

# Self-Inflicted Injuries and the True North– Battling Pakistan’s Economic, Social and Moral Degradation through Islamic Socioeconomic and Sociopolitical Tenets

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## ABSTRACT

*Pakistan has been affected by negative trends in economic, financial, technical and leadership spheres and the prospects of affluence and prosperity are as elusive today as several decades ago. It is reasonable to assume that a few financial, monetary, and economic measures would not be effective in resolving the present conundrum. In this regard, this research aims to explore the factors associated with poor economic performance at individual, institutional and governmental levels. By adopting a descriptive research method, this paper proposes seven Islamic tenets whose implementation by Pakistan and other Islamic nations can help rebuild and sustain their economies in the most effective fashion. These tenets are integrity-based culture, institutional trust, institutional order, interest-free economic system, the distinction between Halal and Haram, regulation of Zakat compliance systems, and equity and justice. The above tenets are deliberated upon from social, economic, political, and ethical perspectives. The paper concludes by highlighting workable solutions and remedial measures to tackle the current economic challenges faced by Pakistan and the Muslim world.*

## KEYWORDS

Islamic Economic System, Interest-Free Economy, Zakat, Integrity, Justice, Order, Halal and Haram.

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## INTRODUCTION

With the exception of witnessing a few eras looking like the take-off stage of affluence and prosperity, Pakistan’s economy has mostly been going through testing times. In the early days, the major problem seemed to be an acute shortage of human as well as non-human resources, for running state affairs (Husain, 2004). Unfortunately, as time passed, several factors like political instability, incompetent economic and social policies, unemployment, escalating debt, poverty, worsening law and order, inept courts of law, corruption, and declining service standards of bureaucracy, etc have further pushed the country to the present state (Aslam & Baloch, 2012). Despite pulling in considerable foreign investment and developing institutions to produce an educated and competent workforce, Pakistan still seems to be struggling with major economic challenges (Husain, 2004; OECD, 2013).

On the surface, mismanagement of the economy of Pakistan seems to be the outcome of the failures of successive governments to take some prudent actions. These include ensuring the rule of law, safeguarding the life, honor, and property of the citizens, providing good educational, health and employment services, imposing a progressive taxation regimen, self-reliance, efficient handling of the state affairs, and so on (Haq, 2015; Lodhi, 2023). However, we propose that merely blaming the actions of governing bodies is to some extent, scapegoating. Societies and economies are run through the combined efforts of the vision and foresight of the ruling class as well the technical and operational prowess of the working class.

## PROBLEM STATEMENT AND RESEARCH GAP

The current state of Pakistan points to several lapses on all fronts, including the actions taken by successive governments, business houses, organizations as well as individuals (Javaid, 2010). These problems are not purely economic or technical either; rather, they also entail ethical, cultural, and spiritual issues. Not only Pakistan but the Muslim nation as a whole experience a daunting lack of ethical and credible leadership. Consequently, despite possession of a multitude of resources, countries like Pakistan still struggle to barely survive (Ibrahim, 2020). Thus, until the root causes of these problems are addressed head-on, one is certainly bound to be bogged down by their sheer magnitude and intensity.

Fewer studies have examined the economic challenges alongside the highly intertwined social, ethical, and spiritual concerns (Riaz, Burton & Fearfull, 2022). However, contemporary studies are increasingly emphasizing the need to consider



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the spiritual aspects in matters of aggregate economic and state planning (Zsolnai, 2022). Keeping this in mind, this paper aims toward providing a holistic approach to deal with the antecedents and outcomes of current socioeconomic and sociopolitical issues. Inclusive of the economic, political, social, ethical, and spiritual concerns, this paper proposes seven fundamentals of success based on Islamic teachings. These tenets ought to be executed to achieve good governance. These fundamentals are *Integrity-Based Culture* (the ability and willingness to fulfill obligations, keep promises, pay dues to the rightful owners, and exercise honesty in all social and financial dealings), *Institutional Trust* (high credibility, reliability, and dependability of institutions and government), *Institutional Order* (a place for everything and everything in its place), *Interest-free Economic System* (commitment of rulers to introduce the interest-free economic system, and refraining from accepting or giving interest in all types of economic transactions), *Clear Distinction Between Halal and Haram* (*Halal* refers to all things deemed permissible, whereas *Haram* means all things forbidden by Allah (SAW)), *Equity and Justice* (impartial treatment and equitable distribution of national resources), and *Regulation of Zakat Compliance Systems* (“*poor’s due*”, rights of the underprivileged on the incomes of the privileged). It is worth mentioning that these fundamentals initially originate from individual conduct and character, something that should become an engine for collective change at institutional and governmental levels.

### **Rationale of Study**

The rationale behind this paper is to study various ailments of the present governing system in Pakistan and make some viable recommendations to salvage it from the quagmire of corruption, inaptness, and sheer neglect, in light of the fundamental teachings of Islam.

### **Research Objectives**

- To identify some of the major socio-economic and socio-political challenges facing Pakistan.
- To assess the gaps between the code of governance ordained by Islam and the current system of governance.
- To make useful recommendations on how Pakistan can battle the current challenges.
- To emphasize the utility of Islamic economic and governance systems in Pakistan and across the Muslim world, by highlighting their benefits.

## **RESEARCH DESIGN**

The study adopts a descriptive method of research, which strives to explain the characteristics of a certain phenomenon (Sekaran & Bougie, 2016). Drawing from the relevant literature, the paper makes a strong case for embracing and implementing the seven Islamic fundamentals for society and state governance.

### **1. Integrity-Based Culture**

In order to employ Islamic tenets in running the economy, integrity is a primary factor. It is defined as “*the moral quality of behavior in the process of governance, not about the content of decisions and societal outcomes*” (Huberts, 2018, pp. 28). From individual honesty in financial dealings to transparency in organizational affairs, integrity and honesty are the foremost pillars of any prosperous society and economy (Basheer et al, 2019; Huberts, 2018). Unfortunately, dishonesty prevails in every field, including academics, politics, health, and law (Suud & Madjid, 2020). Pakistan has also been battling with the grave outcomes of persistent dishonesty and lack of integrity. Ills like corruption, bribery, misuse of power, embezzlement, lack of merit, transparency, and accountability, and weak implementation of rules and laws are all intertwined with the widely embedded traits of dishonesty and insincerity of both the leading class as well as the masses (Faisal & Jafri, 2017).

As fancy as the words like integrity, honesty, and authenticity sound, societies cannot simply program themselves to become honest overnight (Suud & Madjid, 2020). While increasing accountability through rewards and punishments seems like a solution for dishonest and fraudulent activities (Arif & Farmanesh, 2020), conjuring up individuals’ and organizations’ willingness to adopt truthfulness and integrity, especially without having to employ a carrot and stick approach, is an impossible task. Another concern is the subjective definition of integrity (Suud & Madjid, 2020). Almost all religions and cultures universally acknowledge the need for integrity and give its practice its due regard, however in application, there may arise contextual factors, rationalizations, and scapegoating. Here, holding on to a specific code would be beneficial to create consensus on what constitutes integrity. For Muslims, such code is already given by Islam and can be used to objectively examine and implement the standards of honesty, integrity, truthfulness, and authenticity. Prophet Muhammad (PBUH) exhorts the believers, to be honest, and truthful in their affairs in the following hadith.

*"Truthfulness leads to righteousness, and righteousness leads to Paradise. And a man keeps on telling the truth until he becomes a truthful person. Falsehood leads to Al-Fajur (i.e. wickedness, evil-doing), and Al-Fajur (wickedness) leads to the (Hell) Fire, and a man may keep on telling lies till he is written before Allah, a liar." (Al-Bukhari 6094, Book 78, Hadith 121)*

Integrity is also an essential ingredient of ethical leadership. If the leaders and managers would expect and seek integrity from their subordinates, the former would have to substantiate their oral assertions with appropriate actions. True

leaders are not only required but expected to demonstrate this trait at personal, institutional, as well as national levels (Arif & Farmanesh, 2020; Basheer et al, 2019).

Exhibiting integrity at leadership levels is merely one part of the solution. The long-term sustainable solution is to transform the societal moral norms and credos. Leaders and managers come and go, but the individuals who are to stay and run the organizations may experience dissonance and anxiety at first (Suud & Madjid, 2020). But continuous reinforcement of immorality would desensitize them to lying, cheating, misrepresenting, and fraudulent practices, eventually planting the seed for a collectively numb nation, that cannot differentiate between right and wrong, truth and lies. Integrity-based culture can only be cultivated if it is propagated through compelling ethical and moral principles (Huberts, 2018).

## 2. Institutional Trust

A nation's trust in public and private institutions is vital for a well-functioning economy. This trust is built based on the written and unwritten social contract between the people and their government. For examining it, some basic questions are worth asking. Are the rulers elected through a truly democratic process? Do the masses believe in what their rulers say, claim or promise in different situations? Do people consider their leaders truthful? Hence, a significant determinant of people's trust is their confidence in the ability of government institutions to fulfill their promises. The higher this confidence, the higher will be the masses' trust (Almamy, Mishra & Chowdhury, 2022). Trust in institutions is developed by the public's confidence that institutions are performing to the best of their abilities (Attahiru, 2021). Trust building is unavoidable part of governance since a distrusting nation is unlikely to contribute to the collective benefit (Khan & Hossain, 2020). It remains ambivalent about decision-making processes and may even oppose and critique the ruling class.

The trait of trustworthiness is an integral part of practicing Islam. Without it, individuals, businesses, and governments cannot achieve a holistic sense of success (Attahiru, 2021). The Holy Quran deems trust to be a characteristic of Muslims in the following verse.

*“The faithful’ are also those who are true to their trusts and covenants. and who are honest in their testimony. and who are ‘properly’ observant of their prayers. These will be in Gardens, held in honor.”(Al-Ma’arij, 32-35)*

Implementing Islamic principles at micro- and macroeconomic levels also requires the trust and confidence of people in the system. Whether it is about business-to-consumers or business-to-business transactions, trust binds together the economic and business ecosystems (Fauzi, Saputra & Ningrum, 2022). The people of Makkah used to call the Prophet Muhammad (PBUH) *“The Trustworthy”* because of his persistence in exhibiting honesty and credibility in the community. The Prophet (PBUH) once emphasized the weight of trustworthiness in economic and business affairs in the following words,

*“The trustworthy, honest Muslim merchant will be with the martyrs on the Day of Resurrection.”(Sunan Ibn Majah, 2139, Book 12, Hadith 3)*

Having stated that, contemporary research suggests that the trust levels of the public towards their governments are continuously declining (Almamy, Mishra & Chowdhury, 2022). This is especially true for Muslim countries including Pakistan, where governments and organizations seem to struggle with the true enforcement of Islamic moral credos. As a result, some of the most structurally and politically damaged, corrupt, morally repugnant, and dishonest governments in the world are Muslim majority (Khan & Hossain, 2020). These factors plant the seed for distrust and spread collective resentment towards governments and public officials. Similarly, for business units, consumers should be able to trust in a business's ability to deliver the product as per promises. Once lost, consumer trust is hard to regain (Fauzi, Saputra & Ningrum, 2022).

## 3. Institutional Order

Order can be defined as, a place for everything and everything in its place (Fayol, 2013). The principle of order was formally proposed during the era of the industrial revolution; however, its application has always remained relevant with respect to management, leadership, and administration. Order is a crucial ingredient for individuals, groups, communities, society, and the state. Taking into account the current situation in Pakistan, a severe lack of order in management and governance can be observed (Shahzad et al, 2021). In both public and private sectors, people tend to tolerate thieves and goons, select officials with dubious qualifications and elect corrupt and incompetent people to run state affairs. Understandably so, the people have no one to blame for chaos and misery in society except themselves. The Holy Quran refers to such people as follows.

*“Indeed, Allah will not change the condition of a people until they change what is in themselves.”(Ar-Ra’d, 11)*

Order can take many forms. It encompasses social order (interpersonal relationships and family structures), economic order (banking system, fiscal affairs, price regulation, national productivity), business order (production and distribution,

financing, recruitment, compensation), and institutional order (rule of law, accountability, justice). Across all these areas, the role of individuals, institutions, and the state in collectively maintaining order can be hardly over-emphasized. Formulation of clear frameworks, action plans, and policies must be facilitated for overcoming managerial and operational barriers (Ijaiya, 2021; Musa et al, 2022).

Islam provides a holistic framework for upholding order across the board. Taking into concern the economic, business, and governance affairs, Islamic *Shariah* acts as a guide for all Muslims to hold on to (Musa et al, 2022). Building upon the principle of *Tawheed* and submission to Allah (SWT), *Shariah* brings social order through inculcating stewardship and clarifying role ambiguities, economic and business order through the tools of *Zakat*, interest-free financing, ownership rights, and regulations for *Halal* and *Haram*; and institutional order through ethical leadership, social justice, accountability, impartiality, transparency, and merit compliance (Nienhaus, 2010; Obid & Naysary, 2014; Rahman, 2021).

Being in possession of a complete code of life that is the Holy Quran and the hadith of Prophet Muhammad (PBUH), all Muslim nations including Pakistan must strive to develop and maintain order by constituting value-based systems, ethical conduct, efficient and lawful utilization of resources, fulfillment of communal duties, and *Shariah* compliant legislation in all walks of life.

#### 4. Interest-Free Economic System

The present-day world economy, which is based on interest, is too powerful to allow third-world Muslim nations including Pakistan to break away from its influence. On the other hand, the gravity of carrying out interest-based transactions can be comprehended by the following verse of the Holy Qur'an.

*“O, believers! Fear Allah, and give up outstanding interest if you are ‘true’ believers. If you do not, then beware of war with Allah and His Messenger! But if you repent, you may retain your principal—neither inflicting nor suffering harm.”*(Al-Baqarah, 278-279)

Like other fundamentals of an Islamic economic system, the notion of an interest-free economy encapsulates a wide range of factors. Thus, merely eliminating interest from economic and banking transactions may only serve as an initial step toward building an interest-free economy (Hassan et al, 2021). The practice of interest or usury collection is associated with greed, an exploitative mindset, and the principle of survival of the fittest. It promotes a culture of haves versus have-nots, exploitation, zero-sum mentality, concentration of wealth in a few hands, and a merciless class system (Eisenstein, 2011). Hence, without addressing these social ills, implementing an interest-free system may undermine its real benefits.

The system of interest or *Riba* or usury dates back to the pre-Islamic era and is still prevalent in modern-day economies. Oftentimes, called and justified as due profit, interest has been embedded in almost every transaction. Islam clearly draws the line between profit and interest. The Holy Quran states,

*“Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, “Trade is [just] like interest.” But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns [to dealing in interest or usury] - those are the companions of the Fire; they will abide eternally therein.”* (Al-Baqarah, 275)

Interest-based transactions are deeply embedded in business dealings, monetary policy, debt financing, saving behavior, mortgage, and miscellaneous economic and banking activities in Pakistan. Resting on the principles of conventional or western economic standards, eliminating interest would take a great deal of work. Recently though, efforts have been made to provide a framework for an alternate economic system to eradicate interest-based transactions on both micro- and macroeconomic levels (Hassan et al, 2021; Shah & Javed, 2014). The most compelling replacements for interest-based financing are *Musharakah* and *Mudarabah*. The former refers to mutual equity participation while the latter involves a *Rabb-ul-mal* (the financier) and a *Mudarib* (the manager or administrator). Both involve profit and loss sharing rather than fixed interest payments (Hassan et al, 2021). For joint stock companies and public projects, *Sukuk* financing can be introduced where government and private investors seek funds backed by assets. Relative to conventional bonds, *Sukuk* bonds do not entail fixed interest returns rather their valuation and profit rates are tied to the value of assets backing them. Furthermore, such assets must be *Halal* as per *Shariah* laws. Raising capital against an asset that entails *Haram* or forbidden business activity would not constitute *Sukuk* financing (Mohammed, 2014). Furthermore, the goods and services produced by these businesses must also conform to Islamic standards of *Halal* (Viphindartin, Widarni & Setiyantono, 2022).

As an alternative to capitalist and socialist economic systems, an interest-free economy can not only help foster investment by removing the price of debt but can also curb inflation and unemployment by encouraging the investment sector to create employment rather than seeking it. Though there is a concern about declining savings due to lack of incentives, interest-free financing ensures money circulation and reduces hoarding, making it a catalyst for fair income distribution (Gani, 2020).

Thus, by employing the aforementioned Islamic investment instruments, devoid of *Riba* payments, the nation's GDP can also be improved given the ease in commencing manufacturing or service-based businesses.

### 5. Distinction Between Halal and Haram

*Halal* refers to all attitudes, behaviors, and activities that are deemed permissible by Allah (SWT). On the other hand, *Haram* includes all attitudes, behaviors, and activities that have been forbidden by Allah (SWT) (Abdullah & Azam, 2020). Two major sources of authority in terming anything *Halal* or *Haram* must originate from the Holy Quran and/or the hadith of the Prophet Muhammad (PBUH) (Antara, Musa & Hassan, 2016). The Holy Quran states,

*“Do not falsely declare with your tongues, “This is lawful, and that is unlawful,” ‘only’ fabricating lies against Allah. Indeed, those who fabricate lies against Allah will never succeed.”* (An-Nahl, 116)

Since Islam provides a complete code of life, the concepts of *Halal* and *Haram* fit perfectly with the idea of a society upholding its people to a certain set of standards. These standards apply to all walks of life including individual behavior, interpersonal relationships, social norms and practices, legal matters, corporate credos, and governance issues. Similarly, within the context of financial and economic affairs, the concept of *Halal* and *Haram* holds a holistic position. It not only covers matters like the nature of products, but also sources of financing, methods of production, workers' compensation, structural transparency, merit compliance, and contextual factors (Elasrag, 2016; Latif, 2019).

Apart from Quran and Hadith, Islam provides flexibility through *Ijma* (scholarly consensus) for catering to the needs of changing times. However, lack of understanding of *Shariah* law, contextual complexities, and political motives may blur the lines between *Halal* and *Haram* in certain situations (Ali, 2011). Prophet Muhammad (PBUH) referred to this issue in the following hadith,

*“That which is lawful is clear and that which is unlawful is clear, and between the two of them are doubtful matters about which many people do not know. Thus he who avoids doubtful matters clears himself in regard to his religion and his honor, but he who falls into doubtful matters [eventually] falls into that which is unlawful, like the shepherd who pastures around a sanctuary, all but grazing therein.”* (Al-Bukhari, 52)

Unfortunately, the present state of Muslims vis-à-vis *Halal* and *Haram* is appalling and a major source of further deterioration of conditions in economic, social, cultural, and administrative sectors. One finds several individuals making all-out efforts to get settled in an occupation where they can earn a lot, keeping aside the requirement of *Halal* compliance.

*“There will come a time when a man will not care where his wealth comes from, whether (the source is) Halal or Haram.”* (Sunan An-Nasai, 4454, Book 44, Hadith 6)

One reason for heedless attitudes towards *Halal* and *Haram* is the persistent lack of *Halal* literacy among the masses. Given countries like Pakistan have adopted the economic and financial mechanisms of the western economies, both individuals and organizations mainly aim for individual benefit, whilst ignoring the requirements of *Shariah* (Abdullah & Azam, 2020). Thus, the need for *Halal* literacy is vital for Muslim society. Only by establishing a clear and undoubted distinction between *Halal* and *Haram*, can a nation move towards the enforcement of Islamic economic laws (Antara, Musa & Hassan, 2016).

### 6. Equity and Justice

As an underdeveloped country, Pakistan has its fair share of issues pertaining to equity and justice (Raja, Sheikh, Abbas & Bouckenoghe, 2018). Besides Pakistan, the ill of injustice is now widespread in the whole Muslim world where one strives to find the prevalence of justice and equity but seldom does (Rahim & Mohammed, 2018). Injustice has crept deep into the social and economic structures of these countries (Raja et al, 2018). Contrary to today's state of injustice in the Muslim world, Islam attaches great importance to the exercise of individual and collective justice. The Quran states,

*“O you who believe, be upholders of justice - witnesses for Allah, even though against (the interest of) yourselves or the parents, and the kinsmen. One may be rich or poor, Allah is better caretaker of both. So do not follow desires, lest you should swerve. If you twist or avoid (the evidence), then, Allah is all-aware of what you do.”* (An-Nisa, 135)

In any system or society, justice is exhibited in multiple forms. Economic justice refers to the freedom and equal accessibility of resources to conduct business. Distributive justice refers to the just or fair distribution of goods and services among the societal members, and procedural justice is the transparency in enforcing laws, policies, rules, and regulations (Rokan, 2020). Today, distributive injustice is strongly associated with fair market conditions and the increasing gap between

rich and poor in Muslim societies (Hashmi, 2012; Rokan, 2020). The Holy Quran reminds the Muslim Ummah about the significance of economic and distributive justice in the following verse.

*"Woe to the defrauders! Those who take full measure 'when they buy' from people, but give less when they measure or weigh for buyers. Do such people not think that they will be resurrected? for a tremendous Day, The day 'all' people will stand before the Lord of all the worlds?" (Al-Mutaffifin, 1-6)*

Whether one examines individual or institutional behaviors in Pakistan, work needs to be done to foster equity and justice. Both procedural and distributive justice are interdependent. For instance, even in presence of procedural justice, a lack of distributive justice may compromise the benefits of the former. It is worth noting here that lack of provision for basic rights can also lead to general ignorance and disregard for distributive and procedural issues. Individuals and organizations are wired to seek rewards and fixate on the ends, for meeting basic needs. Thus, the masses may not pay much heed to procedural lapses unless some tangible outcome is contingent upon them (Raja et al, 2018). This standpoint was also supported by early Muslim rulers like Caliph Umar (RA) and Caliph Ali (RA), and Muslim scholars, like Al-Ghazali. Their work and experience point to the fact that eradication of poverty and social misery is a prerequisite for establishing justice in society (Rahim & Mohammed, 2018).

Islam holds all Muslim individuals, institutions, and governments accountable for upholding justice and practicing equity in all their affairs. Across the board, reward or compensation must match the degree of labor a piece of work involves. Similarly, the punishment and penalty must be up to the wrongdoing one commits (Attahiru, 2021). Referring to equity and justice as *Adl*, which means *to rectify* or *modify* a deviation from the right path (Khadduri, 2001). This entails that practicing justice is part of following the right path as ordered by Allah (SWT). The Holy Quran equates justice with piety in the following verse.

*"O believers! Stand firm for Allah and bear true testimony. Do not let the hatred of a people lead you to injustice. Be just! That is closer to righteousness."(Al-Ma'idah, 8)*

## 7. Regulation of Zakat Compliance Systems

*Zakat* has paramount significance in a Muslim society. The word *Zakat* means *to improve or build* (Ibrahim & Chek, 2020). Given its role in economic development by securing funds from the privileged class and distributing it among the less privileged, *Zakat* lives up to its name by enforcing a 2.5% deduction from a Muslim's total wealth, to be spent on the social and economic welfare of the society (Doktoralina et al, 2018). Moreover, it has proven to assist in poverty alleviation, economic development, and fair distribution of wealth (Achmad, 2022; Hariyanto, 2020). From the economic perspective, *Zakat* serves more than a tax tool, rather it serves a higher moral purpose. This also distinguishes it from both capitalistic and socialist economic paradigms (Doktoralina et al, 2018).

*Zakat* is ingrained in the very socio-economic fabric of a Muslim society. It entails a dual role, the first being one of the primary pillars of Islam, *Zakat* payment is mandatory upon every Muslim for which they will be accountable on the day of judgment.

*"Those who do not pay alms-tax (Zakat) and are in denial of the Hereafter."(Fussilat, 7)*

*Zakat* aims toward building an economic ecosystem where the needy are cared for, and instead of leaving behind the less privileged classes of society, *Zakat* provides a clear framework for improving their standard of living (Achmad, 2022). While the impact of *Zakat* has been monumental in the past, its enforcement in the modern day has not been as fruitful. Common causes of failure of *Zakat* management lie in poor governance (Saad et al., 2017), lack of compliance, and the inability to collect *Zakat* payments by regulatory bodies (Sawmar & Mohammed, 2021). Ahmad et al (2011) state that apart from good governance, effective enforcement of *Zakat* regulations and ensuring due *Zakat* collections, is contingent upon the significance public attaches to the religion, and their perceptions about the *Zakat* regulatory bodies. The more religious a Muslim is, the higher the propensity for *Zakat* compliance and vice-versa. Similarly, the more trustworthy, the *Zakat* collection bodies are perceived to be, the higher the probability of *Zakat* compliance (Sawmar & Mohammed, 2021).

The holistic system of *Zakat* stretches beyond payers and beneficiaries. The role of governing bodies, including the legislators, law enforcement institutions, and *Zakat* collection entities is vital for the development and implementation of *Zakat* regulations. These parties are the definitive stakeholders in the *Zakat* compliance system. Support extended by prominent religious figures is indispensable for the credibility of the *Zakat* compliance framework. Furthermore, the role of media can make a considerable difference in shaping opinions pertaining to the concept of *Zakat*, its need in society, as well as the integrity of *Zakat* collectors (Abioye, 2012). Keeping these factors in mind, Sawmar and Mohammed (2021) propose that the state of *Zakat*

compliance can be improved through leadership efforts. Specifically ethical leadership would make a difference, given how during the reign of ethical Muslim leaders, both effective *Zakat* compliance systems and their societal effects were apparent. Systems' transparency and the presence of procedural justice pertaining to the mechanisms of *Zakat* collections and spending are also important determinants of payment compliance. Another step is managing the wider stakeholders to ascertain their role remains conducive to *Zakat* collections. Lastly, the masses' trust in the aforementioned factors is essential (Abioye, 2012).

Keeping in mind the need for transparency in *Zakat* management, the role of technology cannot be ignored. For instance, a *Zakat* management system can be created by incorporating the abilities of data storage, information retrieval, information sharing with stakeholders, and relevant decision-making (Elsayed & Zainuddin, 2020). While employing such a system would ensure faster *Zakat* processing, it may also assist in transparent *Zakat* compliance through swift identification of defaulters.

The notion of *Zakat* is also aligned with corporate social responsibility. As stakeholders are sensitive to organizations' degree of social responsibility and philanthropy, *Zakat* can be proposed as a tool to further this cause. Here, the Islamic banking system comes into play. By assuming the role of *Zakat* intermediaries, banks can ensure the smooth channeling of *Zakat* funds from payers to beneficiaries (Achmad, 2022).

Lastly, it is worth addressing the fallacy that if the system of *Zakat* is implemented in an Islamic state, there would be no need to levy other taxes. However, the need for levying other taxes would still be there. As one can envisage that the responsibilities of governments of early periods of Islam were extremely limited; in that, they were not required to provide modern-day facilities and structures (i.e., construction of schools, colleges and universities, hospitals, factories, communication, and transport facilities, and so on), which the contemporary governments are supposed to deliver to their citizens. To fulfill these needs and demands, governments, who are managing *Zakat* in whatever form, can't run the state affairs without levying taxes on their citizens.

## DISCUSSION AND REMEDIAL MEASURES

Plenty of research has been undertaken to discuss the elements of Islamic economic and socio-political systems as well as their application. This research strived to amalgamate numerous factors pertaining to the role of Islam in running a state. All these factors, ranging from degree of integrity, institutional order, to people's trust, and prevalence of justice are some of the universal foundations of any civilized society. On top it, specific Islamic regulations regarding interest-free banking and economy, *Halal* and *Haram* standards, and *Zakat* collection management, are the additional mechanisms through which not only Pakistan but the rest of the Islamic world can also ensure emulating the Prophet Muhammad's (PBUH) state of Medina. Our research posits that the economic and political affairs of any country are not independent of social, cultural, religious, and ethical variables, rather all of these are highly intertwined. Even if one of them crumbles, the rest would fall like dominos.

Keeping in mind the importance of the seven fundamental issues proposed in this paper, the following policy measures and recommendations are made. These measures not only abide by Islamic credos but also reflect the need for evolution in the changing times.

- a) For ensuring *Zakat* payment compliance, an elaborate *Zakat* Information System can be created. Types of information in ZIS can range from the number of potential *Zakat* payers in the country, defaulters, due dates, and defaulters. Furthermore, ZIS should be integrated with databases of institutions like the National Database and Registration Authority (NADRA), Federal Board of Revenue (FBR) and the National Accountability Bureau (NAB). This would allow ZIS to pull necessary information about citizens from NADRA, establishing their *Zakat* eligibility through FBR, and identifying defaulters through NAB. The organizations, responsible for channeling *Zakat* payments to their rightful recipients should also be made part of the ZIS. These may include but not limited to commercial Islamic banks. The chain can further extend to national and international NGOs to find the deserving recipients of *Zakat*. At last, inclusion of *Zakat* in the formal taxation system of the country is vital to enforce its legitimacy.
- b) Implementing Islamic financing and promoting businesses adopting Islamic modes of investment can be facilitated through initiatives like *Halalpreneurship* (Abdullah & Azam, 2020). Where conventional entrepreneurship stands on the principles of survival, individualism, and competition and is impartial to *Halal* and *Haram* concerns, *Halalpreneurship* is *Shariah* compliant where the business efforts aim toward the collective benefit and abide by the standards of *Halal* and *Haram*. *Halalpreneurship* is primarily motivated to please Allah (SWT). Separate funds can be allocated in the national budget for *Halalpreneurship* projects.
- c) Quoting from several injunctions from the Holy Quran, the government should forbid all forms of interest payments and receivables. In the first phase, the government can start with internal debt, abolishing the practice of interest across the country. For external debt, government must strive to secure funds by direct and progressive taxation, whilst increasing national productivity. For discouraging tax evasion, all tax amnesty schemes must be abolished and declared illegal. Strict observation of rule of law is paramount to achieving fruitful results from the above initiatives.
- d) In the long run, technological exports should be produced. Currently, Pakistan's exports cost less than imports. From defense ammunition to industrial machinery, most of its highly expensive imports increase the current deficit. Thus,

long-term measures would have to be taken to make Pakistan self-sufficient in building defense, and industrial technologies. This step is also indispensable for smoothly transitioning into the era of digital age and artificial intelligence.

- e) As benchmarks of an Islamic society, implementing the concepts of *Halal* and *Haram* is the responsibility of the sitting government. Therefore, governments must ensure regulating the activities of all the people by strict oversight of the limits of *Halal* and *Haram* in an Islamic state. In this regard, an app can be designed for creating awareness about *Halal* and *Haram*. The app must be developed in light of the Holy Quran, Sunnah, and Hadith of Prophet Muhammad (PBUH), and in consultation with present-day Islamic scholars. For grey and contextual matters of *Halal* and *Haram*, tools like *Ijtihad* and *Ijma* can be utilized. This way, all matters related to *Halal* versus *Haram* debates would be solved using a standardized system, legitimized by the government and contemporary Islamic scholars.
- f) The economy must be documented ensuring the inclusion of previously undocumented sectors of the economy in the gross domestic product (GDP). This would also help identify potential areas of the economy where the government ought to spend more.
- g) Electronic government or e-government system should be adopted, making all public decisions more transparent. Though many public organizations in Pakistan have employed electronic and online modes of operations, most of the government units still run their affairs manually, resulting in increased processing time, misalignment of data and information with their electronic counterparts, and increased margin of corruption and bribery.
- h) In a country like Pakistan which is battling the outcomes of severe deterioration of social, moral, and religious values, fostering a culture based on integrity, honesty, and truthfulness, long-term spiritual transformation is needed. However, in the short term, the only resort for enforcing individual and institutional integrity is building public trust in institutional and government decisions. This starts with hiring competent individuals, not just in managerial and leadership positions, but for all functions and tasks in all private and public organizations. The notion of merit and competence should be culturally ingrained by reinforcement of merit-based decisions. Rewards must be withdrawn, while harsher punishments should be in place for dealing with merit violations. Apart from legal steps, on a social level, society must collectively ostracize individuals who enter the system through undue referrals and lack the merit and competence to do their jobs.

## CONCLUSION

This study focused on identifying major gaps in improving the current state of Pakistan's economy. The paper drew from similar research from the Muslim world to establish the need for employing Islamic tenets, in order to solve some of the most monumental political, economic, and social problems facing us today. The findings of our study reaffirm that there is a need for alignment between governance, economy, and the religious, spiritual, and ethical fundamentals that serve as foundations for building a transparent society and state (Riaz, Burton & Fearfull, 2022).

Considering the case of Pakistan, Islamic socio-economic and socio-political fundamentals provide a holistic framework for tackling the current challenges (Shah & Javed, 2014). It must be noted here that for implementing these policy measures, sober and sincere leadership efforts are vital. Some of the transformational steps like the interest-free economy, merit and justice, rule of law, *Zakat* and tax compliance, and cultivating a culture of honesty seem far-fetched when a nation is devoid of leaders who are farsighted, able to make tough and impartial decisions, and most importantly, who fear Allah (SWT) while understanding the essence of running an Islamic state. Thus, in absence of such leadership, the entire debate on system change and improvement is a moot point. The following hadith of Prophet Muhammad (PBUH) sums it all up.

*“Your best imams are those whom you like and who like you, on whom you invoke blessings and who invoke blessings on you; and your worst imams are those whom you hate and who hate you, whom you curse and who curse you.”* (Mishkat al-Masabih 3670, Book 18, Hadith 10)

## POTENTIAL OF FUTURE RESEARCH

Given the urgent need for economic and social reforms in Pakistan, there is a wide arena of areas future studies can dive into. Firstly, the factors discussed in this paper need to be deliberated upon in more detail. For instance, studies from banking and economic standpoint should explore the intricacies and technicalities of *Zakat* and *Riba* free financing keeping in mind the debt obligations. Social and behavioral scientists must aim to uncover the determinants of unethical and dishonest behaviors prevailing in Muslim societies. Here, research from a public administration perspective would assist in outlining workable and implementable solutions. At last, studies conducted from a theocratic perspective must integrate Islamic teachings with the current technological, social, economic, and political trends.

## CREDIT AUTHOR STATEMENT

**Javed Iqbal Shah:** Conceptualization, Writing- Original draft preparation. **Saman Javed:** Writing- Reviewing and Editing.

## COMPLIANCE WITH ETHICAL STANDARDS:

It is declared that all authors don't have any conflict of interest. Furthermore, informed consent was obtained from all individual participants included in the study.

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