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Investigating the Effects of Islamic Social Finance (Zakat Index), Islamic Human Development Index, and Quality of Governance on Poverty Reduction in MENA Countries

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Abstract

This study examines the impact of Islamic social finance, the Islamic Human Development Index, and various macroeconomic indicators on poverty reduction in member countries of the Organization of Islamic Cooperation from 2000 to 2022. Using a fixed effects model, the research analyzes the relationships between these variables. The findings reveal that the Islamic Human Development Index, reflecting the quality of human resources, significantly contributes to poverty reduction in the selected countries. Additionally, zakat, protest accountability, and economic openness negatively and significantly correlate with poverty levels. Conversely, factors such as governance quality, population, inflation, and exchange rates appear to have minimal impact on poverty rates. These insights can inform government policies aimed at alleviating poverty. A distinctive feature of this research is the application of a modified human development index based on five Islamic goals, alongside an empirical investigation of its effects on poverty.

Keywords: Islamic Social Financial Effects; Human Development; Institutional Quality Index; Poverty.

JEL Classification: I31, I32, I38, O53.

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