

## THE RELEVANCE OF SHURA IN PROMOTING SHARED PROSPERITY IN DEVELOPED AND DEVELOPING COUNTRIES: ICIS 2021

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### Abstract

*The issue of greater inequalities and social exclusion reckoned to be the result of economic growth led the World Bank to set the new goal, to end extreme poverty and promote shared prosperity. Interestingly, the approach of the contemporary solution is largely in consonance with the maqasid or objectives of the Shari'ah. Islam is a universal religion and addresses the entire mankind not the believers alone. It is, therefore, no surprise that people irrespective of faith do often think along Islamic lines. The term shura has generally accepted by Muslims scholars as that which most closely approximates the notion of democracy. This study analyzed the impact of the shura as one elements of governance from Islamic perspective on poverty, by adopting a cross-country approach. Specifically, the study examined the impact of Shura on the poorest quintiles of the population by evaluating the relationship between the factors and the changes in the per capita income of the poor of the developed and developing countries. This study applied panel regression to examine the significance of the shura as one component of the governance from Islamic perspective towards the shared prosperity of the developed and developing countries. It is found that equality of participation, effective participation and representation are the significant factors in promoting shared prosperity. It is hoped that this study will serve as an effective mechanism for poverty eradication in the respective countries.*

**Keyword:** Poverty, Shared Prosperity, Shura

## INTRODUCTION

### Background

The issues of greater inequalities and social exclusion – reckoned to be the result of economic growth led the World Bank to set the two new goals in 2013 as complement to the Sustainable Development Goal (SDGs): (a) to end

extreme poverty and (b) to promote shared prosperity. 'Promoting shared prosperity' means working towards the increments of the income and welfare of the poorer segments of society wherever they are, be it the poorest of nations or thriving middle-income countries. The shared prosperity goal has become pertinent: as developing countries grow their economies and lift millions out of poverty, they tend to experience growing inequality. Therefore, in order to reduce inequality and promote shared prosperity, progress must be sustained over time and across generations which requires fiscal, social and labor reforms that help create a more inclusive and prosperous society. There is a general consensus that economic growth is necessary but not sufficient for poverty reduction. Traditionally, economists have measured growth in terms of increasing per capita income or GDP per capita. Therefore, as a measure of the potential for maintaining wellbeing in the long term, however, GDP is an inappropriate and even misleading measure. A high level of income today is no guarantee of the same in the future. Indeed, it may actually reduce wellbeing in the future, if some of the income is generated by consuming society's capital base. Thus, GDP per capita is not coherent with any approach to sustainable development. The concept of "sustainable development" was popularized as a normative goal by the World Commission on Environment and Development in their 1987 report. Sustainable development was defined as a development that "meets the needs of the present without compromising the ability of future generations to meet their own needs". Sustainable development may be defined, from an Islamic perspective, as a multidimensional process that seeks to strike a balance between economic and social development on one side, and the environment on the other. It urges humans to use resources in the best possible way, accounting for the environment upon which those resources rely (Nouh, 2012). As noted by Ahmad, Bhatti and Arshad (2013), Islam is a universal religion and provides the path to lead life. Therefore, Islam brings prosperity not only in the worldly life but also in the hereafter. They mentioned that some studies conclude that religions have relationship with economic growth and human development. If the glorious principles of Islamic teachings are implemented, then there will be peace and prosperity all over the world. Islam explains the role of state, social and economic justice, concept of brotherhood, principles of earning and spending and all other related rules and regulations for the smooth running of social and economic systems. Islam is a universal religious and addresses the entire mankind not the believers alone. The main objectives of the Islamic law are to promote the well-being of all mankind which lies in safeguarding their faith (din), their human self (nafs), their intellect (aql), their posterity (nasl) and their wealth (maal)" (Hasan, 2006). There are some elements that are considered by Shari'ah as a unique perspective of Islam in matters of value society and these

elements are necessary for social cohesion. These elements are the main indicators of sustainable development for the betterment of individuals and society. These elements are: Faradh (Responsibility), Shura (Consultation) and Al'adl wal ihsan (Equilibrium) as quoted by Aburouni and Sexton (2004). The application of the teachings of Al-Quran and Sunnah safeguards sustainable development, not only for the Muslims but also for the world on a just basis. The Quran specifies shura as one of the major characteristics of believers "they determine their affair by consultation (shura) among themselves" Surah As-Shura verse 38). It is plentifully evident that practising shura was an important duty of the Muslim and crucial component of what constitute a believing person. Al Quran does not explicitly the conceptual or procedures of shura but political involvement was part and parcel of the practice of the people who received the revealed word.

## **OBJECTIVE**

This study attempts to analyze the impact of shura on shared prosperity, adopting a cross-country approach. Specifically, this study will examine the relationship between shura and the shared prosperity of the developed and developing countries. It is hoped that this study will help to determine how shura as one of the pillars in governance from Islamic perspective can be served as an effective mechanism for prosperity sharing in the respective countries.

## **LITERATURE REVIEW**

The Shuratic process is the consultation or participatory ruling principle in Islam. Human beings should fully participate in decision making and implementation in their life. In Islamic perspective the empowerment means consultative (Shura) decision making at all levels of the Islamic society. It applies collectively to the decision making on social matters. Abdullah and Harun (2018) referring to Al-Qaradawi (1997) has identified that shura as another central principle in Islamic political system. Such a role of Shura is close to its meaning in the Qur'an: "And who (conduct) their affairs by mutual consultation" (Ash-Shura (42), Verse 38). Al Jabri (2009) stressed that Al Quran has made consultation one of the praiseworthy traits, together with the belief in the One God. As defined by Dangor (2003), the word shura means consultation; mutual debate in which one may see the other's opinion; counsel; advice; extract or draw forth an opinion. This principle refers to the need of a government to consult the public in all critical issues in the administration. A leader must be very open to hear and evaluate any view given by parties concerned before coming to any decision. With this principle, Islam rejects a government in the form of dictatorship and authoritarianism which render absolute legitimacy for a small group of governing elite to

determine all policies (Husain, 1986). History proves that dictatorship always brings together oppression, tyranny and despotism which finally throw a country into a public anarchy and unrest. Likewise, the head of a state cannot do anything according to his whims because besides answerable to the people, he is also answerable to Allah and will be questioned in the day hereafter. Although Islam recognizes the sanctity of the views of the majority, upon which the legitimacy of a government is established in a democratic system, whenever it goes against the apparent and fundamental moral and ethical values of humanity, even the views of the majority must be abandoned (Abdullah and Harun, 2018). Al Quran does not explicate the conceptual or procedure of shura but political involvement is part and parcel of the practice of the people who receive the revealed word. The concept of Shura may differ from the concept of democracy. The principle of Shura is based on taking the opinion of the wise from the people of specialization, experience and understanding in the various fields. Democracy has no regard for experience and knowledge, but rather consideration for the number and opinion of the majority, regardless of the efficiency of their choice and its validity or not, what is important is that the opinion of the majority. Findings by Abulatefa and Salleh (2019) discovered that the principle of Shura (consultation) is deeper than the concepts of contemporary democracy. While some others are rejecting, most Muslim scholars generally accept the term shura as most closely verging on the notion of democracy (Dangor, 2003). The definition of the concept of democracy is widely connected to some qualifications of the political traditions in Western countries. Khatab and Bouma (2007) emphasized that the qualification of modern democracy is not merely election or voting but justice, equality, coexistence and human rights as well. None of these qualifications can work or even exist in any society without some regulations. These basic Islamic ideas of justice and equality have been in the Islamic legal system since Islam came into existence where the focus is only on the shariah as laid down in Al Quran and hadith. Maududi (1995) claimed that what distinguishes Islamic democracy from western democracy is that while the latter is a kind of absolute authority which exercises its power in a free and uncontrolled manner, the former is subservient to the Divine Law and exercises its authority in accordance with the injunctions of Allah and within the limits prescribed by Him. In the modern context, the issues of political participation become a matter of priority to ensure an inclusive state. Alonso and Lombardo (2018) has shed light on how the socio-political structure in which participation is embedded affects how far participation outcomes respect equality. He contends that participation has the potential to contribute to equality, but such potential varies across outcomes, contexts, and processes. Abdurachman (2011) revealed that participation allows the involvement of all stakeholders in policy formulation and implementation of

sustainable development program. Dangor (2003) referring to Al Ghannouchi proposed that democracy is a mechanism for shura which consists of a principle governing relation between the political authority and the people. It entails the elements of elections, parliamentary system and separation of power to implement the shura. In the election process, the basic qualification for the election of the leader is that he should command the confidence of the largest number of people in respect of his knowledge and grasp of the spirit of good religious (Maududi, 1995). The executive head of the government and the members of the assembly should be elected by free and independent choice of the people. While Al Jarhi (2016), in providing a modest attempt to define the important of shura in shaping Islamic government, stressed on the component of representatives. According to him, the crucial qualifications of the representative include religious commitment (trust and piety), knowledge as well as experiences in holding certain positions. Przeworski (1999) stressed that representing may imply acting on the expressed wishes of citizens, but it may alternatively imply acting according to what the representatives themselves judge is in the best interests of citizens. In addition, representatives may be viewed as individuals who have been authorized to act on the behalf of others, or may alternatively be viewed as those who will be held to account by those they are representing. The practical application of Shura in contemporary times is that the people have the right to choose their rules and representatives through election. According to UNECE (2018), effective public participation is the key precondition for transparent and accountable governance. It helps governments to tackle inequality by ensuring that all persons, including those from the poorest segments of society and rural communities, are able to participate in decisions that impact their lives. It is abundantly evident that the implementation of shura is an important duty of the Muslims and a crucial component of what constitutes a believing person. The application of this principle in the Islamic political system is considered as fundamental value that will bring an impact in promoting an inclusive economy and prosperous society.

## **RESEARCH METHODOLOGY**

### **Data Collection and Sample**

Data are collected from various resources such as World Bank's World Development Indicators database (WDI) and Democracy Barometer Database, for 10 years starting from 2007 until 2016. The country sample comprises 28 developed countries and 14 developing countries.

## The Empirical Model

To achieve the objective of the study, there are three stages of procedure that need to be applied which first is adequacy test of indicators, second is the estimation procedure and third is the index development.

First, in identifying the adequacy of the pillars and the indicators for our Pillar of Prosperity, we run Principal Component Analysis (PCA). The Kaiser Meyer Olkin (KMO) index ranges from 0 to 1 and the sample is considered suitable for PCA if the index is equal to or higher than 0.50. Also the Bartlett's Test of Sphericity should be significant when the P value is less than 5%. Only then, it can be concluded that the strength of the relationship among the variables is strong.

Secondly, this study uses panel regression static model to examine the significance of the shura as one of the elements of governance from the Islamic perspective towards the shared prosperity of the developed and developing countries. Least Square method is used for estimations. This allows checking the problem of heterogeneity of countries. Then, the Hausman test is applied which allows of choosing the specific fixed or random effects model. This general formulation of the model used in this study can be specified as follows:

$$SPit = \alpha + \beta("SHit") + \mu t ; (Eq.1)$$

Where, SPit = Shared Prosperity it is proxied by Shared Prosperity Indicator developed by Rosenblatt and McGavock (2013) as the dependent variables. The shared prosperity indicator has its intellectual origins in the concept of quintile income.

Third, is facilitate the construction of the Shura Index that explain the implication of Shura as one elements of governance from Islamic perspectives towards the shared prosperity of the country based on the ranking of the index. The Index expectantly reveals which countries function more sustainably, promoting the shared prosperity based on the Shura. It was done by applying the max-min procedures.

## FINDINGS AND DISCUSSION

### Adequacy Test Results

In Table 1, the KMO test for the pillar of *Shura* indicates that it is appropriate for our dataset since the KMO value is 0.594. The Barlett's test of sphericity (BTS) shows an appropriate Chi-Square value of 121.342 and the p-value of 0.000. The results indicate that the correlations between the indicators belonging to the pillar of *Shura* are significantly different from unity or one.

The test results support the appropriateness of the principal component analysis as instituted in this study.

**Table 1:** Kaiser Meyer Olkin (KMO) and Barletts’s Test of *Shura*

KMO Measure of Sampling Adequacy		0.594
Bartlett’s Test of Sphericity	Approx.Chi-Square	121.342
	Df	3
	Sig.	0.000

As per Table 2, the Shura dataset also shows the adequacy of the indicators to be incorporated under the Shura Pillar, as the component correlation matrix is more than 0.3 at 0.839, 0.749 and 0.680 for Equality of Participation, Effective Participation and Representation, respectively. As democracy is a mechanism for Shura which consists of principle governing relation between the political authority and the people, hence, we positively include these three indicators; Equality of Participation, Effective Participation and Representation to be integrated into the Shura Pillar.

**Table 21:** Component Correlation Matrix: *Shura*

RPS	EP	EOP
0.839	0.749	0.680

### Estimation Result

Table 3 reveals the regression test results show up differently on the Shura indicators for developed and developing countries in terms of fixed effects and random effects, respectively. It is discovered that for each country-category, only two indicators are statistically significant to be included under the Shura Pillar. In promoting the level of prosperity, equality of participation and representation directly impact the level of Shura in developed countries. Whereas in developing countries, equality of participation plays a greater role together with the effective participation. The statistical significance of equality of participation as an indicator of Shura in both country categories shows how important it is in promoting shared prosperity. This is supported by Alonso and Lombardo (2018) studying how the socio-political structure in which participation is embedded affects how far participation outcomes respect equality. Effective participation also statistically proven to be more important compared to the representation in respect to developing countries. The important of Representation is found significant in developed countries may indicate the practical application of Shura in contemporary era.

**Table 3: Determinants of Shura Pillar**

	Dependent Variables: Shared Prosperity Indicator			
	Developed Countries		Developing Countries	
	Fixed Effect	Random Effect	Fixed Effect	Random Effect
EOP	0.172** (2.45)	0.172** (2.43)	0.369*** (2.85)	0.367*** (2.83)
EP	0.086 (1.15)	0.0915 (1.22)	0.261 (1.66)	0.265* (1.68)
RPS	0.280** (2.40)	0.260* (2.21)	0.169 (1.47)	0.177 (1.53)
Constant	8.968*** (18.55)	8.87*** (15.82)	4.912*** (6.71)	4.70*** (5.06)
Observations	280	280	140	140
No. of groups	28	28	14	14
Post Estimation Tests				
F Test	0.0196		0.006	
LM Test			0.0003	
Hausman Test	0.0481		0.1989	

*t* statistic in parentheses \* $p < 0.10$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$

### The Performance of Shura Index

In this section we discuss the position of shura in promoting prosperity in developed and developing countries. Figure 1 and 2 show the performance of the Shura Index in the version of average 10-year score for developed and developing countries respectively. It revealed the level of social participation in promoting prosperity sharing in both country categories, as being promoted moderately but significantly and increasing along the 10-year period ranging from 2007 until 2016. The differences in the political and social contexts of individual countries make the governance practice differ in each country explained the level of Shura index scores in developed and developing countries. Shura as part of component of governance from Islamic perspective, an effective governance structure must be in place as a foundation for the implementation of development policy. The degree to which good governance played a role in poverty reduction over the period is vital (World Economic and Social Survey, 2014). In Islam, the state is not only intended for political administration only, nor for the fulfilment through it of the collective will of any particular set of people; rather the aim is to encourage the qualities of goodness, success and prosperity to flourish in life and to suppress all kinds of exploitation and injustice.



Fig.1: Developed Countries Shura Index



Fig.2: Developing Countries Shura Index

## CONCLUSION

It is abundantly clear that emerging and developing economies for the first time now account for a larger share of world GDP than developed economies, in the aftermath of the 2008 global financial crisis. However, it is still unclear if the countries have found the key to prosperity and prosperity sharing. Shared prosperity is measured by the average annual growth in income or consumption of the poorest bottom 40 within a country in comparison with the national average. The agenda of shared prosperity is aimed at developing a fair, equitable and inclusive distribution of economic development, to ensure that no section of society is left behind. Realizing the importance of this agenda, we have made a bold attempt to quantify and visualize 'prosperity sharing' in 28 developed countries and 14 developing countries by examining the role of Shura (social participation). Interestingly, Shura indicates partly as how important of governance from Islamic perspective in sustaining the development as well as promoting prosperity. Over the 10-year period of the study, it is revealed that there has been a moderate flow of implementation of Shura taking place in promoting shared prosperity in developed and developing countries. It is evidenced that how people participation is crucial and significant in promoting the wellbeing and economy of a country.

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**Penafian**

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