CHAPTER - I

INTRODUCTION
CHAPTER-I

INTRODUCTION

Unemployment, poverty, inequality and distributive injustice are the major economic problems faced by the countries of the world today. The root cause of these problems of the world is the poverty. Islamic economic methodology aims at cast a fresh look on the entire economic problems and come up with a fresh solution to the persisting problems. Further, it also aims at the development of economic sciences that should develop economic theories that conform to Islamic economic doctrines for the explorations and utilizations of the material resources of the universe for the true betterment of the humanity.

Evaluating the present day world economy it deserve to be noted that the socialist economic experiment has been miserably failed, while the capitalist economies strides, in the field of economic growth and technological transformation, are in ever depending crises. Modern economy has failed to ensure distributive justice, sustained growth and social harmony for a vast majority of mankind it is not faced with a prolonged recession, persistent unemployment, stagflation, unrestraint monetary expansion, increasing the gravity of poverty, widening the gap between the haves and the havenots.

In the present economic system the allocation of resources has been guided mostly by economic and financial criteria and not by human needs. In Islamic
Economic Methodology (IEM) the reward for capital-interest is forbidden. It is exploitation and is an impediment for rapid economic development. The vast spares of undeveloped earth and oceans and infinite potentialities of development which may be enough to enrich everyone on this earth can be utilised, if finance is available. Unfortunately finance is available at a cost, which is, at a certain rate of interest. At the international level the present outflow of resources from the poor to rich nations in the form of interest should be stopped. This 21\textsuperscript{st} century can introduce a practical mechanism to make finance available at free of cost. In Islamic Economic Methodology money is a medium of exchange and store of value but not as a commodity. It becomes useful only when it is exchanged into a real asset or when it is used to buy a service. Hence it cannot be sold or bought in a credit in Islamic Economic Methodology, by prohibiting interest and implementing profit loss sharing, takes care of the problem of unemployment, inflations, foreign exchange and volatility of business cycles and excessive depletion of natural resources.

The Zakath (compulsory contribution) system whose two and half percentage of the income balance to be distributed among the eight groups of poor section in the society whose propensity to save is zero and propensity to consume is equal to +1. If income flows to them from those who’s Marginal Propensity to Save (MPS) is less than +1, consumption would increase up to their entire income, leading to increased demand causing increase in production resulting the continuous dual flows of goods on the one hand and income on the other hand. Ultimately there is stability in saving and investment.
A comparative study of the present day economic system ‘the socialism and capitalism’ would definitely impart a new line of thought in the world economic approaches to find modifications to the economic models like the Neo-classical, Keynesians and Neo-Keynesians so that it would make the 21st century worth living and virtually it would transfer the entire world into a heaven.

Mohammed Akram Khan (1999) in his work on, “An Introduction to Islamic Economics” emphasizes the comprehensive character of IEM based on the universal moral values. According to him “Islamic Economics is a science aims at the study of human ‘Falah’ achieved by organizing the resources of the earth on the basis of co-operation and participation. The key concepts in the above definition are a) ‘Falah’ b) Resources c) Co-operation and Participation.

The term ‘Falah’ has been derived from Arabic root ‘Falah’. Its verbal form ‘aflah’, ‘yflihu’, means to thrive, to become happy and to have a good luck or success, to be successful. For the life in this world it represents three things, ‘baqa’ (survival), ‘ghana’ (freedom from want) and ‘izz’ (power of owner). It is a multi dimensional concept. It has implications at micro and macro level.
Table No 1.1

Falah at Micro and Macro Level

<table>
<thead>
<tr>
<th>FALAH</th>
<th>Micro-level</th>
<th>Macro-level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survival</td>
<td>Biological survival i.e. physical health, freedom from disease</td>
<td>Ecological balance, hygienic environment, and medical aid for all</td>
</tr>
<tr>
<td></td>
<td>Economic survival i.e. having means of livelihood</td>
<td>Management of natural resources to generate work opportunities for the entire population</td>
</tr>
<tr>
<td></td>
<td>Social survival i.e. brotherhood and harmonious interpersonal relationships</td>
<td>Inner social cohesion; absence of internecine conflicts among different groups</td>
</tr>
<tr>
<td></td>
<td>Political survival i.e. freedom and participation in the affairs of the state</td>
<td>Independence and self-determination as an entity</td>
</tr>
<tr>
<td>Freedom from want</td>
<td>Alleviating poverty</td>
<td>Provisioning for the entire population</td>
</tr>
<tr>
<td></td>
<td>Self-reliance i.e. work rather than parasitic idleness</td>
<td>Generating resources for the coming generations</td>
</tr>
<tr>
<td>Power and honour</td>
<td>Self – respect</td>
<td>Economic power and freedom from debt</td>
</tr>
<tr>
<td></td>
<td>Civil liberties, protection of honour and life</td>
<td>Military power</td>
</tr>
</tbody>
</table>

Source: ‘Methodology of Islamic Economics’ (1989) Selangor Malaysia, Pelanduk Publication
1.1 Conditions of Falah

i) Spiritual

ii) Economic

iii) Cultural

iv) Political

1.1.1 Economic conditions of Falah

i) Ifraq: It refers to spending on others and on the social needs of the community.

ii) Prohibition of Interest

iii) Fulfilment of covenants and trust; meaning honouring personal commitments and promises and obligation to the society for avoiding social cost or compensating social cost and to maintain social piece towards Falah.

iv) Justice: Falah with observance of justice in all affairs.

v) Enterprise: Enterprise and effort to harness natural resources are an essential condition to achieve Falah.

1.1.2 Resources

The spirit of the system as per the definition regarding resources is that either one should use the resources one has come to posses or release them for others. The
apparent scarcity of the resources one may feel is either due to their improper use or imbalanced distribution. The survey conducted by United Nations Organisations (UNO) in the year 2006 shows that there are enough resources for 20,000 million people on earth, but the earth has only 6000 million people at present. The definition of Islamic economics by the eminent Islamic Economist Prof. Yousuf Ibrahim of Qatar University as “it is a science studying the guidance of human behaviour towards the use of human resources to satisfy the needs” is very relevant to note down here.

1.1.3 Co-operation and Participation

The Islamic Economic system emphasizes co-operation among the human beings, in order to mobilize resources into productive joint ventures so that one can replace interest transaction. Profit sharing under economic co-operations joint ventures and equity participation etc., helps for the mobilization of resources and increase investment, income and employment.

1.2 Islamic Economic Instruments (IEI)

Islamic economic system imparts several economic instruments which have immense influence on economic justice, prosperity and growth. They are

a) Abolition of Interest: The adverse effect of interest on employment and its role in causing business cycles are well known. Unlike the conventional belief of inverse
relationship between interest and inflation, the reason researchers have shown that interest and inflation are directly correlated. The origin of the financial crisis in the modern capitalist world can be traced to the monitor system based on usury. The experience of Mexico, Brazil, Russia and even the high-performing Asian nations is the most recent example of this system falling into chronic failure. The Islamic economic order by prohibiting interest takes care of the problem of unemployment, inflation, foreign exchange instability, business cycles and excessive depletion of natural resources

b) Joint Ventures: The Islamic economists treat profit sharing and equity participation in separate, but neither reason for non efficiency in doing so. since capital and labour are complimentary in the Islamic economy and equity participation in another cooperative mechanism among capitalists increasing numbers of enterprise and labour are realized and inter connected by a mix between profit sharing and equity participation, both taken up as participatory entrepreneurial

c) Profit Loss Sharing: While prohibiting interest Islamic Economic system proposes a concept of sharing profit as well as loss. Under this system capital and money is not treated as separate factor of production, but part of enterprise. Like other factors of production capitals also to bare risk. That is sharing is needed either in profit or loss. The frame work of interest free financing reflects equity participation in a triangular way. First with depositor and then the concern (bank) and then between the concern (bank) and the entrepreneur.
d) Waqf: This instrument signifies a foundation set up by keeping a property in perpetual existence and making its income available for specified beneficiaries. Almost all Muslim countries would have a ministry of awqaf dedicated for the society for supporting charitable and welfare activities. This institution has great potential and could be utilized to improve the education, research, health and defence capabilities of the people in the states.

e) Takaful (Insurance): The contemporary insurance business has been widely criticized for its non conformance with the Sharia principle a new system called Takaful has been developed saving investment instrument leading to social and economic development. It has been discussed in the Chapter VI.

f) Zakath: It is an obligatory financial levy on all surplus wealth and agricultural income. It is charged at varying rates and can be collected by the states. The objective is to provide financial support to specified categories of people such s the very poor, the poor, the needy etc. In Muslim countries it is the responsibility of the current ministry to make it sure that the amount collected is reached in the hands of the eight categories of poor. This works as a good transfer payment system which will lead to increase the consumption, investment and employment in the economy.

These instruments are implemented by various Islamic financial instruments. They are coming under two heads:

a) Instrument for Islamic Financing

b) Instrument for Islamic Investment
1.2.1 Instrument for Islamic Financing

a) Murabaha (Cost Plus)

b) Mudarabah (Profit Loss Sharing Agreement)

c) Musharaka (Equity Participation)

d) Ijara Muntahia Bittamleek (Leasing)

e) Salam and Istina and Parallel Salam (Deferred Delivery)

1.2.2 Instrument for Islamic Investment Fund

a) Equity Fund (Investment in Joint Stock Company etc.)

b) Ijara Fund (Fund for Leasing and Rentals as Source of Income)

c) Commodity Fund

d) Murabaha Fund

e) Bai-al-dain

f) Mixed Fund

g) Zakath and Donation

h) Qardhasan (Interest Free Loans for Unproductive Purposes like Medical Expense, Education Expense etc.)

1.3 Significance of the Study

A detailed study on the various economic problems and their solutions through Islamic economic methodology has not yet been conducted. The major
Islamic economic instruments like abolition of interest, joint ventures, profit loss sharing, Islamic banking, Waqf management and Zakath system would have immense influence on economic justice, prosperity and growth of economy if one found the easy method of implementing this system successfully. A detailed study on these matters has not yet been conducted so far.

1.4 Statement of the Problem

The present day economic system and economic models are aiming at economic development without considering the ethical value resulted in its failure to ensure distributive justice, sustained growth and social harmony and reduce the disparity between the haves and the havenots.

The practical incapability of the main stream economics (Conventional Economic Analysis) to solve the present day problems like unemployment combined with inflations, poverty in developing countries, misery in the midst of affluence, regional disparities, inequality in all respect including in income distribution, intellectual exploitation of the poor countries by the rich in terms of trade etc.

Anticipating that capitalism was more efficient and productive many countries of the world adopted it. During the colonial era the system destroyed the traditional societies. The remedial approach they could find in building the society
was Islamic economic system which could control inflation and depression and bring more employment opportunities.

An economy free from the imposition of interest is essential today to escape the nation from inflation. An economic order other than capitalist and social orders to caste a comprehensive look at the human economic problem is essential now days. Islamic Economic Methodology (IEM) provides a new approach towards the quantum of economic organization, role of money, consumer behaviour, the problem of poverty, physical management, justice in the income determination and distribution. IEM prescribes a free market based on supply and demand. At the same time it ensures that the economic power is not accumulated.
## Table No.1.2

### Capitalism and Islamic Economic System

<table>
<thead>
<tr>
<th>Capitalism</th>
<th>Islamic Economic System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human beings are selfish</td>
<td>Human beings are selfish as well as altruistic</td>
</tr>
<tr>
<td>Materialism is the supreme value</td>
<td>Materialism should be controlled</td>
</tr>
<tr>
<td>Absolute private ownership</td>
<td>Private ownership within a moral framework</td>
</tr>
<tr>
<td>Nation-state context</td>
<td>Global economy context</td>
</tr>
<tr>
<td>Economic power for the minority through:</td>
<td>Economic power widely diffused through:</td>
</tr>
<tr>
<td>- Interest</td>
<td>- Equity participation</td>
</tr>
<tr>
<td>- Limited liability</td>
<td>- Worker ownership</td>
</tr>
<tr>
<td>- Wage-labour</td>
<td>- Law of inheritance</td>
</tr>
<tr>
<td>- Primogeniture</td>
<td>- Free market flows</td>
</tr>
<tr>
<td>- Market imperfections</td>
<td></td>
</tr>
<tr>
<td>Demand creation through advertisement</td>
<td>Demand creation through <em>infa</em>, equitable laws, and inheritance</td>
</tr>
<tr>
<td>Money as a commodity besides being medium</td>
<td>Money as a medium of exchange and store of value, but not a commodity</td>
</tr>
<tr>
<td>of exchange and store of value</td>
<td></td>
</tr>
<tr>
<td>Consumerism a value</td>
<td>Simple living a value</td>
</tr>
<tr>
<td>Economic development based on physical and</td>
<td>Economic development through human and spiritual growth</td>
</tr>
<tr>
<td>material growth</td>
<td></td>
</tr>
<tr>
<td>Urbanization</td>
<td>Rural-urban balance</td>
</tr>
<tr>
<td>Unplanned technology</td>
<td>Planned technology</td>
</tr>
<tr>
<td>State-run social security system through</td>
<td>Social security through</td>
</tr>
<tr>
<td>secular taxes</td>
<td>- Family</td>
</tr>
<tr>
<td></td>
<td>- Community</td>
</tr>
<tr>
<td></td>
<td>- State</td>
</tr>
<tr>
<td>Deficit financing – a way of life</td>
<td>Balance budget – a way of life</td>
</tr>
<tr>
<td>Mystification and protection of knowledge</td>
<td>Diffusion and sharing of knowledge</td>
</tr>
</tbody>
</table>

Source: “Methodology of Islamic Economics” Selangor Malaysia, Pelanduk Publication (1989)

The main stream neo classical economics has narrow bases and has unrealistic assumption about human nature and behaviour. Islamic economic has the potential to answer the need to have a more realistic basis for economic analysis. The
dramatic change in Eastern Europe and the breakup of the USSR also paved the way
to study the impact of Islamic economic order in various countries of the world.

1.5 Objectives of the Study:

The following are the major objectives of study,

1. To study the efficiency of interest free banking at the world level and country
level and to find out the possibility of implementing such a system in the
national level, so that the exploitation from the factor price of capital could be
mitigated from the economy and easy economic development is possible.

2. To study the efficiency of Islamic micro financing methods for the
eradication of poverty by selecting Bangladesh as a case.

3. To investigate the relationship exists between the macro economic variables
and the demand for family Takaful (Islamic Life Insurance) by taking
Malaysia as a case.

4. To examine whether the establishment of Takaful institutions fulfil the social
objectives of eradicating poverty providing employment opportunities
through increasing savings and investments.
1.6 Methodology

This study is mainly based on secondary data. Data were collected from Islamic Development Bank (IDB) Jeddah, UAE and it is descriptive in nature. The statistical tools used for measuring efficiency at different levels are stated below.

- Islamic Banking Efficiency: Stochastic (Parametric) Cost Frontier and Alternative Profit Efficiency approaches were used to study the cost efficiency and revenue efficiency of the Islamic Bank at world level, country level, Jordan, and Algeria. Data Envelope Analysis (DEA) was used to calculate overall technical, pure technical, allocative and scale efficiencies. Rank order, spearman correlation coefficient tools were used to examine the possible relationship among the x-efficiency and accounting measures of performance.

1.6.1 Parametric Cost Efficiency

Accordingly, Aigner (1977) and Meeusen and Broeck (1977) define a firm’s cost function as follows:

\[ C_b = C (y_i, p_k, \varepsilon_b), \quad b = 1, ..., n \]  

Where, \( C_b \) stands for the bank’s total operational costs, \( y_i \) represents the vector of quantities of the bank’s variable outputs, \( p_k \) is the vector of prices of the bank’s variable inputs, and \( \varepsilon_b \) is a composite error term, through which the
cost function varies stochastically. The cost function provides an indirect representation of the feasible technology because it is mainly a specification for the minimum cost of producing the output vector, $y$, given the cost drivers, such as price vector, $p$, in the input market, managerial inefficiency, some exogenous economic factors, or just pure luck.

The term $\varepsilon_b$ can be partitioned into two parts as follows:

$$\varepsilon_b = u_b + e_b$$  \hspace{1cm} (2)

Where, $u_b$ refers to endogenous factors and $e_b$ refers to exogenous factors, which impact the cost of the bank production. Thus the term $u_b$ denotes a rise in the cost of bank production due to the inefficiency factor that may result from the mistakes of the management, such as non-optimal employment of the quantity or mix of inputs given their prices. Whereas, $e_b$ represents a temporary rise or fall in the bank’s costs due to the random factor that may stem from a data / measurement error, or unexpected / uncontrollable factors such as whether, luck, labor strikes, war, etc., that are not under the influence of the management.

To facilitate the measurement, $u_b$ and $e_b$ are assumed to be multiplicatively separable from the rest of the cost function and both sides of the equation (1) are represented in natural logs:

$$\ln C_b = f(y_i, p_k) + \ln u_b + \ln e_b$$  \hspace{1cm} (3)
Where, $f$ is a functional form and $\varepsilon = \ln u + e$ is the composite error term. Parametric and nonparametric efficiency techniques differ in how they disentangle the composed error term, $\varepsilon$. Nonparametric techniques assume that there is no error and attribute any deviation from the best practice bank’s cost as inefficiency. Whereas parametric techniques assume that the inefficiencies follow an asymmetric distribution, mostly the half-normal, and random errors follow a symmetric distribution mostly the standard normal. In other words, random factors, $e_b$, are assumed to be identically distributed as normal variates and the value of the error term in the cost function is equal to zero on the average. Thus, inefficiency scores are derived from a normal distribution, $N(\theta, \sigma^2_u)$, but truncated below zero. The underlying reason for the truncated normal distribution assumption is that inefficiencies cannot be negative.

According to Jondrow (1982), the relative efficiency of a firm can be estimated by means of the ratio, $\lambda = \frac{\sigma}{\bar{e}}$. If the inefficiency factor, which is under the control of management, dominates the random factor, which is beyond the control of management, the $\lambda$ attains large values. The $u_b$, inefficiency measure, of a firm can be formulated as follows:

$$u_b = \left[ \frac{\sigma \lambda}{1 + \lambda^2} \right] \left[ -\Phi(\bar{e} \lambda / \sigma) / \Phi(\bar{e} \lambda / \sigma) + (\bar{e} \lambda / \sigma) \right]$$ 

(4)
Where, \( \sigma = [\sigma_u + \sigma_e]^2 \), \( \phi \) is the standard normal density function, \( \Phi \) is the cumulative normal density function, and the rest of the terms are as defined above.

One first needs to specify a relationship (function) between bank production and bank cost in order to estimate the inefficiency, \( u_b \), and random, \( e_b \), factors of the composite error term, \( \varepsilon_b \). To that end, we specify banks as multi-product and multi-input firms and estimate the following translog cost function:

\[
\ln C_b = \alpha_0 + \sum_i^4 \beta_i \ln y_i + \frac{1}{2} \sum_{i}^{4} \sum_{j}^{4} \beta_{ij} \ln y_i \ln y_j + \sum_k^3 \gamma_k \ln p_k \\
+ \frac{1}{2} \sum_m^3 \sum_l^3 \gamma_{lm} \ln p_l \ln p_m + \sum_k^3 \sum_{i}^4 p_{ik} \ln y_i \ln p_k + \varepsilon_b
\]

Where, \( \ln \) is natural logarithm, \( C_b \) is the \( b \)'th bank’s total (interest and noninterest) costs; \( y_i \) is the \( i \)'th output; \( p \) is the \( k \)'th input price, and \( \varepsilon_b \) is the composite error term. Cost and prices are written using \( p_2 \) (price of physical capital) as numeraire. Cost efficiency score attains values over \((0, 1)\). A scope of 0.6 for a bank implies that it is 60 per cent cost efficient, or stated differently, it wastes 40 per cent of its costs relative to a bank on the frontier facing similar conditions. Therefore, 1 refers to the best practice while 0 refers to the worst practice observed in the sample.
1.6.2 Alternative (Non-Standard) Profit Efficiency

There are two ways to estimate the profit efficiency; standard profit function and alternative profit function. As indicated by Berger and Mester (1997, 1999), alternative profit efficiency is particularly closer to reality when some of the standard assumption of perfect markets do not hold.

In log form, alternative profit function can be written as follows:

\[
\ln (\pi + a) = \ln C (Y, P, t, \beta) + u_\pi + v_\pi \tag{1}
\]

Indeed, the alternative profit function employs the same independent variables as the cost function, as shown below:

\[
\ln (\pi + a) = \alpha_0 + \sum_{i=1}^{4} \alpha_i \ln Y_{ist} + \sum_{i=1}^{3} \beta_i \ln P_{lst} + \frac{1}{2} \sum_{i=1}^{4} \sum_{j=1}^{4} \sigma_{ij} \ln Y_{ist} \ln Y_{jst} + \\
\frac{1}{2} \sum_{k=1}^{3} \sum_{l=1}^{3} \delta_{kl} \ln P_{kst} \ln P_{lst} + \sum_{k=1}^{4} \sum_{i=1}^{4} \mu_{ki} \ln P_{kst} \ln Y_{ist} + v_{st} + u_{st} \tag{2}
\]

Where, \( \pi \) represents net profits of the bank \( b; a \) is a constant added to the profits of each bank so that natural log is taken of a positive number since minimum profits are typically negative; and all other variables are as explained previously in the equation (3). Profit efficiency measures how close a bank is generating maximum profits given its output levels. A 70 per cent profit efficiency score for a bank suggests that it would earn about 30 per cent more profits than what it is making now if it were operating on the efficient frontier.
1.6.3 Data Envelopment Analysis (DEA)

DEA is a linear programming technique that allows calculating relative efficiency of a business unit. DEA was developed by Charnes, Cooper and Rhodes (1978) in order to measure relative efficiency without knowing \(a priori\) what variables are more important, or what their relationship is.

Let’s consider we want to evaluate \(n\) DMUs (decision making unit)\(^3\), each one producing different outputs \((y)\) and using different inputs \((x)\). The efficiency of the DMU \(k\) \((E_k)\) assuming constant return scale (CRS), is measured as follows:

\[
\text{Max}_{u,v} (u'y_i / v'x_i) \quad (1)
\]

Subject to

\[
u'y_j / v'x_j \leq 1 \quad j = 1, 2, \ldots, N \]
\[
u, v > \infty > 0
\]

Where:

- \(x\) is a vector of DMU inputs.
- \(y\) is a vector of DMU outputs given the inputs.
- \(u\) is the weighted relative vector associated to output.
- \(v\) is the weighted relative vector associated to input.
- \(\infty\) is a small positive number. \((\infty \to 0)\)

The original mathematical formulation is not linear. To avoid it, one can impose the constrain \(v'x = 1\), which provides:
\[
\text{Max}_{u, v} \ (u'y_i) \\
\text{st} \quad v'x_i = 1, \\
u'y_j - v'x_j \leq 0, \ j = 1, \ldots, N \\
u, v > 0
\] (2)

The dual form of the above problem as more used in the literature is:

\[
\text{Min} \quad \square \\
\text{st} \quad -y_i + Y \square \geq 0 \\
\square x_i - x \square \geq 0 \\
\square \geq 0
\] (3)

Where \(X\) is \(m \times n\) input matrix, \(Y\) \(s \times n\) output matrix, \(\square\) is an \(n \times 1\) vector of constant and \(\square\) is a scalar.

Imperfect competition, constrain in finance, etc. may cause a DMU to be not operating at optimal scale, in this case the CRS assumption is not appropriate because it assumes that DMUs are operating at optimal scale. If the CRS model is used when not all DMU’s are operating at optimal level, the technical efficiency is confounded with scale efficiency. Banker, Charnes and Cooper (1984) suggested an extension of the above model to take into account the variable return to scale (VRS). They proposed to add the convexity constrain \(1'\square = 1\) to the early model.
The technical efficiency obtained by CRS DEA model can be decomposed in two parts, one due to scale efficiency, and one due to pure technical efficiency. Pure technical efficiency refers to the firm’s ability to avoid waste by producing as much output as input usage allows, or by using as little input as output production allows. Scale efficiency refers to the firm’s ability to work at its optimal scale. It can be proved that:

$$ TE_{CRS} = TE_{VRS} \times SE $$

(4)

Where $TE_{CRS}$ is the technical efficiency, $TE_{VRS}$ is the pure technical efficiency, and $SE$ is the scale efficiency.

- Islamic Micro Finance: Analytical and empirical methods by using percentage difference were used to know the level of increasing employment and other poverty eradication programs. Comparative study by using percentage difference helps us to know the efficiency of Islamic micro finances and secular micro financing.

- To find out the effect of Takaful (Islamic Insurance) on various macro economic variables like GDP, CPI, TBR, and KLCI for the period covering 1997-2006. Coefficient correlation and regression were used. Empirical analysis was done by using other aspects on the study that is employment rate, income tax, Zakath etc.
1.7 Limitations

This study is based on secondary data collected from Islamic Development Bank Jeddah, UAE. Secondary data are available only for Islamic countries. Though non Islamic countries are the beneficiaries of the Islamic system no data were available with respect to them. The period of study varies from country to country due to non availability of time series data.

1.8 Scheme of the Study

This study has been arranged into seven chapters.

Chapter I deals with the introduction, significance of the study, statement of the problem, objectives of the study, methodology, limitations of the study and scheme of the study.

Chapter II deals with literature review of the study.

Chapter III deals with theoretical frame work of the study.

Chapter IV deals with measurement of efficiency of Islamic Banking at global and country levels.
Chapter V deals with relevance of Islamic Micro Financing with respect to Bangladesh.

Chapter VI deals with the impact of Shariah-Compliant Family Insurance (Takaful) on social and economic development as a saving and investment instrument with respect to Malaysia.

Chapter VII deals with major findings, suggestions, and conclusions of the study.