pollution and environmental problems in the last decade. Today's issues in Tehran include the financial crisis of the municipality and the lack of a stable and secure income, excessive migration, inadequate public transport, social crises, the existence of 550

worn out schools and 67,000 salaried employees in the municipality, urban decay and children's work and sleeping packs (Irna, 2019).

Table1. Tehran History Cycle

History cycle	Before Revolution	After Revolution
Conquer	Coronation of Mohammad Reza Shah Pahlavi	Burning Shahr-e-no / Destroying Gamblers and Nightclubs
Autocracy	The coup d'état of 1954	Expansion of Islamic values / anti-Semitism
Peak power	Cultural flourishing and urban development	Post-war reconstruction
Degeneration	The 70s and the injection of oil money into the market	Sanctions and postponement of urban development
Fall	The invasion of the margins and revolution	Reproduction of urban problems

5. Conclusion

The initiation of policies and strategies for modern urbanization in Iran can be traced back to the Pahlavi era, whereby the construction of architecture and urban spaces sped up a lot. This process of production of space was also influenced by Reza Khani's policies for aligning the land and the establishment of a single nationality, and in line with the world of architecture and urban planning. In this way, the space experience in the city of indigenous elements, which was formed by the architectural interiors, was emptied, and proceeded to a similar experience in different cities. Today's urban spaces in Iran, more than anything else, represent a blur of uncertainty. From the Greek decoration cartoon and the inspiration from the ancient aristocratic palaces, to the scattered hills, all together-together they form a cluster called the city. With the advent of the revolution, as a collective experience, urban spaces became the bedrock for the formation of social movements. The dialectic of people and urban space extends from writings on walls and leaflets to their presence on the street. After the revolution, without the passing of the day, the city is confronted with the destruction and change of many spaces. In the meantime, everything that is not on the path to the ideology of the revolution comes out of the process of experience.

The mind tries, in the face of such spaces, to link experience in a historical relation to the past and present. Memory and experience in this empty space mix. Not that the surplus of the revolution has added to the city and, incidentally, here it has diminished and erased something.

The experience of confronting empty spaces can be seen again in the years after the war. Urban plans in these years have been trying to quickly change the face of Tehran and considered the development of hasty. But this time, this purification was not about destruction, but on the contrary, with the construction and filling of ruined ruins and rubble. Creatures every day looked more and more like each other from the city and added to the space. The experience of the area with a good approximation of the daily relations of the residents of Tehran has been eliminated and with the spread of consumerism limited to chain stores and shopping centers. The streets make sense of the inside of the car for the cavalry, and the footpaths float away from the city; a fragmentary experience of the city resulting from the slip of urban spaces. In this crisis of civilization and with the dominance of quality, citizens of the city, which are no longer inhabitants, search for their concept of life instead of public realms in private realms. Today's urban spaces in Iran, more than anything else, represent a blur of uncertainty. From the Greek decoration caricature and the inspiration from the ancient aristocratic palaces, to the scattered hills, all together-together they form a cluster called the city

The comparative study of the latest Mayor's interview at the time of Pahlavi and a member of the Tehran City Council in 2019 shows that Tehran's problems are exactly the same. So that today's problems can be repeated in the same way as previous problems. This is a sign of confirmation of Ibn Khaldun's cyclical theory. Tehran, as an example of a third-world metropolis, seems to have been plunged into a circle from peak to downfall, as Ibn Khaldun's foresight predicted. In terms of Ibn Khaldun's theory, Tehran is a city which its *Assabiyah* has reduced and is in danger of collapse. The city faces many problems, and participation of citizens is a way to solve problems but the lack of social solidarity and inefficient management has delayed the resolution of these issues. The lack of social solidarity and inefficient management are two of the concepts that Ibn Khaldun referred to in his ideas centuries ago, and attached the social bias of cities to these two concepts.

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The Changing Face of the Art Market: A Khalduni Approach*

Sanat Pazarının Değişen Yüzü: Halduni Yaklaşım

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Abstract: The increasingly simulated dimension of reality has resulted in a major shift in the methods of providing services in the art market. As the market's reliance on technology is transforming the ways through which artworks can be produced, accessed and "consumed", both researchers and practitioners have been exploring the nature, scope and potentialities of utilizing virtual reality to help the market expand into new territories. Based on the existing literature, and using the method of textual descriptive analysis, this paper aims to relate the contemporary marketing models of the art market to İbn Khaldun's economic thought due to the important conceptual and pioneering role he played in the historic development of fundamental economic concepts that are still relevant in understanding different marketing implications today. It also examines whether the VR market would guarantee a higher level of morality in the way art is presented and protected keeping in mind the threats of cyber-crimes and digital piracy.

Keywords: Virtual Reality, VR Art, Digital Piracy

Öz: Gerçekliğin boyutunun artarak simüle edilmesi sanat pazarına hizmet sağlama yöntemlerinde büyük bir değişime neden olmaktadır. Pazarın teknolojiye bağımlılığı, sanat eserlerinin üretilmesi, erişilmesi ve "tüketilmesi" yollarını değiştirmektedir. Bu durum hem araştırmacılar hem de bunu icra edenler piyasanın yeni bölgelere genişlemesine yardımcı olmak için sanal gerçekliği kullanmanın doğasını, kapsamını ve potansiyellerini araştırıyorlar. Mevcut literatüre dayanarak ve metinsel tanımlayıcı analiz yöntemini kullanan bu makale sanat pazarının çağdaş pazarlama modellerini, bugün farklı pazarlama sonuçlarını anlamada hâlâ geçerli olan kavramlarda ve temel iktisadın tarihsel gelişiminde oynadığı önemli kavramsal ve öncü rol

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nedeniyle, İbn Haldun'un ekonomi düşüncesi ile ilişkilendirmeyi amaçlamaktadır. Ayrıca VR pazarının, siber suçlar ve dijital korsanlık tehditlerini göz önünde bulundurarak, sanatın sunulma ve korunma biçiminde daha yüksek bir ahlak düzeyini garanti edip etmeyeceğini inceler.

Anahtar Kelimeler: Sanal Gerçeklik, VR Sanat, Dijital Korsanlık

1. Introduction

The world today has witnessed fierce rebellions in the digital sphere which induced an unprecedented reliance on internet enabled gadgets. Examples of said reliance include and are not limited to the changes witnessed in the art market. In a virtual reality-based art market, the landscape becomes the context of the augmented artistic experience in both its production and distribution.

Both researchers and practitioners have been exploring how the burgeoning power of this digital marketing wave can help the art market to expand into new territories. The advent of interactive elements and navigation options in a live VR environment is a plus in terms of the artistic experience, however, the “old school” of art stakeholders battles the constantly evolving “smart” technology as it demolishes the “original” that has always been protected by the “conservative and closed” art market (VR All Art...2018:7).

Ibn Khaldun's economic thought in “Al-Muqaddimah” marked a fundamental change in the history of economics (Al- Leheabi, Bahjat, Ramchahi, 2013: 44). In the fifth chapter of Al Muqaddimah, Ibn Khaldun provides a detailed explanation of the different aspects of making a living, human labor, profit and sustenance, un-natural ways of making living, ranks and securing property, power relations associated with different ranks and social classes, character qualities related to profit making, different kinds of commerce and who should (not) practice it, the transportation of products, different types of crafts and finally market mechanisms including demand, supply and quality.

For him, a craft is only sought to be learnt if it is in demand as it constitutes the “value” of the person who learns it: *“Every man's value consists in what he knows well”* p. 509. In the same vein, Ibn Khakdoun states that the demand of the ruling dynasty of a particular good results in a huge demand for that product. He also explains that people with a societal rank can make more profit than those who do not, and in order to obtain a rank, a person should be obsequious and flattery rather than proud and supercilious. In other words, power and wealth play a major role in controlling the

working classes and normalizing the present hegemonic relations within a particular society.

For Ibn Khaldun, demand supply chain management is based on the following premises: prices can be kept high if the number of the available goods is limited and vice-versa, products become more expensive if they are brought from “other countries” especially if those countries are difficult to reach, medium quality products are always in high demand as they are affordable for everyone, prices of products should neither be too high nor too low and a person should produce goods that people value in a particular place.

As the emerging market of VR art is trying to adjust, it is noticeable that suppliers “galleries” implement The Scarcity principle to boost VR art sales. Such markets aim to decentralize the art marketplace and revolt at the idea of “protecting” the original while eagerly attempting to redefine the fixed rules of the art market and protect the “digital” rights of both the buyer and the seller.

Based on the existing literature, and using the method of textual descriptive analysis, this paper aims to provide descriptive analyses of Ibn Khaldun’s economic thought founded in his work *Al Muqaddimah*. It also examines the relevance of Ibn Khaldun’s economic thought to the contemporary marketing models of the art market. The study attempts to question if the current pace of change in digitalizing the artistic content generation and distribution, would guarantee a higher level of morality in the industry to keeping in mind the threats of cyber-crimes and digital piracy.

2. Ibn Kaldoun’s Economic Thought in Relation to Art

The Khalduni analysis of the impact of economics on history interpretation was conveyed by Al- Leheabi, Bahjat, Ramchahi (2013: 45). They maintained that Ibn Khaldun was a pioneer in the use of economics as one of the determining factors in interpreting history. Although socio-economic factors of dominant groups within a society may collectively determine history, other factors cannot be relegated to the background. As the subject of economics was beyond superstition, myth, personal desires and fraud, Ibn Khaldun’s synthetic alternative was an association between economics and social conditions whereby prices and availability of goods and professions are related to consumers’ preferences.

Ibn Khaldun also advocated the connection between art and economy as calligraphy and writing were considered a “part of human profession”. For him, these two professions, along-side other occupations, reveal the innate ability of art to express thoughts and feelings: “*they are drawings and forms of letters indicating spoken words to express our inner feelings. It is our second choice of linguistic expression and an honourable occupation since writing is a specialty for mankind that distinguishes him from animals*” (p.46). Ibn Khaldun then provides another perspective where art “writing” is seen as a medium for presenting knowledge and opinions and as a “toolkit” that adds to sophisticated knowledge that explains our understanding of reality: “*Writing usually expresses one’s intellect and helps in carrying out needs from distant countries. It also allows one to be introduced to various sciences and knowledge including the books of earlier Muslim scholars being acquainted with their knowledge and history*” (p. 47).

Abbadi (2004: 43) noted that Ibn Khaldun embarked upon the assumption that the realizable value of goods is perceived in terms of the labor used in production. However, in the case of art commodities, the correspondence between the item and labor used to produce it (its value) is more apparent than it is in the case of other products. He further revealed that from the perspective of Ibn Khaldun, scarcity increases products prices and excess supply lowers prices. Furthermore, in the case of luxuries and rare commodities the prices go up: “*When goods are few and rare, their prices go up. On the other hand, when the country is near and the road is safe for traveling, there will be many ways to transport the goods. Thus they will be found in large quantities, and their prices will go down*” (p.45).

Reiterating the views above, Pertaminawati (2016: 200) analyzed Ibn Khaldun’s thoughts on pricing and quality. For him, medium quality products nourish the market as they are always in demand. This has its implications on the market mechanisms in terms of segmentations positioning and targeting. In the same vein, Mujahidin (2018: 6) induces from “al- Muqqademah” that “moderate price” is mutually beneficial for the consumer as manufacturer, and presents Ibn Khaldun’s postulation that a state may influence pricing through taxation.

Ibn Khaldun set principles and guidelines for the division of labor within an industry (Ali, 2006: 2). The sum of “functional” cooperation which is not necessarily “joint” cooperation seems to add up to the prosperity of a civilization. However, this is where Ibn Khaldun becomes aware of how a city size, degree of civilization and demand for luxury customs can influence the division of labor:

“The activities required for necessities of life, such as those of tailors, smiths, carpenters, and similar occupations, exist in every city. But activities required for luxury customs and conditions exist only in cities of a highly developed culture, that have taken to luxury customs and sedentary culture. Among such activities are those of glassblowers, goldsmiths, perfumers . . . These activities exist in different degrees. In accordance with increase in the customs of sedentary culture and the requirements of luxury conditions, there originate crafts especially for this kind of luxury requirements. The crafts of this kind will, thus, exist in particular city, but not in others (Ibn Khaldun, p. 266).”

Staying on the last point, it is important to mention that the fact that the size of a city— as well as the demand for particular goods influences the division of labor would at some point— results in exporting luxuries to other cities if the production is geared towards the production of necessities rather than wants “luxuries” in a particular city:

“If the labor of the inhabitants of a city or a region is diverted towards the production of necessities and needs of those inhabitants, only a small fraction of that labor will suffice. All the labor is more than that is needed to satisfy necessities. Consequently, it is spent to provide the conditions and customs of luxury, and sometimes to produce the needs of the inhabitants of other cities, exporting it through exchange or sale (Ibn Khaldun, p. 235).”

Ali (2006) further explains Ibn Khaldun’s perception of a “merchant who knows his business” as a one who would provide commodities that everyone can afford, because

“If he restricts his goods to those needed only by a few people, it may be impossible for him to sell them, since these few may for some reason find it difficult to buy them. Then, his business would slump, and he would make no profit” (Ibn Khaldun, p.298).

In order to present a comprehensive discussion that examines the previously mentioned ideas in relation to the art market, it is pertinent to first of all present an insight into the art market.

3. Insights into the Digitalized Art Market: the Case of VR–All–ART

Art has proven to be a prominent mechanism through which meaningful experiences are conveyed to different audiences. However, due to the monopoly and competition in the art market, mega collectors tend to view artwork through a pragmatic lens. New digitalized platforms are however striving to change the power concentration in the art market. VR–All–ART is a virtual reality, blockchain–based platform that aims to shift

the concentration in the industry by providing a new marketplace that changes the entire structure of the market in the hope of enriching the artistic experience for the artists, galleries and art-lovers (VR-ALL-ART... 2018:8).

The existence of a powerful urge to surpass the physical time and space, immerse the recipient into the artwork, promote the affordability of art, determine the economic rules that enable the emergence of a decentralized economy for the coming generations, embrace tokenization to ensure the property rights of artworks, and bring profit for everyone in a supply chain (i.e. blockchain) are the main characteristics of the platform as the following paragraphs explain.

The VR supported art market is expected to transform the way artists exhibit their work and connect with their customers. Problems regarding the choice of a particular medium that physically fits within a gallery would no longer limit the imagination of an artist as the digitalized artistic experience is designed in a form to strip away any dimensional resemblance to physical galleries or fairs. This market can be seen as the market of tomorrow since artists can function independently from the narrow time frames of traditional fairs. Thanks to the blockchain technology, the platform provides an item-tracking feature that guarantees a higher level of transparency of transactions to prevent art theft and black market activities. The privacy policy guarantees anonymity when making transactions to ensure data confidentiality and digital ownership and rights (VR-ALL-ART...2018:21).

This breakthrough in the art market has a significant impact on art galleries. VR-supported galleries allow artists and customers to connect to the network whenever and wherever. Timeliness and proximity are the two features guaranteed by digitalized galleries. In other words, galleries are not bound to a particular time, space or location. Unlike planning traditional art exhibition, planning and designing an art exhibition digitally guarantees a complete and explicit control and cut on hidden costs (e.g. transporting artworks to galleries) of preparing art galleries. Accessibility of previous and current exhibition allows all customers equal opportunities to access artwork and provides "any" gallery an unparalleled potential of joining the global marketplace (VR-ALL-ART...2018:23)

Curators are a key conduit to outreaching art collectors and to organizing exhibitions. Essentially, curators need to research artists, plan and organize exhibitions, choose artwork to be displayed, build bridges between the exhibition, the artist and the

collector. The digitalized market does not only enable curators of promoting artwork, it also allows them to promote themselves as they can plan exhibition more creatively, oversee all exhibitions and collections and communicate directly with artists and collectors (VR-ALL-ART...2018:25)

The rise of the digitalized art market opened up phenomenal opportunities for art collectors as well. It is fairly clear that a user can choose to display his collection virtually while it is physically preserved. It needs to be noted that a collector can adjust the privacy settings to share the content with the public, a particular group or to keep it private (VR-ALL-ART...2018:26). The blockchain technology does not only allow a collector to track an artwork along the purchase funnel and to have exact information about previous purchases, but to also to have a certificate of authenticity. Such an open art market facilitates international art trade through cost-effective trading channels.

We cannot talk about art without talking about museums. Museums play a key role in preserving culture and presenting art and history to the world. However, traditional museums adhere to political, ideological and geographical borders. VR supported exhibitions allow museums to display artworks globally and eliminate any barriers to presenting art. VR is expected to change museums culture since digital duplicates of diverse and cosmopolitan artwork can be rented and displayed worldwide. One of the biggest reasons for the art market to embrace VR comes down to the possibility of exchanging artworks between museums and galleries which is expected to engage a larger audience with art (VR-ALL-ART...2018:27).

The adoption of the new technology is not meant to signal the end of traditional museums and galleries, it is however meant to co-shape and empower the current business model of the art market. The integration of the VR technology would raise the bar to another level entirely as galleries and museums' operational fees will be reduced and thus it will enable them to make more profit and share art content with a wider audience anytime and anywhere.

The steady growth of the VR-based art industry would also benefit universities and art schools. Professors can use the platform to deliver art classes in a very convenient and efficient way. The virtual interdisciplinary learning environment enables lecturers to provide students with strategic and analytical skills needed to curate and organize exhibitions. Students would be able to practice curating and exhibition management

skills professionally and virtually. As with the rest of users of the platform, students can access exhibitions whenever and wherever which allows them to learn more by doing than by watching (VR-ALL-ART...2018:29). Students would also be able to share and exhibit their own artwork to reach our art lovers everywhere.

Not only art collectors but anyone who is interested in art can benefit from and utilize the platform. Augmented reality-based markets allow any “user” to virtually visit any museum or gallery without necessarily having to buy art. This may build the awareness of the art industry, help understand the market more effectively, and open the door for potential customers to engage in the art world which may in turn increase the demand for art and increase the global value of artwork.

It is worth mentioning that both real art objects and their digital duplicates are tradable on a blockchain. To provide a low-risk environment, ownership handling strategies require identity rather than account verification. This all happens within a tokenized economic environment. MME Group defines tokenization as: “the process of digitally storing the property rights to a thing of value (asset) on a blockchain or distributed ledger so that ownership can be transferred via the blockchain’s protocol.” (Bitcoin Exchange Guide News Team, 2018:A4). This entails that the rights to an artwork are preserved digitally on the blockchain and that the ownership of the artwork is transferable using the same blockchain.

VR-ALL-ART created their own internal ALL-ART non-fungible token—a special type of uniquely identifiable cryptographic token which represents a unique asset (Garner, 2018: A4). An ALL-ART token represents a proof of ownership of a portion of a particular artwork which in turn helps regulate the relation between art owners (e.g. dealers, collectors, galleries, museums, artists) and art investors (anyone interested in owning a an entire artwork or a particular portion of it). Investors can purchase tokens and lock (stake) them in any artwork that is on sale and can also unlock the tokens when needed. Once the artwork is sold, the profit (in fiat money) is distributed among the VR-ALL- platform and the investors in proportion to the number of tokens held by investors. Tokens that were locked in the sold artworks are then distributed among the transactors and the platform.

4. Comprehensive Discussion

4.1. The Art Value

The VR-based art market is evolving as quickly as the challenges posed by the current ways of valuing virtual artwork. For most, value is measured by an artist's previous work. However, according to Elizabeth Neilson, director of The Zabludowicz Collection in London, reputation is not the only determinant factor of the value of a work of art; other factors including the cost of technology are said to determine the value of the work (Giles, 2017: A4). This goes line in line with Ibn Khaldun's logic that the realizable value of goods is measured in terms of the labor used in production.

In the same vein, Giles (2017: A4) suggests that limiting the supply by limiting the number of VR duplicates/editions sets the prices high which is consistent with Ibn Khaldun's scarcity principle. In the case of museums (which are not allowed to sell original work of art), the value of a duplicate of an original work of art is determined by the value of its digital rights which brings up the question of how valuable digital rights are (See below sections for further elaboration).

The representation and transfer of the tokenized digital value of artworks using the blockchain technology benefit everyone in the supply chain. From a Khalduni perspective, the value of the artwork is perceived in terms of the labor and the costs incurred; and is thus expected to reward everyone in the chain for their "functional" and unnecessarily joint corporation which from a Khalduni lens adds up to the prosperity of a civilization; and an industry in this context. It also helps decentralize the art market through the transfer of value rather than money.

Moreover, the digitalized market offers timeliness and proximity as it enables sellers to connect with a broader cross section of potential buyers, investors or simply users. The technology may have a significant impact on the market as it provides a broader scope of information to consumers and allows sellers to organize virtual auctions. The interactive nature of such available information may raise the awareness of the art industry by allowing potential customers to shape and mold the artistic experience they receive and by enabling them to track the purchases of an artwork which may in turn increase the value of an artist's work, increase the demand for art and increase the global value of artwork.

4.2. Price and Quality

As mentioned in the previous section pricing virtual artwork is challenging as the market is still emerging. The development costs of a VR based art platform and the accessibility costs vary. In (2017), six VR artworks were commissioned by the New Museum and Rhizome—an art organization specialized with digital art and culture. Users could access the artworks via a free app and could immerse into the artwork on their phones using \$15 Google Cardboard frames (The Artling Team, 2017: A4).

Edward Winkleman—Moving Image fair co-founder—stated that the virtual reality artworks they offer come in editions between three and eight and their prices range between \$5,000 and \$25,000 (Boucher, 2017: A4). Speaking on digitalized museums at Art Basel, Joel Kremer, son of Netherlands Old Masters collector George Kremer, stated that the cost of developing his virtual reality platform is “significant”, however, it is not comparable to what a physical museum would cost. His architect, Johan van Lierop stated that: “*To design a museum without gravity, plumbing or code regulation is a dream*”. Kremer guaranteed that the VR technology would provide the same pleasurable experience physical museums provides; a feature that enables selfie taking with artwork will for example be provided (Gerlis, 2017: A4).

Olafur Eliasson—an artist—said that we were only in “the Stone Age” for the new technology. Nevertheless, the technology is said to provide “*a new space ... where a lot more people will have access to artistic experience*”. In April, 2018 Acute Art’s VR museum presented a subscription service to access Eliasson’s artwork and provided a free access to the work of five other artists for nonsubscribers (Schmid, 2018: A4).

Ibn Khaldun’s thoughts on pricing and quality seem to match the current mechanisms of the Virtual reality art market. From a Khalduni point of view, medium quality products are always in high demand as they are affordable for everyone and prices of products should neither be too high nor too low. As mentioned above affordable subscription to VR art platforms are expected to nourish the art market and to encourage more users to access its contents. The digitalized market enables users to view artworks without necessarily having to buy them, to buy limited editions of digital artworks or duplicates of physical artworks; all of which is said to increase the supply and provide a more favorable environment for sale, thus benefiting both the seller and the buyer as Ibn Khaldun suggested.

4.3. Ethical Considerations in the Art Market

As mentioned above, the blockchain technology utilized by VR-based art platforms provides a traceability system that enables users to track art items to guarantee a high level of transparency of transactions to avoid fraud. The technology maintains anonymity of transactions to ensure data confidentiality, digital ownership and rights, and the privacy of both the buyer and seller. However, in the case of the art market, the blockchain technology should not only provide a track record of all the transactions that occurred, but also a feature that enables users to manage the metadata associated with a block of transactions such as documentation and certification of artworks. Developing such a system can be challenging as it is not expected to happen overnight (VR-ALL-ART...2018:33). Another challenge lies in the infinite replicability of Virtual reality art pieces as evident by the digital transmission of digital data that has harmed the music and film industries over the years.

To maintain anonymity, the ownership of an artwork on the platform is controlled and maintained through identity rather than account identification. Since the VR market is open to the public, digital attackers may conduct “taint analysis” to correlate addresses to transactions (Moreno & Trivedi, 2017: A4). However, identity identification is said to minimize digital piracy as it enables a user to own multiple accounts. Certification of artwork is said to pose another challenge as it may require human involvement to verify the authenticity of a work of art before it is introduced on the system. This may, on the other hand, increase the demand for experts’ services.

Taking artworks without consent is another ethical dilemma in the art world. On November 23, 2018, the French government published a report calling for the full restitution of looted African artwork. While the announcement was welcomed in Africa, it stirred up a debate in Europe. Yonas Desta, the director of the Authority for Research and Conservation of Cultural Heritage in Ethiopia, explained that the report signals “*a new era of thought*” in the relations between Europe and Africa. In the same vein, Abdou Latif Coulibaly, the minister of culture of Senegal, stated that “*It’s entirely logical that Africans should get back their artworks. ... These works were taken in conditions that were perhaps legitimate at the time, but illegitimate today*” (AFP, 2018: A4). On the other hand, Harwig Fischer, the director of the London institution which has 73.000 African artworks, stated that the return of 26 objects by France to Benin “*does not change the policy of the British Museum, nor legislation in Great Britain*” and that “*the collections have to be preserved as whole*” (Nayeri, 2018: A4). The rise of the Virtual reality art market may provide insights into solving the ethical dilemmas related

to looted art as it is said to change museums culture. Digital duplicates of cosmopolitan artwork can be rented and displayed virtually worldwide, while the original piece is physically preserved.

In al-Muqaddimah Ibn Khaldun states "*that attacks on people's property remove the incentive to acquire and gain property*" (p.336); that stems from the fact that people would believe that their efforts to gain property would be in vain as it will be eventually taken from them. Moreover, injustice is said to be the enemy of prosperity of a business since "*The extent and degree to which property rights are infringed upon determines the extent and degree to which the efforts of the subjects to acquire property slacken*" (p.336). Ibn Khaldun also explains that "*Injustice should not be understood to imply only the confiscation of money or other property from the owners, without compensation and without cause. It is commonly understood in that way, but it is something more general than that*" (p.367). To apply this principle to the art market, it can be assumed that those who infringe upon "property" rights that is to say violate copyrights and anti-circumvention agreements, hack VR art platforms to steal content, or breach a contract's terms of service commit an injustice and jeopardize the prosperity of the art market. To limit such potential threats, the VR art market platforms utilize different protocol structures to record and store data properly. However, and as explained above, the blockchain technology is still in its early days, and as it is developing and evolving, potential security threats do exist as evident with the digital attacks on cryptocurrency exchanges around the world (Magas, 2018: A4).

5. Conclusion

In studying the relevance of the Khalduni economic thought to the current mechanisms of the virtual reality art market, it was found that the value of artwork is perceived in terms of the labor and the costs incurred. Findings also suggest that limiting the supply of VR duplicates/editions sets the prices high which matches Ibn Khaldun's theory on supply and demand in the market. Moreover, the transfer of the tokenized value of VR work via the blockchain technology is said to benefit everyone on the supply chain and thus blooms the prosperity of the industry from a Khalduni point of view.

In relation to pricing and quality, it was found that affordable subscriptions to VR platforms open the door for more users to experience art and thus revives and decentralizes the art market. The fact that buyers or investors can enjoy artworks without necessarily having to buy them, can fractionally or fully own them, and can

easily manage their investments on the same portal is expected to increase the supply in a favorable sale environment that benefit the seller, buyer or investor.

Furthermore, the VR art market strives to provide a higher level of morality for users by limiting potential security risks. However, as the market is still e in “its stone age”, such security threats and challenges exist.

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Waqf for Socio–Economic Development: A Perspective of Ibn Khaldun*

Sosyo–Ekonomik Kalkınma İçin Vakıf: İbn Haldun Perspektifi

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Abstract: While waqf past significant contribution towards the welfare of society has been acknowledged, it is believed that waqf has potential to be the icon and esteemed institution to establish Islamic civilization and promote socio economic justice in this contemporary era. While more studies on waqf have been conducted, it is apparent that Western perspective dominates the discussion. Less literatures from well-known Muslim scholar is explored to gain the insight for waqf development. As such, with the spirit for waqf revival, this current study is going to fill this gap by exploring and relating to the perspective of Ibn Khaldun. Firstly, this paper is going to elaborate the perspective of Ibn Khaldun on the role of the State for socio–economic development. Secondly, it will elaborate the Ibn Khaldun’s perspective on how to promote moral values that warrant sustainable and fair environment in the society. Based on his perspectives, a recommended practice is proposed to promote waqf for socio–economic development. This study represents the pioneer work that attempts to elaborate waqf and Ibn Khaldun’s perspective to promote sustainable socio–economic development.

Keywords: Ibn Khaldun, Moral, Socio–Economic Development, State, Waqf

Öz: Vakıf geçmişinin toplumun refahı üzerinde önemli katkısı kabul edilirken, vakfın bu çağdaş dönemde İslam medeniyetini kurmak ve sosyo–ekonomik adaleti teşvik etmek adına bir simge ve

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saygın bir kurum olma potansiyeline sahip olduğuna inanılmaktadır. Vakıf üzerinde çok fazla çalışma yapılmasına rağmen, Batı perspektifinin tartışmaya hâkim olduğu açıktır. Vakıf gelişimi ile ilgili iç görü kazanmak için tanınmış Müslüman âlimlerden ise daha az çalışma tetkik edilmiştir. Haddi zatında bu çalışma vakfın dirilişi için bu tutum ile İbn Haldun'un perspektifini keşfederek ve onunla ilişkilendirerek bu boşluğu dolduracaktır. İlk olarak, bu makale İbn Haldun'un sosyo-ekonomik kalkınma için Devletin rolü konusundaki perspektifi üzerinde duracaktır. İkinci olarak, İbn Haldun'un toplumda sürdürülebilir ve adil ortamı garanti eden ahlaki değerlerin nasıl teşvik edileceğine ilişkin bakış açısını ele alacaktır. Onun bakış açısına dayanarak, sosyo-ekonomik kalkınma için vakfın teşvik edilmesi adına önerilen bir uygulama teklif edilmektedir. Bu çalışma sürdürülebilir sosyo-ekonomik kalkınmayı teşvik etmek için vakıf ve İbn Haldun'un bakış açısını detaylı bir şekilde ele alma girişiminde bulunan öncü çalışmaları temsil etmektedir.

Anahtar Kelimeler: *İbn Haldun, Ahlak, Sosyo-Ekonomik Kalkınma, Devlet, Vakıf*

1. Introduction

Within last decades, more studies related to waqf have been conducted with broader scope and perspectives (IWB, 2016; Nasir, 2017). Initially, researches on waqf area were more relevant to fiqh, law, or historical aspect. Different situations can be observed as currently more research are being conducted from economic dimensions. There are proposal to synergize between waqf and economic development, Islamic finance, Islamic financial institutions, zakat, and etc (Ascarya, Husman, & Tanjung, 2018; Sadeq, 2002; Shirazi, 2014). In addition, waqf is also discussed within the contemporary issues such as Sustainable Development Goals (SDGs) and blockchain technology (Abdullah, 2018; Rashid, 2018).

Within its broader scope, it is apparent that waqf is discussed and explored from the Western perspective. Even Waqf Core Principles (WCPs) that was developed by the International Working Group on Waqf are mainly according to the Basel Core Principles that origin from conventional financial services. Whereas those progress and development need to be examined, due to the lack reference to literatures from well-known Muslim scholar to gain the insight for waqf development. As such, with the spirit for waqf revival, this current study is going to fill this gap by exploring and relating to the perspective of Ibn Khaldun view on waqf. In many literatures, Ibn Khaldun (1332–1406 M) is mentioned as the fourteenth century Muslim thinker, economist and father of sociology who has been acknowledged by his intellectual legacy (Chapra, 2007; Ismail, Ramli, Yaacob, Tasrif, & No, 2014; Karatas, 2018). It is expected that current study may contribute to the body of knowledge and offer value laden lessons learned for present waqf sector.

Karatas (2006) mentioned that the ideas given by Ibn Khaldun are still relevant with current context. As such, interpretation of Ibn Khaldun's work offered by contemporary scholars complements the review of the book *Mukaddimah* of Ibn Khaldun to explore his perspectives that may be relevant to waqf context. This paper is divided into four sections. The first section is introduction. Second section review the existing literatures related to waqf and socio–economic development, especially from Islamic perspective. Later, the stance of Ibn Khaldun with regard to the role of state and the moral teachings to promote waqf for socio–economic development are elaborated before conclusion in the last section.

2. Waqf and Socio–Economic Development

2.1. Waqf: Past and Present

According to AAOIFI (2015), waqf is “*making a property invulnerable to any disposition that leads to transfer of ownership and donating the usufruct of that property to the beneficiaries*”. Initially waqf in Islamic civilization was practiced by Rasulullah (peace be upon him) and the companions. Although no explicit “waqf” terminology can be found in Quran as the main Islamic jurisprudence, its practice is being recommended in Shariah (AAOIFI, 2015; Abbasi, 2012). In principle waqf assets should be sustained while its benefit flows in perpetuity to the waqf beneficiaries (*mauquf alayhs*). In addition, AAOIFI (2015) noted that all of their activities need to be in accordance with Shariah principles.

In the past, Çizakça (2016) noted that waqf was normally created by rich single waqf giver (*waqif*) by giving fixed assets in form of land, building, or properties. At that time, they could easily appoint either other people or themselves to be the responsible party to manage the waqf assets, called as *nazhir* or *mutawalli*. Currently, innovative waqf assets are collectively contributed by *waqifs* (H. Ahmed, 2018) in the form of cash. Collective contributions in the form of cash waqf allows for flexibility and encourage more participants in Indonesia, Malaysia, Singapore, and Turkey as it is permissible by law.

Within the last decades, more studies and initiatives to revive the waqf sector are observed. While significance of waqf to the society has been acknowledged in the past, it is believed that waqf has the potential to contribute positively for the society and address the current global issues like poverty and inequality (Cizakca, 1998; Sadeq, 2002). While prevalent capitalist economic system encourages people to accumulate individual wealth, waqf on the other hand, promotes social well–being and care for others. Waqf scheme enables retail or individual donors to collectively accumulate funds for productive investment. Ibn Khaldun mentioned in the *Mukaddimah* that wealth in

form of estates and farms need a progressive and persistent wealth accumulation process. He mentioned that “*The accumulation of numerous estates and farms by the inhabitants of towns and cities does not come all at once and not at one time. No one person would have enough wealth to acquire limitless (real) property...*” (Rosenthal, 1958, p. 463). According to this proposition, waqf may become alternative for sources of funding on businesses that are required by human being, especially by Muslim ummah to secure their independency.

Saptono (2018) stressed that waqf represents activities that enables wealth allocation and distribution. Technically, the *waqif* will give the waqf assets to the selected nazhir. Then the nazhir will manage and develop waqf assets so that there will be a perpetuity benefit to be distributed to the *mauquf alayh*. The *mauquf alayh* can be either public, family, or combination of both according to the intention of *waqif*, as stated in the waqf deed. Therefore, it is mentioned to offer justice to more people (Abdul-Karim, 2011). In many literatures, waqf is proposed to become the alternate solutions of conventional financial and micro-financing systems (Mohammad, 2015). Waqf is expected to be an economic institution, property, activity or fund to promote socio-economic development.

2.2. Socio-Economic Development from Islamic Perspective

Initially, economic growth dominates the discussion of economic development in the past. As the time goes by, more studies acknowledged that economic growth itself is not sufficient to represent the meaning of economic development. Ismail et al (2014) and Mirakhor & Askari (2010) among others, noted such changes. Sadeq (1987) asserted that from Islamic perspective, economic development covers both material and non-material improvement to secure both temporal life in this world and permanent stages of human beings in the hereafter. As such, he noted that the index of economic development need to be based on “*economic growth, equity distribution of income and wealth, and a healthy and congenial social environment of Islamic norms and values*” (Sadeq, 1987, p. 37). Socio-economic development need to be aligned with *maqasid al shariah* with aims to ensure the human wellbeing (Ismail et al., 2014; Sadeq, 1987).

Chapra (2007) interpreted from Ibn Khaldun’s Mukaddimah that “*the development or decline of an economy or society does not depend on any one factor, but rather on the interaction of moral, social, economic, political and historical, factors over a long period of time*”. Sadeq (1987) noted that greed and lack of ethical values are mentioned to be the underpinning reason that cause financial crisis. Mohammad (2010, p. 1) noted that “*Overconsumption, corruption i.e. disregard for moral values, and the greed for wealth are recognised as the indicators of the fall of civilisations which are proxied to be the*

indicators of unsustainable development.” According to his understanding on principles of Ibn Khaldun, a) collective authority in form of state, b) the rules, regulations, and institution to enforce them, c) people, d) wealth and development, e) justice, f) moral legitimacy are mandatory to enable strong economic development. These represent factors that may influence the rise and fall of civilization.

3. Relevant Ibn Khaldun’s Perspectives to Waqf Sector

3.1. Promoting Societies’ Well-Being Through Waqf: Analysis on Role of State

In waqf sector, to date, two different arguments with regard to the role of state remains. Malik (2016) and Cizakca (2018) argued that waqf sector need to be independent from the state. This argument was based on historical experience as the government misused the waqf assets that brought down their significance. On the other hand, state based authority is expected to exist to support the development of waqf sector in the country (Kahf, 2015; Rashid, 2018).

According to the Mukaddimah of Ibn Khaldun, Chapra (2007) noted that “*Ibn Khaldun viewed the state to be neither a laissez faire state nor a totalitarian state. It is rather a state which ensures the prevalence of the Shariah and serves as an instrument for accelerating human development and well-being*”. Here, clearly that government is expected to play public interest welfare role with the assigned or elected authority. In waqf context, as Ibn Khaldun argued that there is no need for government’s involvement in trade, production and commercial affairs, the role of the state needs to be as authority (regulator/ruler) only. To Ibn Khaldun, state need to establish laws and regulations to enable conducive economic activities. In addition, Ibn Khaldun predicted that involvement in such activities may decrease the economic surplus and cause countries decline (Karatas, 2006).

However currently in some countries, waqf authorities assuming both regulator and administrator roles at the same time, while there are some other private waqf institutions which play administrator role only. Given the dual state role, it seems that the state competes with private sector, but with non-level playing position and authority on waqf activities. It is expected that state involvement as waqf administrator may cause control issues due to absence of segregation of duties (U. Ahmed, 2013). Even in some other countries, waqf authority represents the only regulator and administrator at the same time on waqf matters. In this kind of situation, people in the society are apparently do not have alternative institutions in the country to give their waqf. As such, due to the state’s bureaucracy, people may resist and be discouraged to create any new waqf (Çizakça, 2016).

In addition to that, waqf authority needs to implement good governance to avoid any corruption or misappropriation of authority as it happened in the past. Chapra (2007) noted that Ibn Khaldun required the state to be both accountable and transparent. As elaborated, "*Ibn Khaldun emphasized and characterized the role of the state in development as good governance, responsible for its permissive to participate in decision making according to the principle of shura*" (Chapra, 2007; Mohammad, 2010). Take a lesson from his propositions on the role of state in waqf context, there is an urgency for waqf authorities to make necessary changes to develop waqf sector in their respective country.

3.1.1. Waqf Habit and Role of State

In Mukaddimah, Ibn Khaldun (2015, p. 690) mentioned that habits can influence and shape human characters. Therefore, good habits need to be encouraged into an ecosystem or habitat. In case of waqf, waqf literacy need to be spread so that more people understand its urgency and its goodness. Sufficient effort needs to be conducted to address this kind of misconception about waqf. In the grassroot, many Muslims think that waqf is limited to the tangible assets such as land and building, hence can only be done by the rich people. While in fact, everybody is eligible to create waqf.

When Muslim have proper and correct understanding the importance and benefit of waqf both in this world and the hereafter, it is expected that they will have strong motivation to create many other waqf. Moreover, it can be noted that there is no companion left without established waqf (Abdullah, 2015). And since the given waqf assets will no longer belong to the *waqif* once it is declared as waqf, practising waqf may train people become more sincere, hence better characters. The more people become *waqif*, the better for the state as "*public spending contributes to the welfare and prosperity of people which in turn strengthens the state*" (Mohammad, 2010, p. 11).

Practical wisdom of waqf literacy may be promoted through education and by allocating sufficient resources to encourage public awareness waqf campaign. To this end, state can take a role by providing sufficient resources and supportive regulations. Waqf sector warrants for sufficient budget as it deserved mentioned to have huge potential to promote justice in terms of socio-economic dimension (Çizakça, 2000). Other than resources in form of adequate budget, the state may take an important role by ensuring that only competent and skilful human resources involve in the waqf authority. This action is important since quality of human resources within the waqf authority may influence its effectiveness. This aligns with the stance of Ibn Khaldun who encouraged the state to pay attention to the welfare of people (Chapra, 2007; Mohammad, 2010). In

addition, government or people with authority may provide good role model by creating waqf infrastructure and incentives. In the past, waqf that was established by Rasullullah (pbuh) encouraged his companions to do waqf as well (Abbasi, 2012).

3.1.2. State Policies for Professional *Nazhir*

In parallel while the waqf habit that is being promoted, there is necessity to ensure the quality of professional *nazhir*. In his book, Ibn Khaldun asserted that skilful and competent people need to be placed in every field of work. Waqf need to be within management of such people to fulfil its objective and maintain its characteristics. In nature, *nazhir* belongs to service-based occupations (servants) that according to Ibn Khaldun (2015, p. 691) can be categorized into four. “*He may be capable of doing what he has to do, and trustworthy with regard to the things that come into his hands. Or, he may be the opposite in both respects, that is, he may be neither capable nor trustworthy. Or, he may be the opposite in one respect only, that is, he may be capable and not trustworthy, or trustworthy and not capable*” (Rosenthal, 1958). The first represents those with high value (salary), in contrast with the second which is not expected. He mentioned that when both characters cannot be secured in once, the capable is preferred rather than the trusted only. In summary, it can be illustrated in figure 3.1

Capable and Trust worthy	Capable but not trustworthy
Trustworthy but not capable	Neither trustworthy not capable

**Figure 3.1 Categorization of Service-Based Occupations
Developed from Mukaddimmah of Ibn Khaldun (Rosenthal, 1958)**

Professional *nazhir* is expected to have proper capability (competency) and trustworthiness (integrity) (Mohsin et al., 2016), so that able to manage the waqf assets in their best interest. As an effort to call people’s interest to become *nazhir*, proper appreciation and compensation need to be given. Ibn Khaldun (2015) asserted that the more demand on particular livelihood, the higher the value is. Currently, many *nazhirs* are voluntary and do not enforced to any specific qualifications or certification. Sometimes, they come from religion background rather than business, economic, or professional background. With this proposition, demand for professional *nazhirs* need to be created by the authority. Practically, it is necessary for the state to regulate that waqf institutions can only be managed by professional *nazhirs*, those who have passed particular training or certification to ensure sufficient knowledge and competencies in managing and developing the waqf assets properly.

3.1.1. Options for Investment of Waqf Assets

Ibn Khaldun (2015) acknowledged that high demand business is more promising to provide more value and benefits. According to him, maintaining quality investments is a prerequisite to sustain in a business. Apply his propositions in waqf context, the investment of waqf assets need to be allocated in high demand business with proper and effective quality control towards its realising productive outcome. Practical wisdom suggests the collected cash waqf need to be invested in way to enable sustainability of those assets while also producing benefit for the *mauquf alayh* in perpetuity. As such, a number of investment options may be differed between each waqf assets. Theoretically, when there is no specific requirement given by the *waqif*, then *nazhir* may invest the most productive waqf assets in the best interest of the beneficiaries.

Currently, when choosing investment, many people consider investing the waqf asset in real estate and rental business. The reason is normally due to its easy scheme and simplicity. However, it should be noted that demand of products from this kind of business is limited to specific people who are having sufficient fund, business or other interest for office or space. On the other hand, consumer goods business, agriculture, or livestock business may become more appropriate for waqf investment in the long run. These kinds of businesses are high demand in nature due to its ability to fulfil basic needs of people in majority. In principle, investment of waqf assets need to consider the local wisdom and available resources and demand in their surrounding area. As such, the potential high value in demand may secure the investment.

3.2. Moral Values for Sustainable Socio-Economic Development: Proposal for Waqf Context

From his work, it can be noted that Ibn Khaldun acknowledged the central roles of human being in civilization (Chapra, 2007; Khaldun, 2015). Moral value and justice are mentioned to be clearly matters to the rise and fall of civilization. According to Ibn Khaldun, immorality and injustice are recognized as the indicators of unsustainable development that may cause the fall of nations (Ismail et al., 2014). As such, sufficient resources and efforts need to be allocated to improve and promote both moral and justice among people in the society.

Chapra (2007) noted from existing literatures that moral degeneration represents among the important factor which led the decline of Muslim civilization. Ibn Khaldun acknowledged that concentration in luxury custom and spending lead to corruption and wastage (Ismail & Jaafar, 2017, p. 27; Rosenthal, 1958, p. 469) hence need to be avoided. In waqf context, Rashid (2014, 2018) and Çizakça (2016) stressed that significant

decline of waqf contribution in the past was also caused by this anomaly. Therefore, to avoid such failure, there is an urgent need to improve the moral and ethical value of people in the society. Educating Muslim to embrace Islamic teaching in their daily life should be an option.

According to the extant literatures, Ismail et al (2014) noted that religiosity significantly influence economic development. Islam, as the revealed religion had a significant effect on harmonic balanced economic development in history of Muslim civilizations (Omar, Hussin, & GH, 2015, p. 99). Primarily Islamic teaching alleviate human belief, practice and ethics as *akhlaq*. In many occasions, Muslim need to be reminded of their *amanah* as servants of Allah swt and vicegerent of the earth. As mentioned by Maniam (2016), the Islamic values and principles can be instilled and cultivated in the educational system. In addition to that, character and personal development may also be emphasized as subject to be taught. By embracing the values and implementing these approaches, amore cultured, and caring society is developed to be sensitive to the environment. These values are important due to the nature of human being as social creatures, hence cannot sustain by his/herself. Ibnu Khaldun stressed this point in his book, as noted by Mohammad (2010, p. 8) that "*Ibn Khaldun recognises civilisation to consist of both organisation and cooperation*".

In substance, Islam encourages the economic development which is underlined with the application of morality, ethics, and social justice, equitable and fair development" (Ismail et al., 2014). Good morality needs to be infused to each Muslim in order to promote their awareness on the requirement of integrity and competency in doing every job. Relevant to this matter, Chapra (2007) elaborated pre-requisites to the Khaldunian's model attributed to the sovereign in his work.

1. The strength of the sovereign (*al-mulk*) does not materialize except through the implementation of the Shariah
 - 1.1. The Shariah cannot be implemented except by the sovereign (*al-mulk*)
 - 1.1.1. The sovereign cannot gain strength except through the people (*al-rija*)
 - 1.1.1.1. The people cannot be sustained except by wealth (*al-mal*)
 - 1.1.1.1.1. Wealth cannot be acquired except through development (*al-imarah*)
 - 1.1.1.1.1.1. Development cannot be attained except through justice (*al-adl*)
 - 1.1.1.1.1.1.1. Justice is the criterion (*al-mizan*) by which God will evaluate mankind
 - 1.1.1.1.1.1.1.1. The sovereign is charged with the responsibility of actualizing justice

In order to promote justice, laws and regulations need to be implemented and enforced properly. Similarly, in the waqf context which has religious value in nature, relevant laws and regulations need to be implemented properly. Necessary actions need to be taken

for any deviation to the existing laws and regulations, so that people are being motivated to behave in the best moral and ethical value. Skill and sincerity of human being represents two main requirement to enable and promote justice in the society (Mohammad, 2010; Sadeq, 1987).

4. Conclusion

To summarize the Ibn Khaldun's perspectives that relevant to waqf context, these precedents that may fit with the current effort in promoting waqf for socio-economic development. Related to the role of the state, there are three. First, the state needs to act as authority (regulator/ruler) only. Second, the state needs to promote waqf habit and allocate sufficient resources to run massive campaign to spread people awareness to waqf and increase the waqf literacy in the Muslim society. Misconception on waqf assets need to be addressed. Sufficient resource allocation to develop waqf sector is required to actualize its huge potential. Third, there is urgency for the state in supporting the existence of professional *nazhirs* and ensuring adequate appreciation flows to them. In terms of moral value, the Islamic teaching need to be elaborated in the educational system in terms of character and personal development. It is expected that content relevant to waqf need to be included in the proposed collaboration. There should also be law enforcement towards the existing laws and regulations on waqf to encourage *nazhirs'* discipline. This study represents a pioneer attempt to elaborate Ibn Khaldun's perspective on waqf context to promote its contribution towards the sustainable socio-economic development.

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Governance Structure of Microfinance Institutions: A Comparison of Models and Its Implication on Social Impact and Poverty Reduction*

Mikro Finans Kurumlarının Yönetişim Yapısı: Bir Model Karşılaştırması ve Sosyal Etki ve Yoksullukla Mücadele üzerine Çıkarımlar

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Abstract: The purpose of this paper is to compare three different models of MFIs, namely microfinance banks (MFB), Microcredit programme (MCP) and rural development scheme (RDS), by focusing on their governance structures, and subsequently analyse their implications on social impact and poverty reduction of the MFIs. Three MFIs, one from each model, will be considered, using Bangladesh as the case study. Bangladesh is a country which is considered to be a pioneer in providing micro-finance to the underprivileged people to improve their entrepreneurial capacity. In methodology, the study relies on Porter's Competitive Strategy Theory (1979). This theory is based on the concept that five forces determine the competitive intensity and attractiveness of a market which assesses five forces. The study relies on secondary data collected mainly from the annual reports of the three MFIs, and Microcredit Regulatory Authority (MRA) report. This study aims to contribute towards better governance practices of the MFIs given its strong implications on social responsibility, accountability, transparency, financial performance, increasing their social impact and poverty reduction of the MFIs. Findings of this study provide essential inputs on the way forward for the evolution of microfinance, as framed by the global development discourse and subsequent public policy choices. Overall, the study shows that only a limited number of variables influence the social impact and poverty reduction of an MFI. The limitation of the studied investment fund is that it invests in expanding and mature MFI's. So the

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results of this research can only be generalised to expanding and mature MFI's. The approach to microfinance governance should be broadened by focusing more on stakeholders and the decision making process in an MFI. Better social responsibility and poverty reduction of the MFIs contribute positively to financial inclusion through poverty alleviation, empowerment of the poor and better financial access, leading to sustainable economic growth.

Keywords: Governance Structure, Microfinance, Social Impact, Microfinance Banks, Rural Development Scheme

Öz: Bu makalenin amacı Mikro Finans Bankaları, Mikro Kredi Programları ve kırsal kalkınma planları gibi farklı Mikro Finans Kurumları (MFK) modellerini yönetim yapılarına odaklanarak karşılaştırmak ve akabinde bunlara ilişkin sosyal etki ve yoksulluğun azaltılması konusunda yapılacak çıkarımların analiz edilmesidir. Her biri farklı bir model olmak üzere üç farklı MFK, Bangladeş örneği üzerinden ele alınacaktır. Bangladeş sosyal haklardan mahrum insanların girişimcilik kapasitesini arttırmak için onlara mikro kredi sağlama konusunda öncü rol oynayan bir ülke olarak değerlendirilmektedir. Bu çalışma metodolojik olarak Porter'ın Rekabetçi Strateji Teorisine (1979) dayanmaktadır. Bu teori bir piyasanın çekiciliğini ve rekabetin yoğunluğunu belirleyen beş temel etken yaklaşımını esas almakta; temelde MFK'ların yıllık raporlarından ve Mikro Kredi Düzenleme Ajansı (MKDA) raporundan derlenen ikincil veriye dayanmaktadır. Bu çalışma sosyal etkiyi arttıran ve fakirliği azaltan MFK'ların sosyal sorumluluk, hesap verebilirlik, şeffaflık, finansal performans üzerindeki güçlü etkisi göz önüne alındığında, bu kurumlardaki iyi yönetim uygulamalarına katkı sağlamayı amaçlamaktadır. Çalışmanın bulguları kamu politikaları tercihleri ve küresel kalkınma söylemlerinde yerini almış olan mikro finans yapılarının değerlendirilmesine dönük ciddi katkılar sağlamaktadır. Genel anlamıyla çalışma kısıtlı sayıda değişkenin sosyal etkiyi arttırıcı ve yoksulluğu azaltıcı etkisinin olduğunu göstermektedir. Çalışmanın kısıtı olarak makaleye konu olan yatırım fonunun sadece gelişmekte olan ve gelişmiş MFK'larına yatırım yapmasını zikredebiliriz. Bu nedenle çalışmanın sonuçları sadece bu tür MFK'ları için genellenebilir. Mikro finans yönetim konusu diğer paydaşlara ve bir MFK'daki karar verme sürecine uygulanabilir. MFK'ların daha iyi bir sosyal sorumluluk ve yoksulluk ile mücadele seviyesine ulaşması, yoksulların güçlendirilmesi ve finansal kaynaklara ulaşmalarının iyileştirilmesi yoluyla finansal katılımcılığın olumlu yönde gelişmesine katkı sağlayacaktır.

Anahtar Kelimeler: Yönetişim Yapısı, Mikro Finans, Sosyal Etki, Mikro Finans Bankaları, Kırsal Kalkınma Planı

1. Introduction

Bangladesh presents a unique opportunity for studying specific detail aspects of microfinance given a numerous and diversified model of microfinance existed in the country. Ever since the start of microfinance in Bangladesh in 1978 through Grameen Bank, the microfinance industry in the country has continued to expand and evolve rapidly. Bangladesh has a most significant and most wide-ranging microfinance

program in the world, with more than 34.76 million active borrowers and BDT 1313.67 (USD¹ 16.42) billion gross loan portfolio. This sector manages BDT 771.80 (USD 9.65) billion worth of deposits from 39.48 million depositors who are often referred to as members. The general network of six hundred fifty-five MFIs has provided access to financial service to 77% of the population. Moreover, according to the microfinance regulatory board (MRA, 2017), conclusions are drawn from an analysis of the microfinance social impact, poverty reduction and governance issues in Bangladesh can be generalised for an entire industry.

One of the areas that are currently capturing the attention of the stakeholders is the impact of commercialisation on the depth of social impact, as now there are three distinct models of microfinance operating side-by-side in the country: the microfinance bank (MFB), microcredit program (MCP) and rural development scheme (RDS). MCPs are mostly NGOs, while MFBs are Banking institutions and RDS is Islamic microfinance system, wherein the context of Bangladesh, are regulated by the central bank of Bangladesh, Credit and Development Forum (CDF) and Microcredit Regulatory Authority (MRA). In essence, social impact and poverty reduction are the primary goals for MFIs. However, it is activities to provide credit to the poor (Hermes, Lensink, & Meesters, 2011) Many MFIs in the developing countries have had limited achievements in cost efficiency, thus there is an excellent challenge for the MFIs to choose between social impact and poverty reduction (Baklouti, 2013 & Parvin et al., 2018). Social impact and poverty reduction are considered as the benchmark of MFIs performance (Baklouti, 2013). Yunus (2007) highlighted that a financially sustainable institution could ensure long-term operation and service to society.

Similarly, in the context of MFIs, sustainable, efficient MFI can serve the social purpose better than a bankrupt MFI, and several studies were conducted to investigate the impact of microcredit programs in different regions. However, there has been a little study conducted on the MFIs' financial sustainability. Additionally, several studies recently showed MFIs declining financial performances, and this has brought the need of examining the efficiency of MFIs (Wagner & Winkler, 2013; Azad, Masum, Munisamy, & Sharmin, 2016).

The Grameen Bank is the first model to introduce the idea of microcredit. This model has been replicated by many other microfinance institutions (MFIs) such as the Self Help Group (SHG). MFBs has also introduced some unique features in providing financial

¹ USD 1 = BDT 80.

services to the poor. Both types of model are popular and widely used in the country and even outside of Bangladesh. Another popular model is RDS of IBBL which provides some services to the poor according to the shariah principle.

This study analyses three models of MFIs in their governance structures and operational aspects, and these have important implications particularly regarding how the MFIs deal with their borrowers. The principles of conventional MFIs are different from Islamic MFIs in many issues. The practice of interest is the most distinctive feature in conventional MFIs, whereas the principle of profit loss sharing is the key feature of Islamic MFIs.

This study will first present a thorough comparative analysis of MFIs, MFBs versus RDS. Second, by analysing how organisational governance structure impacts institutional practices, including client poverty reductions and social impact the institutional parameters of transparency, reliability, and flexibility – especially relevant for microfinance (Parvin, Mohiuddin, Hoque, & Su, 2018).

On the backdrop of these issues, this study aims to conduct a comprehensive analysis of the three main models of microfinance, namely the MBF, MCP, and RDS, and subsequently compare the operational structure and the services offered by the MFIs as well as their functions. In particular, a comparison will be made in the financial performance of Grameen, MFI, and RDS, covering their social impact and poverty reduction, management system, financing, and financial performance. The review also covers the evolution of microfinance and the regulatory environment in Bangladesh.

This study investigates the possible impact of governance structure attributes to determine the attractiveness of a business entity and affects its ability to serve its customers and make a profit, using microfinance institutions (MFIs) from Bangladesh. Do these paper results show that MFB and MCPs hurt the financial performance of MFIs, and RDs have a positive effect if it augmented by gender diversity in management. The rest of the paper is organised as follows. Section 2 provides an overview of the extant literature on the governance of MFIs; Section 3 describes the research methodology; Section 4 contains the analysis of the impact of governance structure on MFI performance, and finally, Section 5 comprises some concluding remarks.

2. Literature Review

In Bangladesh, microfinance becomes an essential industry as the country is considered the origin of microfinance. The journey started with the concept of microcredit about

four decades ago with the noble idea of Professor M. Yunus through MFB. The industry is composed of thousands of microfinance institutions (MFIs) that have been operating across the country aimed at poverty alleviation through increasing income and productivity of the borrowers (MRA, 2017). MFIs have covered about 60 per cent of the market. It is estimated that the industry serves more than 30 million poor people where it employs about two hundred thousand workers under different MFIs. Only eleven MFIs including MFB have 85 per cent of total servings (around BD Tk 426.68 Billion) and 81 of an entire outstanding loan (around BD Tk. 771.80 billion) of this microfinance sector (MRA, 2017). The authority is entitled to provide a license, set limits and investigate the performance of MFIs regularly. It is relevant to know the categorisation of MFIs, sources of funding and various models used by the MFIs in the industry.

Table 1. Common Microfinance Client Segments and Characteristics

Target Beneficiary Segments	Characteristics of Each Segment	Service Needs of the Beneficiaries (financial and non-financial services)	Common Strategy Followed in Bangladesh
Hardcore poor (Extremely poor or ultra-poor)	i) Daily calorie intake: less than 1 800 ii) Land ownership: less than 0.15 Acre iii) Food deficit status: Occasional to chronic deficit	Primarily savings services; Starts with food aid; skill training; and minimal loans	Skill training Saving services A small amount of loan Food aid and asset transfer
Moderately Poor	i) Daily calorie intake: less than 2 112 ii) Land ownership: less than 0.5 Acre iii) Food deficit status: 30-40% above the poverty line	Savings and credit services; Flexibility in services desirable; Selective productive skill training	Savings and credit services
Marginal farmers	i) Landownership: less than 1.5 acres. ii) Food deficit status: break- even	Agricultural extension services; Selective training on non-crop income generating activities; Savings and credit services.	A limited number of NGOs is in these market segments; some marginal farming families included in regular microfinance groups. Savings and credit service
Small Farmers	i) Landownership: less than 2.5 acres. ii) Food deficit: surplus iii) Normally no-	Agricultural extension services; Training on diversification in farming and other areas and new farming technologies;	A few NGOs are involved; mainstream NGOs are yet to get involved in this market segment; limited

Target Beneficiary Segments	Characteristics of Each Segment	Service Needs of the Beneficiaries (financial and non-financial services)	Common Strategy Followed in Bangladesh
	poor	Savings and credit (more considerable and seasonal loans); Access to market and farm inputs.	savings and credit services.
Microentrepreneurs	Managed by the owner; less than ten employees. It is partly linked with the mainstream market. May possess capital machinery. Investment usually higher than income generating activities; Need more massive loans.	Credit services (substantially larger: USD 500–10 000) Business development services including access to market and product development.	Credit service similar to regular microcredit with larger loan size.

Sources: (Alamgir, Hassan, & Dewan, 2010), Alamgir 2009; MIDAS and ICG (2004); Wright and Alamgir (2004); McKennie and Rahman (2003).

2.1. Prominent Microfinance Models

The MFB (Grameen Model or Self-Help Group) is the first model to introduce the idea of Microcredit. As noted earlier, this model has been replicated by many other MFIs. Along with the concept of MFB, MCP has also introduced some unique features in providing financial services to the poor. Both types of model are popular and widely used in the country and even outside of Bangladesh. The third most popular model is RDS of IBBL which provides some services to the poor according to the shariah principle. The RDS also replicates some of the concepts of the MFB Model especially in its operational and lending methods although the models of operation and product of Islamic Microfinance are different.

2.2. Microfinance Banking (MFB) Model

Also known as the microfinance Banking model, the operation of this model based on a group-based credit approach. It targets the poorest of the poor. This group structure provides mutual support of its members and encourages group with strict discipline, allowing the borrowers to maintain good credit status and ensuring repayment in time. The system works based on trust. There is no written contract between MFB, and its

borrowers 87 per cent of its members are women, and bank claims a loan recovery rate 99 per cent. Besides these things, MFB believes that charity is not an answer to poverty.

Yunus (2007) also emphasised to enlarge tools and services of financing that benefit the poor. Their outcomes and impacts were supposed to be carefully deliberated by institutions and system which work on development and poverty alleviation. As of now, MFB has 2568 branches in operation with nearly 9 million borrowers having an outstanding overall 93.15 per cent repayment rate.

Yunus (2008) says “microcredit is supposed to describe loans offered with no collateral to support income generating business aimed at lifting the poor out of poverty. He further suggests that the microcredit summit campaign which is a database of all microcredit programs should include only one type (poverty fighting) programs because only these contribute to the campaign’s goal of using microcredit to help to eliminate poverty.

Indeed, microfinance’s wide-reaching identification can be attributed to Muhammad Yunus, founder of MFB in Bangladesh. In 2006, the Nobel prize for peace was awarded to Muhammad Yunus and the MFB in the 1970s as an effort to address the multi-dimensional aspects of poverty. In the Nobel honorary reception, Professor Yunus says “I strongly believe that we can create hunger and poverty-free world if we collectively believe in it. In a poverty-free the world and the only place would be able to see poverty is in the poverty museums”. As he believed that “the poor have an entrepreneurial drive and well equipped with survival skills that let them turn out a successful micro-entrepreneurs.” These views of Yunus were further supported by Engler (2009).

More importantly, microfinance is a financial movement that tries to serve the poor because they are not capable of offering sufficient collateral. The traditional Banks and other financial institutions generally do not consider them creditworthy, but Muhammad Yunus, the founder of the MFB Bangladesh, proved that the poor are creditworthy and bankable. Indicates that credit will not be a new practice to the weakest members of the society as most of them borrow either from friends, relatives or local moneylenders. The UN Millennium project (2005) suggests that “microfinance is one of the practical development strategies, approaches that should be implemented, supported to attain the bold ambition of reducing world poverty by half.” In light of the MFB model, the next sub-section examines how conventional microfinance is operational in Bangladesh.

2.3. Micro-Credit Programme Model

Since 1974, the micro-credit programme (MCP) started its credit operation which now becomes one of the largest MFIs, regarding loan coverage and clients. Its lending

approach is almost similar to the MFB. Like many other MFIs, it has the goal which is to alleviate poverty through empowerment.

Bangladesh with its 42 % people living below poverty line and 8.5% living in absolute poverty is suffering from acute rural–urban economic disparity and illiteracy, lack of proper health and sanitation facilities. The country's economy undoubtedly an agrarian one with the vast majority are living in village or rural areas. The agriculture sector and handicrafts are unable to provide any further scope for employment resulting in the influx of rural population towards urban areas. Stagnant agriculture and small industries characterise rural areas. Now underemployment and unemployment is a regular phenomenon, especially in rural areas. The vast human resources (HRM) have remained unutilized due to some lack such as (education, training, funding, and concerted efforts) to help grow the rural economy.

MFIs have undertaken many holistic approaches to alleviate poverty. The 'credit plus' is one of the methods through which borrowers enjoy the quality inputs, training and necessary support in marketing their products. Another approach is "Microloans" (Dabi), ranges from US\$100–US\$1,000, given to the borrowers. This type of loan usually disbursed for undertaking different income generating activities including fishing farm, poultry, livestock, fruit and vegetable cultivation, handicraft and other rural business. The loan repayment method is now more flexible that supports borrowers to repay their instalments is the monthly basis or weekly basis. From an economic viewpoint, this arrangement is cost effective for the institution also (Amin & Author, 2011).

Another poverty alleviation scheme of MFIs–NGO is named as 'Progoti loan' (i.e., 'Progressive loan') ranges from US\$1,000– US\$ 10,000 that covers both male and female entrepreneurs. Indeed, these entrepreneurs are non–bankable and not qualified to receive a loan from the commercial bank for their small enterprises like grocery shops and small scale manufacturing farms (Amin & Author, 2011). MFIs–NGOs initiates a new step to reach out to the ultra–poor (who are suffering from chronic extreme poverty) and to help them in achieving the socio–economic developmental goal. The target population selected for providing them with various supports such as asset grant, skill training, healthcare service. Also, MFIs–NGOs forms village poverty reduction community to supervise and monitor the overall activities of the target group. Once the ultra–poor members have completed their assigned work in two–year grant phase, then they are allowed to join in the mainstream development program of MFIs–NGOs, and they enjoy wide ranges of financial services along with health care, human rights, and legal aids. (Amin & Author, 2011).

2.4. Rural Development Scheme (RDS)

Islamic microfinance a scheme in the name and style of Rural Development Scheme' (RDS) was first introduced to the investment needs of the agriculture sector and rural sector to create an opportunity for a generation of employment and raising the income of the rural people to alleviate poverty. In 1992, MFIs-NGOs introduced the Rural Development Program (RDP) mainly for the poverty alleviation in a rural area. The program is designed in a way to improve health condition and to provide mass education among the rural poor. The RDP has two wings, namely, income and employment generating a program for enhancing social development. Not only that, but the program also provides microcredit along with other support such as training facilities, raw material or input supplies and product marketing. These services are confined to only six particular sub-sectors, namely, fisheries, livestock, poultry, vegetable cultivation, sericulture, and social forestry.

In 1995, the Rural Development Scheme (RDS) established for ensuring equity, justice and employment opportunity for the rural people. The scheme is designed in a way to meet the investment needs of rural people, particularly in the agricultural sector. It supports them to get rid of poverty and to become self-reliant. It emphasises both farming and off-farming activities that not only create jobs but also enhance their incomes (Obaidullah, 2008).

Until now, the scheme is considered one of the largest Islamic Microfinance programs across the country (Chowdhury, 2007). According to a study, only 7% of 1 million borrowers have access to financial services in Bangladesh (Bhuiya, 2006). This small group of borrowers has a better chance to receive Islamic Microfinance services from RDS not only due to its flexible terms and conditions of the loan but also due to low charge for a loan amount (Obaidullah, 2008).

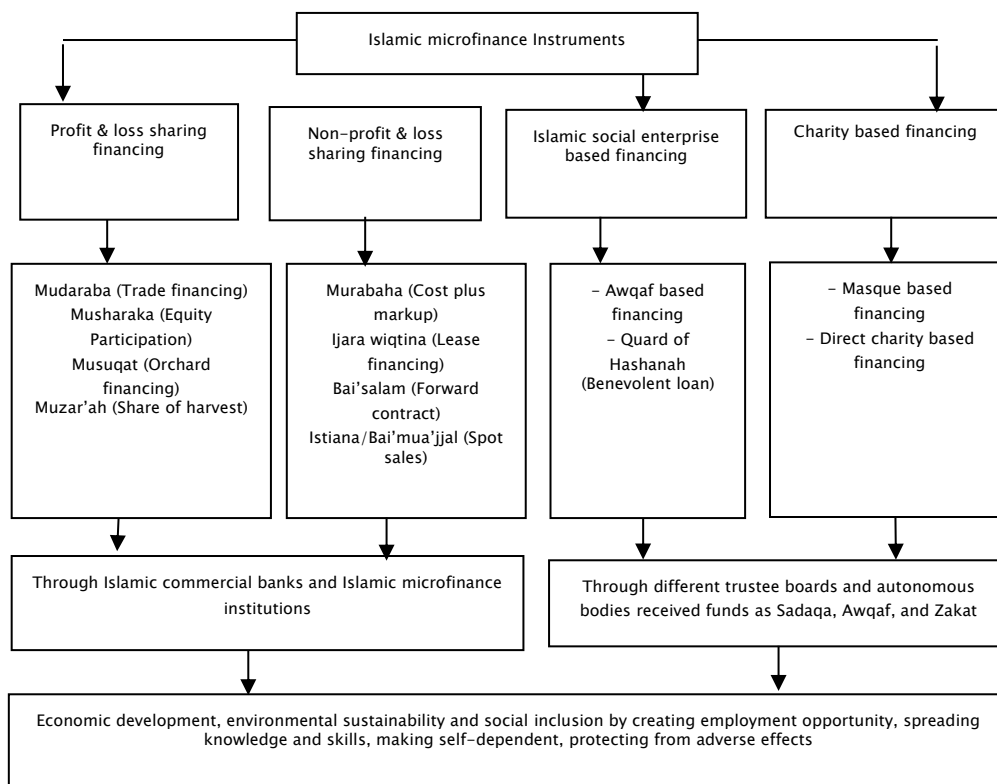
The RDS maintains a mandatory savings provision where each member deposits Tk.10 per week under Mudarabah savings account. In case of urgency, the members are allowed to withdraw their accumulated savings if they are not indebted to the RDS. In addition to this saving arrangement, each member is required to contribute a minimum of Tk. 2.00 per week which is deposited as Mudarabah savings account under the name of the respective centre. By this, a pool saving created which is later used as Microinsurance to cover the unexpected loss of the borrowers due to accidents or sudden natural disasters (Islami Bank Bangladesh Limited, 2016).

The Bai-muajjal is the only mode of financing currently practised by RDS. Some other potential modes of financing like Mudharabah, Ijarah, and Bai-salam are yet to be adopted (Islami Bank Bangladesh Limited, 2016). The individual group member requests

for the financing in around eight weeks of the membership and the initial loan that he or she can get ranged between Tk. 8000–10,000 to until Tk. 30,000. Upon successful repayment of this category of loan, the members are then eligible to apply for a higher loan which is ranged between Tk.30,000 to Tk.200,000 under Microenterprise Investment Scheme (MEIS). Regardless of the type of loan, group members are required to pay off their total debts (principal amount with profit) in 44 equal instalments every week ((IBBL), 2016 & Parvin et al., 2018).

The RDS emphasises on moral and spiritual aspects of the group members. These are implemented through various programs, for instance, a lesson on the social and religious responsibility to lead the lives in the Islamic way. Not only that, it inculcates many moral lessons among the members, a few of those are learning life honestly, performing good deeds, abiding by the law and abstaining from illegal work, self-reliance, working for prosperity, health consciousness, seeking knowledge through education. (Islami Bank Bangladesh Limited, 2016).

Table 2. Islamic Micro-finance Conceptual Model to achieve SDG



3. Research Methods

The principal of Porter's competitive strategy theory (1979) explains as to why it is incentive compatible for comparison, to design a pay structure for model and workers that partially based on performance. If it were possible to design a complete and comprehensive contract that covers future periods in a costless fashion, it would deem the competitive strategy theory redundant in providing a role for corporate governance structure and social impact.

According to Momanyi, Ragama, & Kibati (2018), it explains how the study conceptualised, how data would be collected and analysed. Hence it does not only provide the philosophical basis for the study but also the practical roadmap. This study adopted a causal research design. The design was adopted because the study conceptualised in such a way that one thing causes another, such as good governance practices causing the social impact and poverty reduction of the industry. However, some institutions did not have available data while others were in the Grameen Bank, MCP, and RDS with microfinance divisions.

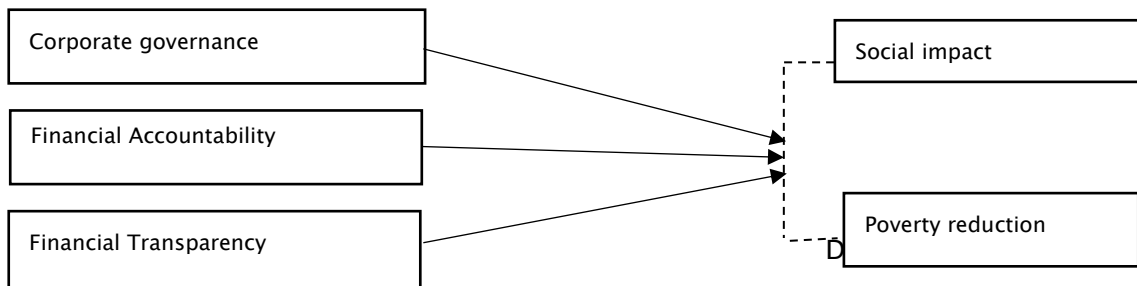
This study used secondary data, different techniques and approaches to data processing, analysis and presentation were applied. The techniques and approaches determined by the type of data collected. The analysis was mainly through descriptive statistics and inferential statistics.

This study focuses on the importance of governance structure such as social impact and , CEO (manager) and director (board member) remuneration, board structure (size and composition), auditing, information. Majority of MFIs operate as non-profit organisations and are often accountable to multiple entities some of whom may not even fall under the traditional definition of a principal. While some competitive donor strategy requires transparent and stringent governance mechanisms, others require a nominal level of governance; most of the MFIs fall somewhere in between. On the other hand, many MFIs may also have internal motivation for highlighting an organisation with well-functioning governance to attract more funding by demonstrating their success. While the majority of the MFIs registered as Non-Governmental Organizations (NGOs), a large number of MFIs registered as commercial banks, cooperatives, credit unions, nonbank financial institutions, or rural banks. MFIs depend on their donors for funds and the donors depend on MFI's for reputation and to some extent attaining their social goals (Hasan et al., 2018).

This study investigates the possible impact of governance structure attributes to determine the attractiveness of a business entity and affects its ability to serve its customers and make a profit, using microfinance institutions (MFIs) from Bangladesh. These results show that MFB, MCPs hurt the financial performance of MFIs, and RDs have a positive impact if it is augmented by gender diversity in management.

3.1. Conceptual Framework

Table 3. Conceptual Framework



4. Data Analysis and Interpretation

The above discussion on three selected MFIs reveals that each of the institutions has a certain way of dealing with their borrowers. The principles of conventional MFIs are different from Islamic MFIs in many aspects. The practice of interest is the most distinctive feature in conventional MFIs whereas the principle of profit loss sharing is the key feature of Islamic MFIs. The following Table 4 presents the fundamental differences among the three MFIs under study.

Table 4: Micro-credit Regulatory Authority (MRA) June -2017

Particulars	Member (Million)	Borrowers (Million)	Amount of loan outstanding (Tk. Billion)	Amount of Deposit outstanding (Tk. Billion)	Loan disbursement (Tk. Billion)
Micro-credit Regulatory Authority (MRA)	29.9	25.98	583.82	216.71	1045.78
Grameen Bank	7.14	7.14	134.58	191.02	207.85
Government NGO and Others	1.52	1.12	24.2	11.23	29.66
Government Bank and Commercial Bank	0.92	0.52	29.4	7.72	30.38
Total	39.48	34.76	771.80	426.68	1313.67

Before starting the discussion on microfinance institutions and their contributions to attaining social impact and poverty alleviation, this scenario is microfinance institutions in Bangladesh. Bangladesh is leading in microfinance institutions .it has a large number of NGOs that are involved in giving collateral –free credit to the poor and ultra-poor people. By providing microcredit, these NGOs have been able to reduce poverty in millions of families through a generation of own-orientated employment over the last couple of years. Microfinance institutions in Bangladesh gained pace after establishing the microcredit regulatory authority in 2006. The microfinance development in Bangladesh in recent years is summarised in Table 4. From Table 4, although the number member, borrowers, amount of loan outstanding, amount of deposit outstanding, loan disbursement in June 2017. Table 5 below shows more detailed information as regards to MFB (Grameen Model), MFIs (Microcredit model) and RDS in IBBL show in the following table.

The study focuses on the success and failure factors MFB Grameen Model, MFIs and RDS in IBBL. In their comparative analysis, we show that the overall governance structure of RDS is relatively better than the rest others regarding growth, repayment rate, charging fees, operational efficiency, accountability, and transparency. For example, the annual growth rate of RDS is 12.57 per cent while this rate is around 7 per cent in the case of both MFB and MFIs. The RDS is relatively new in the Microfinance Industry in Bangladesh compare with MFB and MFIs. However, the scheme is getting popular among the borrowers who have the firm belief in Islamic morals and values.

Table 5. Features of Three Microfinance Programs

Program Features	Microfinance Banking	Microfinance Institutions	Rural Development Scheme
Membership Criteria	Minimum half of an acre of land. Members selected through a means test.	Day labour is working for a wage and has a maximum of half an acre of land.	Must have at least half acre of land. Members are selected with a strict means test.
Group Features	Five members in a group and five to eight groups (25–40 members) constitute a centre.	30–40 members form a village organisation (VO), Vos is split into solidarity groups for men and women.	Five members in a group and 2 to 6 groups constitute a centre.
Group Meeting	Weekly are meeting of groups.	Weekly are meeting of solidarity groups.	Weekly are meeting of groups.
Regulation of Services	Group members are responsible for repayment.	Group approach is not compulsory	Group members are morally responsible and religiously motivated

Program Features	Microfinance Banking	Microfinance Institutions	Rural Development Scheme
Funding	Self-funding	NGOs, Donors supply the funds	From IBBL, charity, IBBL Foundation
Saving Mobilization	Compulsory IS saving of Taka one per week.	Compulsory is saving of Taka two per week.	Compulsory is a weekly saving of Tk.10.
Credit Delivery Mechanism	Group liability acts as social collateral where 50-week instalment of the loan	Group liability acts as social collateral where 50-week instalment of the loan	Group liability acts as social collateral where 44-week instalment of the loan
Target Group	Mainly poor women	Poor households	Poor women through family
Type of Loan	Small and medium-size loan	Small loans for short duration	Small and medium-size loan
Training	Duration was of trainings between 15–30 days. Leased skills-based training	Duration of training ranged between 3–6 months substantial skills-based training.	Not provided

Source: Grameen Bank, Microcredit Regulatory Authority (MRA) & RDS in IBBL.

4.1. Microfinance Banking Model

Grameen Bank: The capital structure of the Grameen Bank is unique, that is, similar to that of a commercial bank, which currently social impact is a total number of branches 2568. Number of members 8.93 million, active borrowers 7.23 million, number of active borrowers per branch end of the years 2814. Moreover, number loan officers 11922, women member is 96.65 per cent and average loan balance per borrower BDT 19,977 in 2017. This structure has been possible due to its legal coverage as a bank to raise savings as well as additional permission from the government to offer various savings services. The deposits of the bank come from members' savings (various short and long-term deposits), deposits of staff members and deposits from other sources. No other MFI in the country has such legal basis, an array of savings services as well as dependence on deposits to finance microfinance operations. That is, Return on equity (ROE) IS 17.09% was last year, but it is not constant. Moreover, operating self-sufficiency (OSS) and financial self-sufficiency (FSS) is 106.92% and 103.42%. Additional insights can be obtained from Table 6 below which provides a comparative sheet of Grameen Bank for 2013 to 2017 [Grameen Bank 2017]. That is, the bank is financed from internally generated resources. Grameen Bank has benefited enormously from its legal position compared to other MFIs, being the only MFI legally able to offer long-term savings products to its members and to take savings from the public. Besides, not many MFIs give the poor people access to their savings and pay good interest on savings other than Grameen Bank.

Table 6. Comparative Sheet of Grameen Bank

Social Impact						
particulars		2013	2014	2015	2016	2017
1	Number of branches	2,567	2,568	2,568	2,568	2,568
2	Number of members (In millions)	8.54	8.64	8.81	8.90	8.93
3	Number of active borrowers (In millions)	6.74	7.03	7.18	7.29	7.23
4	Number of active borrowers per branch (year-end)	2,625	2,739	2,796	2,837	2,814
5	Number of loan officers	12,826	12,800	12,734	12,279	11,922
6	Percent of women members	96.21%	96.26%	96.51%	96.54%	96.65%
7	Average loan balance per borrower (Taka)	12,522	12,438	13,427	16,230	19,997
Poverty reductions						
1	Return on equity (ROE)	13.65%	4.15%	0.22%	11.82%	17.09%
2	Operating self-sufficiency (OSS)	105.15%	101.53%	100.08%	104.53%	106.92%
3	Financial self-sufficiency (FSS)	99.59%	96.51%	95.80%	101.23%	103.42%

Source: Grameen Bank Annual Reports for various years

Commercial Banks: The formal Banking sector comprises four categories of organisations: the state-owned banks (nationalised commercial banks (NCBs)) namely Sonali, Agrani, Janata, and Rupali Banks; six specialised; private banks; and foreign (commercial) banks. Following the success of Grameen Bank, the four NCBs and two agricultural banks started to offer local microcredit by replicating group-based management technology, in addition to their small loans for agricultural as well as other purposes. Invariably all such group-based programs managed directly by the bank staff members have collapsed with huge default of loans. Currently, NCBs have largely abandoned lending to group-based small loan programs but have maintained their original individual loan operations. Commercial banks, state-owned and private, are offering 'wholesale loans' to MFIs at interest rates varying between 10–15%. The exception is IBBL, which has sizeable retail microfinance operations as described below in this paper.

4.2. Rural Development Scheme (RDS) in Bangladesh

Total rural development scheme clients in the whole world are approximately 1 million, more than half of them are in Bangladesh, and over 80 per cent of them are involved in Bangladesh, Indonesia, and Afghanistan. Islamic microfinance market comprises of 6 Islamic banks, 20 small Islamic microfinance institutions (IMFIs) and Islamic microfinance program of a conventional MFI. Association of Muslim Welfare Agencies in Bangladesh (AMWAB) works as a wholesale fund provider to a limited scale (Uddin, 2018). Islamic

banks are regulated by Bangladesh Bank, Central Bank of Bangladesh while Islamic microfinance institutions (IMFIs) have licenses from Micro Credit Regulatory Authority (MRA), the watchdog of microfinance in Bangladesh. Islami Bank Bangladesh Limited (IBBL), the first Islamic bank in South Asia is the largest provider of Islamic microfinance in Bangladesh accounting for 78.84 per cent share of Islamic microfinance market (Nabi et al. Uddin, 2018). Islamic microfinance institutions in Bangladesh usually use deferred-payment sales (bay mu'ajjal) mode of financing that is facing a massive competition with conventional NGO from Table 7.

Table 7. Scenario of Islamic Microfinance in Bangladesh (2017)

Provider of IMF	Number of Clients(Million)	Yearly Loan disbursement(BDT in Billion)	Outstanding of Loan (BDT in Billion)
Islami Bank Bangladesh Limited	0.947	29.92	20.80
Al Arafah Islamic Bank Limited	0.050	3.52	0.66
First Security Islami Bank Limited	0.004	0.10	0.08
Social Islamic Bank Limited	0.0007	0.01	0.01
Islamic NGOs/ MFIs(20)*	0.220	4.17	2.77
Conventional NGO with Islamic Microfinance (1)*	0.005	0.23	0.03
Total	1.70	37.95	24.36

Source: (i) Respective Islamic banks, (ii) Association of Muslim Welfare Associations Bangladesh (AMWAB) and (iii) TMSS- Only conventional NGO with Islamic microfinance program. * Provisional data.

4.3. The Social Impact of Rural Development Scheme up to 2017

Islami Bank Bangladesh Limited launched its journey of Rural Development Scheme in 1995. In the meantime, 350+ branches of the bank have been performing their activities of the scheme in their respective areas. About 18, 615 villages have been covered by the scheme were 9, 47,305 members have been involved. The members have been provided investment facilities an amount of BDT 1, 30,445.12 million having outstanding BDT 20,798.82 million where members saving is BDT 6,490. The recovery rate of the scheme is approximately 99.59% Table 8.

Islami Bank Bangladesh Limited is offering a vast dimension in Investment arena for RDS throughout the country. The investment and saving scenario of IBBL that have been increasing day by day since launching the scheme. This increased investment phenomenon is contributing a lot to the up economic gradation of the poor- trodden people of the country.

Table 8. Social impact of Rural Development Scheme June 2017

Sl.	Area of performance	No. & Volume/ Amount
01	No. of Branches handling the scheme	350+
02	No. of Villages	18,615
03	No. of members	9,47,305
04	Cumulative disbursement	BDT(Million)130445.12
05	Current Outstanding	BDT(Million)20798.82
06	Members savings	BDT(Million) 6890
07	Share in IBBL'S total investment	3.64%
08	Rate of Recovery	99%
09	No. of women members	85%

4.4. Microfinance Model

The capital structure of the NGO is unique, that is, similar to that of a non-banking financial institution, which currently social impact is some branches 17,120. Number of members 29.9 million, active borrowers 24.85 million, number of employees 139526 .moreover Loan Disbursement 1045.78 billion, Amount of Loan Outstanding 583.62 billion, Agri Loan Disbursement 408.87 billion, Agri Loan Outstanding 354.00 billion, Amount of Savings 216.71, Loan Recovery 876.85 billion in 2017. This structure has been possible due to its legal coverage as an MFIs-NGO to raise savings as well as additional permission from the government to offer various savings services. The deposits of the MFIs -NGO come from members' savings (various short and long-term deposits), deposits of staff members and deposits from other sources. No other MFI in the country has such legal basis, an array of savings services as well as dependence on deposits to finance microfinance operations.

Table 9. Microfinance sector of Bangladesh (Basic Activities)

Particulars	June, 2012	June, 2013	June, 2014	June, 2015	June, 2016	June, 2017
No. of Licensed NGO- MFIs (Provided valid data)	590	649	742	753	758	655
No of Branches	17,977	14,674	14,730	15,609	16,284	17,120
No. of Employees	108,654	110,734	109,628	110,781	127,820	139526
No. of Clients (Million)	24.64	24.60	25.11	26.00	27.79	29.9
Total borrowers (Million)	19.31	19.27	19.42	20.35	23.28	24.85
Loan Disbursement (Tk. Billion)	456.02	432.28	462.00	634.00	787.00	1045.78
Agri Loan Disbursement (Tk. Billion)	110.84	131.98	155.73	266.25	353.00	408.87
Amount of Loan Outstanding (Tk. Billion)	211.32	257.01	282.20	352.41	459.37	583.62

Particulars	June, 2012	June, 2013	June, 2014	June, 2015	June, 2016	June, 2017
Agri Loan Outstanding (Tk. Billion)	66.71	89.05	115.77	147.60	285.00	354.00
Amount of Savings (Tk. Billion)	75.25	93.99	106.99	135.41	171.19	216.71
Loan Recovery (Tk. Billion)	314.11	375.07	447.89	522.47	773	876.85
Recovery Rate	97.74	97.69	95.64	96.02	95.9	96.5

Data Source: MRA–MIS 2017 and Authors.

4.5. Empirical Studies on MFB, MFI, RDS

In the study Badan Kredit Kecamatan (BKK), Kredit Usaha Rakyat Kecil (KURK or credit for activities of the poor in East Java), Bank Rakyat Indonesia (BRI) in Indonesia, Regional Rural Banks in India, Grameen Bank in Bangladesh, BRAC, Thana Resource Development & Employment Programme (TRDEP) in Bangladesh and Primary Thrift and Credit Co-operative Society (PTCCS) in Sri Lanka. It shows that borrowers' income always increases due to their participation in outreach and governance.

Khandker (2005) focuses on the MFB, MFI, and RDs and shows that households who are poor in landholding and have formal education tend to participate more in the program, and microfinance program is much useful in reducing extreme poverty than moderate poverty. Besides, the welfare effect of the program's participation is also positive for all households, including non-participants due to the spillover effects.

While studying the case of MFI and MFB in Bangladesh, confirm that the borrower's income is significantly related to certain variables, i.e., land holding size, total yearly employment, amount of loan, days suffered from morbidities; the number of times loan taken, family labour; length of membership and length of training. Moreover, regression analysis shows that three variables such as family labour positively relate the income of the NGO beneficiaries, the days worked in a year and land holding size, which the factor days are holding size, while the factor days suffered from morbidities impacted negatively.

It was that NGO membership length, times, and a loan taken has no impact on their income rather than an increase in the amount of land asset, employment, family labour and reducing morbidities enhance family income. These findings are posing the question on the actual contribution of MFIs towards poverty alleviation through to economic development. However, few others exhibit the positive effect of MFIs on poverty alleviation in the long run.

Some others show that both MFB and MFI are contributing to the poverty alleviation by adopting different approaches. Grameen Bank (GB) provides a loan to the group members and this supply of capital used for agricultural and non-agricultural activities which generate more income and thus help increase consumption in the long run. Due to the difference of the repayment system, BRAC's member enjoys much flexibility than GB's member. That is why to increase income and consumption; it takes a more extended period in the case of GB comparing to NGO. The study finding demonstrates that NGO is efficiently utilising its resources than GB. Hence, MFIs-NGO is comparatively ahead of poverty alleviation; however, if the institution does not find a way to improve its economic performance, its action will not be sustainable in the long run. For MFB, they suggest that it needs to increase the training for its members and to exploit other sectors of self-employment.

Ahmed (2008) makes the differences between MFB and RDS concerning their programs and operations. The study focuses on institutional aspects in Microfinance operation with the help of secondary data. It identifies a few limitations of GB, for instance, not to give loans to the landless or hardcore poor people, make excessive profit margin which is 54.95% compared with other businesses like retailers, manufacturers and commercial banking where their profit margins are 15%–25%, 10%–15% and 14%–16%, respectively. In contrast, the rate of return (lending cost of the borrowers) of RDS is only 10% against its various investment schemes. Also, it introduces a 2.5% rebate on timely repayment of the loan. Besides, RDS provides special cash fund to the borrowers during the time of natural calamities. It has been shown that 25% of GB's borrowers are inclined to switch the program to RDS due to the high rate of interest and the extra pressure of weekly repayment system.

An indebt analysis shows that RDS has the lowest lending or investment rate (i.e., 10%), the highest growth rate (i.e., 12.57%) and the lowest dropout rate (i.e., 5%/o) and the highest loan repayment rate (99%) among MFIs and MFB. The study focuses more on the operational aspects of RDS where it argues that field officers do not follow any harsh rule during the collection of outstanding instalments. Besides, due to a natural disaster or other uncertainty, affected borrowers enjoy special rebate or wave of some instalments until their financial recoveries (Parvin et al., 2018).

Bhuiyan et al. (2011) in their study focus on the impact of microcredit on the household income of MFB and RDS. It reveals that the microcredit contributed positively to the income level of the borrowers of both MFIs; however, the average monthly income of RDS's households is higher than that of MFB's households. Besides, households from

both institutions have successfully been able to increase their income levels by more than 50%. However, the RDS borrowers utilise the loan amount more effectively than others. Furthermore, 42% of GB's respondents and 31.8% of RDS's respondents used to spend their loan amount for consumption purpose. These findings are quite astounding because borrowers' incomes are increasing in one hand and their loan amounts are being spent on consumption purposes or unproductive activities on the other hand. Nevertheless, the study confirms the substantial and significant positive relationship among demographic, socio-economic factors with a total household income of both MFB and RDS. It is recommended that both institutions should emphasise on income generating activities, a supply of sufficient loan, increase the period of instalment of payment, provide necessary training, and above all utilise the Zakat and Qardhasan institution for strengthening the poverty alleviation in Bangladesh.

Another study mentions a few other challenges of RDS such as sponsorships investments, resources, and mechanisms, lack of understanding in differentiating interest and profit. Can lead to failure of the scheme. Besides, many borrowing in another most critical challenge for MFIs, also, it is hazardous for the clients who get trapped on the various debts and fall under permanent poverty cycles. Therefore, the problems of fund inadequacy must be resolved for the practical result of MFIs.

4.5. The Social Impact and Poverty Reduction of the Microfinance Program

The findings of social impact and poverty reduction studies vary from the nature and context of the MFIs. Some studies find strong pieces of evidence on the social impact and poverty reduction of the Microfinance Institutions (MFIs) on Poverty alleviation while few others also observe some flaws of the MFIs which are the impediments to the poverty reduction. The different results may also due to the inadequacies of the research designs and inappropriate research techniques. It studies fail to meet the appropriate research should include more rigorous statistical analysis with proper research methodology: the social impact and poverty reduction regarding selecting a sample, location, and the control research framework (Morduch, 1998). Thus, the findings of the social impact and poverty reduction of particular MFIs not only depend on the proper research design and technique, but it also depends on the location, time and other factors.

In Bangladesh, numerous studies conducted in Microfinance which have found a positive impact on improving borrowers' capacity to generate income, and also help to enhance their households incomes, fixed assets, net working capital, spending on food and medical facilities and children's schooling. These studies mostly observe the impact of

Microfinance program on household incomes and assets only. However, the weakness of these studies is not to address the effectiveness of the program.

MFIs impacts positively as the participants can afford health care and even to educate their children up to a higher level. Hence, the program makes the participants both physically and economically active which are the necessary conditions for poverty alleviation. In another study, it shows that MFIs can also build up the dignity and the self-confidence among the participants. It also impact positively on their loan repayment performances and sustainable incomes.

The MFIs are social impact and poverty reduction particularly in a place or area where it is tough to get a loan from the NGO financial institution, and the rate of interest is high. Hence, MFIs are designed in such a way that the borrowers have easy access to a loan with a low rate of interest. For instance, 5 per cent of the total participants of both MFB and MFIs-NGO get rid of poverty annually. Moreover, the MFIs are found thriving in an environment where loans are sanctioned to those who have entrepreneurial skills. It is found that 42 per cent of the total of GB's members has successfully been able to cross the poverty line.

A study on MFB, MFIs-NGO, and RDs confirm the usefulness of MFIs regarding reaching the poor. However, the programs are found social impact and poverty reduction in reaching the hardcore or vulnerable poor (Amin & Author, 2011). Similarly, BRAC's MFI has a positive impact on human well-being, schooling of children and the survival rate of group members. Khandker (2005), in his subsequent research, demonstrates that MFIs is adequately addressing the issue of poverty as the program facilitates the individual borrowers and households to enhance their incomes, health care, nutrition, empowerment, and education. Thus, they get rid of poverty and hunger and move on to a higher standard of living. Nevertheless, measuring the outreach and sustainability of MFIs would be more appropriate if some other factors such as interest rate, loan size and use of loan were included in the studies.

RDS is becoming accessible and useful because of practising moral and spiritual values among the group members and the field staff. It leads borrower to generate higher income, saving, reduction of production cost and family expenditure. MFIs have a crucial role in upgrading the livelihood of rural inhabitants. He suggests that even with the assistance of MFIs, the agricultural sector can be developed where rural people mostly rely on their jobs. Some factors such as technological advancement, infrastructural

development, and fair market arrangement can change the agricultural sector, and MFIs have a pivotal role to play.

The poor are hardworking and innovative, so they need decent options to apply their skills and qualifications in conducting businesses. Although in some cases MFIs are charging high-interest rate compare with the conventional financial institution, the borrowers used to get loans and maintain good repayment performances which lead them to success in various petty businesses.

The author applies qualitative and quantitative analysis to justify the efficiency of Microfinance operations. The result indicates that MFIs has a positive effect on borrowers (those who have joined the program for at least three years) regarding household incomes and expenditures. Also, borrowers have been able to intersect the extreme poverty line, but they are yet to cross the moderate poverty line. Besides, the MFI has created employment opportunities to enhance the income levels of the borrowers. However, the impact of the program on the borrowers' savings and the conditions of dwelling houses are found insignificant.

5. Conclusion

This study finds that the pressure to earn commercial profits has weakened the poverty alleviation agenda for most MFBs and MFIs. RDs, in comparison, appear more committed to their social mission. Part of the reason is that MFIs are operationally more flexible and can keep their operational costs low, thanks to fewer regulatory requirements, which allows them to expand outreach to more indigent clients, who are in general more expensive from the institutional point of view. However, the findings also suggest that the distinctions between the two institution types are in no small extent policy driven.

MFIs have become more committed to achieving financial sustainability. It has meant that most MCPs and MFBs now target the less poor or even the non-poor; most MFBs and some MFIs do not lend to start-ups. At least one MFI asks its borrowers to pay a few days ahead of the actual due date so that repayment rates can look good, and most MFBs have stepped up lending against gold – a clear departure from the original non-collateralized microfinance model.

The study finds RDs, a zero interest based MFI, to be the sector's clearest outlier. It mainly seeks social change and poverty alleviation and has little interest in becoming commercially viable. However, there are other institutions the poverty alleviation agenda takes precedence over finding financial returns.

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