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# **Islamic economics in real life: Do Muslims give more than the others?**

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## **Islamic economics in real life: Do Muslims give more than others?**

### **ABSTRACT**

Islamic economists criticized the value-free nature and unrealistic assumptions of conventional economics and offered a new paradigm based on Islamic behavioral assumptions. The aim of this paper is to explore the validity of these behavioral assumptions, in general, or more specifically, assumptions of Islamic economics (IE) concerning giving. The validity of behavioral assumptions of IE and their results is rarely questioned in the literature. In particular, empirical studies, in this regard, are very limited. This study aims to make a contribution to this methodological issue by analyzing country-level charity data. Results of the study show that countries with more pious citizens give more than others but it found no difference between giving rates of Muslim-majority countries and others. Increasing numbers of studies supporting the findings of this study or raising questions about the validity of Islamic economic assumptions may cause IE to evolve in a different direction.

**Keywords:** Islamic economics, charity, religion, Zakat, Muslims

## **Introduction**

All major religions believe in the afterlife in one way or another. It is widely believed that after the death of the body, the soul either continues to exist in another world or travels for some time to another world and finally returns again to the earth to continue to live in a different body. The quality of one's afterlife depends on the actions taken in this world. Those who follow the rules of their faith and organize their lives according to their religious principles are rewarded in their afterlife, while those who do the opposite are punished. Therefore, a religion can be defined as a set of rules that should be adopted by the believers for interacting with other people and with God in this world for a better afterlife.

Economics, on the other hand, is a pure "earthly science" that explains how people interact with each other in markets in order to achieve their goals in this world. Like religion, economics tries to set rules about human behavior, but, unlike religion, these rules are about how people actually behave rather than how they should behave. Even some of the explanations of economics are based on behavioral assumptions conflicting with the teachings of almost all religions. For instance, the rules of economics are built on selfish agents who maximize their material well-being. But, the faiths usually promote altruism, and believers are expected to please others and to earn God's pleasure in addition to maximizing their material well-being. Moreover, unlike religious rules, individuals in economics are not tied to any values in their social sphere.

The aforementioned discussion is valid for Islam too. A true Muslim organizes her life according to the words of Allah (Quran) and sayings of the Islamic prophet Muhammad (*Hadiths*). Teachings in the Quran and of Muhammad, in some aspects, are compatible with economic theory, like the recognition of private property and appreciation of market

transactions. However, they are in conflict with some other basic economic principles. For instance, while interest is one of the major prices in markets that allocates resources in economics, it (*riba*) is strictly banned in Islam.<sup>1</sup> Again, economics is a value-free science. A consumer may choose any good combination with her given income to maximize her utility. Islam, on the other hand, condemns overconsumption and the consumption of certain goods, like alcoholic beverages, pork, gambling, etc., which are banned (*Haram*).

Due to these controversies, some Muslim economists and theologians have claimed that the conventional paradigm of economics is inadequate to understand Muslim societies, and they have raised the need for Islamic economics (IE), which has grown outside the conventional realm in the last quarter of the twentieth century.<sup>2</sup> Although a rapidly growing literature has emerged since then, IE is still in its infancy and far from being a comprehensive alternative to its conventional counterpart. The majority of the works are about “how IE is different” from the conventional one; in other words, it is about what IE is not. Studies that explain “what IE is” are still limited, and there is no consensus among them (Mahomedy 2013).

One of the main discussions in IE is about the methodology used. Some Islamic economists consider that a modified version of conventional economics’ methodology can be used to study IE (Ahmed 2002); the others are for a unique IE methodology (Zaman 2012).

Whichever path is chosen, three characteristics distinguish IE from its conventional counterpart (Kuran 1995): prohibition of interest, redistribution of income through compulsory giving (*Zakat*) and analysis based on economic agents acting according to Islamic norms. This paper is basically related to the second and third of these characteristics.

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<sup>1</sup> *Riba* ban is mentioned in a number of verses in the Quran. See, for instance, Al-Baqarah (2: 275, 276, 278 and 279), Al-Imran 3:130, Al-Room 30:39.

<sup>2</sup> Although the roots of IE go back to studies of Islamic thinkers like Ibn Khaldun and Al-Ghazali, IE has emerged as a formal discipline in the last quarter of the twentieth century.

Being charitable and providing for the needy are virtuous deeds in Islam. Those who give are promised to be rewarded both on earth and in their afterlife. Helping the fortunate is promoted in almost all faiths, but mandatory giving is available only in Islam and Judaism. Probably for this reason, special importance is given to charity in IE. It is considered a distinguishing feature of the discipline, and compulsory giving (*Zakat*) is always included in the Muslim economic agent's consumption function (the second characteristic). Giving in these functions does not refer only to *Zakat* but also to voluntary giving (*Sadakah*), since Islamic economists always emphasize that, unlike typical selfish economic agents of conventional theory, Muslims behave in an altruistic way, and their utility does not only depend on their own material consumption but also on helping others (the third characteristic).

This paper explores the validity of these two distinguishing characteristics and their compatibility with real lives of Muslims. A major question posed by this paper, then, is: In general, do these behavioral assumptions of IE overlap with behaviors of Muslims in practice? Or, more specifically, do Muslims give more than others? The research question is of vital importance for the development and future path of IE for several reasons. First, followers of the discipline claim that IE is an alternative to conventional economic theory, which is based on unrealistic assumptions. This implies—at least raises the expectation—that IE is based on realistic assumptions. Therefore, “Is IE based on realistic assumptions?” is the question that Islamic economists who criticize conventional economics should answer. Second, unlike conventional economics, IE is a normative theory that describes an ideal state that can only be achieved if certain behavioral norms are adopted. Do Muslims adopt these norms? If the answer is “No”, then “why do they not adopt them?” and “how can they be motivated to adopt these norms?” These are the basic questions to be asked by a normative theory in order to achieve the ideal.

The validity of behavioral assumptions of IE and their results are rarely questioned in the literature. Particularly, empirical studies in this regard are very limited. This study aims to make a contribution to this methodological issue. Additionally, it also provides a modest contribution to empirical studies on charity/giving at the macro level. The remainder of this paper is organized as follows. The following section discusses the notion of “giving” in Islamic teachings. How charitable giving is adopted in IE is discussed in section three. Section four compares the giving behavior of Muslims with other religions by using macro-level data. The final section evaluates the findings and discusses the implications of these findings on IE.

### **Giving in Islam: Muslims give**

The eradication of poverty and an egalitarian income distribution are the major goals of all religions. A basic tool for achieving these goals is charitable giving, which can take the form of donating money, time, and resources to the needy and has special names, like *dana* in Hinduism and Buddhism and *tzedakah* in Judaism. Islam is no exception. Muslims are both obliged and encouraged to give to those in need.

In Islamic teaching, it is believed that messengers of Allah were sent to earth to establish *justice* (Quran 57:25). Justice in the economic sphere basically refers to equality or, more specifically, the equal distribution of income and wealth. This does not mean absolute equality. Inequality originating from skill, effort, or risk differences is admitted, but extreme inequality is ruled out because it is believed that it would destroy the universal brotherhood of human beings, which is one of the most fundamental principles of Islam (*tawhid*) (Chapra 1992: 211–212; Kuran 1989: 172). This economic justice objective of Islam is expected to be reached through giving.

In Islamic teaching, everything is created by Allah; therefore, all property is ultimately owned by Him.<sup>3</sup> A legal earthly owner is merely holding the property as a trustee, and her rights to the property are bound by the ultimate owner. Allah, the ultimate owner of everything, obliges and promotes his wealthy trustees to give part of their possessions to their poor brothers.

Those who refrain from paying charity are warned about severe punishments from Allah on the day of resurrection in both the Quran and the *Hadiths*.<sup>4</sup> Those who fulfill their duties will both multiply their wealth in this world and be rewarded in the hereafter (paradise).<sup>5</sup>

Therefore, charitable giving will help a society to achieve two main economic objectives: “fair” income distribution and growth.

The most important categories of charity defined in Islam are *Zakat* (obligatory) and *Sadaqah* (voluntary). As one of the five pillars of Islam, *Zakat* is a yearly compulsory donation, which is similar to tax, imposed on wealthy Muslims to meet the redistributive aims of Islamic society. Wealth, above a minimum amount known as *Nisab*, is subject to *Zakat* at a varying rate, between 2.5 and 20 percent (Kuran 1989: 179).

*Sadaqah* is another form of giving in Islam. Although it has the same aim as *Zakat* and the two words are used interchangeably in some Quranic verses, there are major differences between the two. First, *Sadaqah* is voluntary and given out of the “heart” rather than wealth. Second, unlike *Zakat*, which is given once a year, there is no time limit and no material

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<sup>3</sup> “To Allah does belong the dominion of the heaven and the earth and all that is there in” (Quran 5:20).

<sup>4</sup> For example, in a *Hadith*, the Prophet Muhammad says, “*Whoever is made wealthy by Allah and does not pay the Zakat of his wealth, then on the Day of Resurrection his wealth will be made like a bald-headed poisonous male snake with two black spots over the eyes. The snake will encircle his neck and bite his cheeks and say, ‘I am your wealth, I am your treasure’*” (Bukhari: Vol. 2 No. 486). See also Quran (64:17, 57:11, and 57:18).

<sup>5</sup> Whoever comes [on the Day of Judgment] with a good deed will have ten times the like thereof [to his credit], and whoever comes with an evil deed will not be recompensed except the like thereof” (Quran 6:160).



threshold for *Sadakah*. Third, only goods that have an economic value, like gold, camels, wheat, and so on, are considered as *Zakat*, but *Sadakah* may take any form.<sup>6</sup> Finally, the poor and needy are the main recipients of *Sadakah* too. However, *Sadakah* can also be given to neighbors, friends, non-Muslims, and even the rich.

Beyond individual giving, Islam also promotes the institutionalization of giving through endowments (*waqf*). The creation of a *waqf* means the dedication of an asset to some charitable ends for the duration of this asset's existence. After the formation of the *waqf*, the property no longer belongs to an individual and its ownership cannot be transferable to anybody. The establishment of a *waqf* was first advised and promoted by the Islamic prophet Muhammad, and it has become the major institutional form of Islamic charity over the years. Endowments improve the efficiency of both the collection and the distribution of charitable giving, and have been used extensively in Islamic societies to improve social services (like health, education, water, religious services, etc.) in addition to the well-being of the poor (Hasan 2015).

In the early years of Islam, *Zakat* was just a moral obligation. It was legislated after the Prophet Muhammad's migration to Madinah in AD 622 and collected and distributed by state officials. However, the state's role in the collection and distribution of *Zakat* has always been a problematic issue both among Islamic jurists and in Islamic societies. Even in the early years, some tribes refused to pay *Zakat* to the caliph Abu Bakr, the successor of the Islamic prophet Muhammad. The practice of collecting and distributing *Zakat* under the supervision of the state has declined over the years. Today more than half (24) of the predominantly Muslim countries (40) do not legally institutionalize *Zakat* and leave it to the believers' faith.

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<sup>6</sup> Even "Your smile for your brother is charity" (Fiqh-us-Sunnah: Vol. 3 No. 98).

In the remaining 16 countries, state involvement in the collection and distribution of *Zakat* takes two forms. In 10 of these 16 countries, the state establishes entities to collect and distribute *Zakat*, while it is legally enforced in only 6 of them (Powell 2009).

Islamic law places many restrictions on the collection and distribution of *Zakat*. However, with the changing circumstances in Islamic societies, these restrictions have been reinterpreted and broadened by Islamic scholars over the years. For instance, *Zakat* was originally levied on assets that grow in value, like gold, silver, animals, crops, and merchandise, and are owned by *individuals*. However, some modern systems have extended the obligation to corporations, an application that has no precedent in Islamic jurisprudence (Powell 2009). The scope of the *Zakat* recipients has also been widened gradually. The groups identified in the Quran (9:60) as *Zakat* recipients—the poor, the needy, those who collect *Zakat* in the name of the state, new converts to Islam, those in bondage, debtors, anything in the way of God, and wayfarers—are basically *individuals*. However, the share of *Zakat* spent on social programs has increased gradually, which may be considered a violation of the traditional *fiqh*, since it is possible that donors might benefit from their own contributions. Today, the definition of *Zakat*-eligible assets and recipients varies across the Muslim countries and the different sects of Islam (Kuran 1995; Powell 2009).

### **Giving in Islamic economics: Muslims give more**

As mentioned above, giving charity is one of the distinctive features of Islam that will improve the material well-being of both individual Muslims (givers and receivers) and society as a whole. Therefore, Islamic economists adopt giving in their micro- and macroeconomic models as an element that discriminates their work from their conventional counterparts and obtains different results.

The adoption of giving in IE studies begins with a critique of the assumptions of conventional economics; for example, Khan (1987: 24–25) states: “The economist assumes that human beings are selfish, rational, maximizers of their own material well-being and possessors of perfect knowledge in the future . . . Islamic economics does not agree with any of these assumptions”. Their alternative assumption is not as strict as its conventional counterpart: “... man is neither selfish nor altruistic; he is both. He has an inborn tendency to be selfish, to love wealth but he has also been endowed with the ability of being altruistic” (Khan 1987: 25). This assumption is supported by the following: “Secondly, by education altruistic behavior can be cultivated and made persistent. Thirdly, human beings have imperfect foreknowledge . . . Fourthly, in ultimate analysis, *falah* of the *Akhira* (well-being in the afterlife) is preferable over material progress in this world” (Khan 1987: 25).

Based on the first and fourth assumptions, a typical consumer in Islamic microeconomic analysis allocates her income to two types of spending: to meet her (her family’s) material needs,  $E_1$ , and to meet the needs of others (charity),  $E_2$ . The utility function of the consumer consists of these two elements. While material consumption ( $E_1$ ) shows a diminishing marginal utility property, as in conventional economics, the marginal utility of each additional expenditure for the sake of God ( $E_2$ ) is assumed to be constant,  $a$ .  $a$  has a positive relationship with the piety of the consumer (a more God-fearing consumer has a higher  $a$ ). Of course,  $E_2$  is only included in a *Nisab* consumer’s (a wealthy consumer who is obliged to pay *Zakat*) consumption function and is actually consumed by the receiver of the charity. Therefore, in IE the consumption of the charity receiver is greater than her income, while the reverse is true for the giver. Both components of the consumption are subject to Islamic regulations. A limit of the first component is banned (*Haram*) goods. The consumption basket of a Muslim is likely to be smaller than that of her counterpart in conventional economics, as it only includes permissible goods, and a true Muslim avoids overconsumption (*Israf*). A second component

of the function is related to giving, and its lower limit is determined by mandatory giving (*Zakat*). It has no upper limit for spending for others. Those who want to acquire a greater appreciation of Allah will give more voluntarily (*Sadaqah*) (Khan 1984: 2–11).

Islamic economists apply these individual consumers' behavioral patterns to aggregate models too to obtain some macroeconomic consequences. For instance, after discussing four hypothetical behavioral scenarios, Kahn (1984) concludes that the adoption of Islamic values by consumers (consume moderately, save more, and give to others as much as possible) will improve their well-being, the well-being of the poor, and the well-being of society as a whole (higher growth rate). In another study, Iqbal (1985) adopts a very similar methodology to Kahn (1984) and discusses the macroeconomic implications of Islamic injunctions (moderation in consumption and both compulsory and voluntary giving) on consumption. In his macroconsumption function, again, society is divided into two groups. One gives a certain part of its income to the second group as *Zakat*. He discusses the macroeconomic impacts of imposing giving and moderation in the consumption function and concludes that, while the effect of giving would be expansionary and that of moderation contractionary, the net effect will be ambiguous. This study and Kahn's work (1984) constitute the two pillars of Islamic consumption theory.

To sum up, IE approaches the behavioral assumptions of conventional economics critically and proposes a new economic theory based on Islamic behavioral norms. In fact, conventional economics' behavioral assumptions (self-interested and rational agents) have been criticized by economists with different worldviews and from different subfields of economics and by other social scientists since they were first introduced by nineteenth-century economists (Rodriguez-Sickert 2009). In recent decades the criticism has reached a peak with empirical and experimental evidence from behavioral economists mounting against these assumptions

(Kahneman 2003). All of these critics question the validity of the “self-interested economic agent” of conventional economics and offer a more realistic and more altruistic agent instead, like IE. The major difference between IE and other critical theories is that while IE attributes altruism only to Muslim economic agents, the others consider all economic agents. Hence, a typical consumer who behaves altruistically and spends part of her income for others (charity) in IE is attributed only to Muslims—which implicitly means that Muslims give more than others—and accordingly Muslim societies are considered to perform better in eliminating poverty and unequal income distribution.

The inclusion of giving in Islamic economic models is justified by the references to charitable giving (both *Zakah* and *Sadakah*) in Islamic sources. The existence of references to charitable giving in Islamic sources is obvious, but in these sources no comparison is made with non-Muslims. What we can derive from Islamic sources is only that “Muslims give”; attributing altruism and charitable giving only to Muslims—like Islamic economists do—is a much stronger claim than the Islamic sources suggest.

In the context of this study, one further point about the new economic agent proposed by Islamic economists should be mentioned. Even though there is a broad consensus among Islamic economists on introducing a “Muslim” economic agent (*Homoislamicus*), who adopts Islamic economic norms in her life, as an integral part of their economic model, whether this new economic agent describes a Muslim in reality or an ideal Muslim is ambiguous.

As they usually begin with a critique of conventional economics which intends to explain how an economy works in reality, and as Islamic economics is presented as an alternative to conventional theory, it is expected that Islamic economics also concerns reality. This is clearly mentioned by Khan (1987: 25): “The Western economists ... have argued that the assumptions need not to be empirically valid. In fact, some have gone to the extent of saying

that valid predictions are possible only from invalid assumptions. Islamic economics does not accept this position on the basis of rationality and empiricism”.

However, in developing an Islamic theory of economics, Islamic economists lacked a realistic framework (what is) that can provide a basis for understanding the economic behavior of human beings (Khan 2013). Studies usually concentrate on Islamic economic models (what should be) that show an ideal that can be achieved *if* the Muslim code of behavior is adopted and suggest the inculcation of Islamic values in the life of Muslims through education (Khan F. 1984; Khan M. A. 1987). This is clearly mentioned by Khan (1987: 27) “Islamic economics is a normative discipline. It explores the ways and means to change the existing economies into Islamic economies. Economics (mainstream), on the other hand, claims to be a positive science which studies the existing economic phenomena. Islamic economics is interested in changing the economic reality. Its predictions also relate to a world which has not yet ushered in”.

Taking these two points together, one can conclude that, unlike the selfish agent of conventional economics, IE assumes an altruistic economic agent (*Homoislamicus*) who spends her income not only on herself but also on others through charity. Since this behavioral norm is attributed to Muslims only, this implicitly means that Muslims give more than others. However, whether this behavioral characteristic refers to a Muslim in reality or an ideal Muslim is vague.

### **Giving in Islamic societies: Do Muslims give more than others?**

Studies in the field of charitable giving show that the level of giving changes with respect to religion and religious denomination. However, it is mentioned even in the most comprehensive survey which reviewed almost 500 studies on giving, that studies comparing

giving behavior of different religions are quite few (Bekkers and Wiepking 2007: 7) and refers to only three studies—Berger 2006; Everatt, Habib, Maharaj, and Nyar 2005; Hoge and Yang 1994). In these studies, no specific reference is given to Muslims, probably because Muslims were represented in very small percentages in the samples used in these studies and grouped under the title “other”.

There are also studies examining *Zakah* or the charitable giving practice of Muslims. These works can be grouped under two categories. The first group of research (Hasan 2015; Malik 2016) proposes that *Zakah* serves as a unique mechanism that promotes economic growth, improves well-being of the poor and contributes to other socially desired outcomes, while the other group (Ahmad 2000; Kuran 1989) illustrates that *Zakat* is not collected and distributed effectively and, therefore, do not help to alleviate poverty in Muslim societies.

Although it is not easy to measure the extent of the evasion, massive withdrawals, which in turn cause liquidity shortage, from the banks in Pakistan where *Zakat* is compulsory and banks deduct *Zakat* from the balances held by Pakistani Muslims, indicate the urgency of the evasion problem, at least in this country (DAWN 2002). Again, low *Zakat* collection rates in Muslim countries—which made *Zakat* mandatory usually in the last quarter of the twentieth century prior to the passage of the ordinance (Powell 2009)—can be interpreted as a lack of adopting behavioral norms imposed by Islam and a reluctance to pay *Zakat* without enforcement of an earthly authority, even more than 1000 thousand years after these rules were imposed.

Distribution of *Zakah* in practice is not also exempt from criticism. In the case of individual distribution, the recipients are basically determined by the giver arbitrarily rather than the criteria determined by the Sharia. In giving decisions, those who have proper connections with, who are favored by, and who are in the interest of the giver are favored.

Institutionalized distribution mechanisms, which are brought into practice in order to eliminate inefficiencies of the individualistic system, are also far from being perfect. Anecdotal evidence shows that these institutions—both governmental and non-governmental—also suffer from corruption, nepotism, and political influence which in turn causes misallocation of *Zakat* resources (DAWN, 2003; Kuran 1989). For instance, it is alleged that, in Pakistan, *Zakat* committees openly demand up to 50 percent of the amount claimed, and if the claimant declines the offer the committee refuses to release the funds (DAWN 2003). In another case, directors of a Turkish Islamic charity were convicted of using the money that had been raised in Germany to help needy Muslims outside the purpose of the charity, like buying real estate, setting up private businesses and financing pro-government media (The Economist 2008).

Although these studies provide counterevidence to IE's assumptions on giving, none of them compare the charitable giving behavior of Muslims with members of other religions. The only study supporting the view of IE is a poll by JustGiving. According to the poll of over 4,000 people in the UK, Muslims give more money to charity than people of other religions. Respondents were asked the question: "How much, if at all, would you say you generally donated to charities last year?" Muslims answered that they donated about £371 per person per year, with Jews in second place, with £270 per person annually. Christians gave considerably less, and atheists were at the bottom of the list, with £116 donated (Gledhill 2013). Nevertheless, the results of the study should be treated with caution, since the results are based on a straightforward analysis, and there is no sign of using control variables that allow us to distinguish the impact of being Muslim from other variables that affect giving decisions.



This section is a primary effort to fill this gap. The major aim of this effort is to see whether Muslims show a significant difference in giving, which justifies the adoption of giving in IE, compared to members of other religions by using aggregate-level giving data from different parts of the world. The empirical study is called “preliminary” for several reasons. First, this is the first study in this regard. Although giving behavior of Muslims in practice and its compatibility with Islam are examined by other researchers (see for instance Kuran 1989)—to my knowledge—no researcher has compared giving behavior of Muslims with that of others. Second, giving is an individual decision, and the majority of studies on “giving” or “charity” use individual or household-level data, since a giving decision depends on various individual characteristics. Due to a lack of publicly available data in the context of this study, we worked with country-level data. But, we expect the results of this empirical work will motivate production/collection of individual-level data and further studies in this regard.

### **Data and methodology**

The data for giving behavior at the aggregate level is obtained from The World Giving Index (WGI), an annual report published by the Charities Aid Foundation, a UK-based charity. Used data were gathered by Gallup from over 150,000 interviewed people in over 130 countries in the world. Survey-takers were asked which of the following three charitable acts they had undertaken in the past month: (1) helping a stranger or someone they didn’t know who needed help, (2) donating money to a charity, and (3) volunteering time to an organization. A country’s score shows the average percentage of people involved in one of these three acts. In order to eliminate the effects of arbitrary annual changes, five-year average scores were used in this study.

Do these average scores change with respect to religion? To answer this question, we first affiliated a religion to each country, since the giving data is at the country level. Religious

affiliation of a country is determined by the religious affiliation of its citizens. A country is affiliated to a religion if the majority of the citizens identify themselves as members of this religion. Information about religious compositions of the countries was obtained from “A Report on the Size and Distribution of the World’s Major Religious Groups as of 2010”, by PEW (2012). The report classifies people into one of eight groups. Five out of these eight are widely recognized world religions—Buddhism, Christianity, Hinduism, Islam, and Judaism. Other groups are: (1) those who say they are atheists and agnostics, as well as people who do not identify with any particular religion in surveys (religiously unaffiliated); (2) adherents of folk or traditional religions, and (3) adherents of “other” religions, such as the Baha’i faith, Jainism, Sikhism, Shintoism, and Taoism.

Our charity data covered 164 countries. Of these, 99 are Christian-majority, and 45 are Muslim-majority countries. Buddhism is the major religion in eight, and Hinduism is the major religion in three countries. In three countries, folk religions dominate the countries. In six countries, the majority of the population is not affiliated to any religion. Israel is the only country with a Jewish majority. In no country do adherents of “other” religions hold the majority in population. Table 1 shows the distribution of average WGI scores by religion. Higher scores refer to higher involvement in giving behavior. Basic data used indicate that Buddhist countries, on average, have the highest WGI score, followed by Jews, Christians, and Hindus, respectively. Ranking of religions changes with respect to different components of WGI. Buddhist countries rank first out of the seven religions for volunteering time (VT), followed by Hindus. The Buddhists also show the highest level of “donating money” (DT) in the world, with an average of 54.24 percent having donated money. *Helping a stranger* (HS) is the most common way to “give” in Muslim countries. On average, about half of the people in Muslim countries *help a stranger*. Christian countries are in second place in HS, at 47.59 percent.

### Table 1 here

Although the straightforward analysis used in Table 1 shows that, on average, a higher percentage of people in Muslim countries are involved in the HS behavior than the others, it would be wrong to jump to the conclusion that Muslims perform better than others. Muslim countries do not show a uniform pattern among themselves. For example, the five-year average of Qatar, a Muslim country in the Middle East, is 47 percent and ranks 12<sup>th</sup> among 164 countries, while Turkey, another Muslim country in southeastern Europe, is 154<sup>th</sup>, with an average score of 17.8 percent. Again, Oman, a Muslim country in the Middle East is ranked 3<sup>rd</sup>, with 72 percent in *helping a stranger*, thus showing the behavior in which Muslim countries performed the best. Albania, another Muslim country in Europe, is ranked 150<sup>th</sup>. This is simply because many other factors, besides religion, influence giving behavior.

To determine the impact of Islam on giving, one needs a broader model that takes other determinants of giving into account. In this regard, the following model, which contains some aggregate-level determinants of giving, is used to determine the influence of Islam on giving.

$$\text{Giving}_i = \beta_0 + \beta_1 \text{Income}_i + \beta_2 \text{Civil Society}_i + \beta_3 \text{Religiosity}_i + \beta_4 \text{Muslim}_i + u_i$$

The dependent variable *Giving* refers to the five-year (2010–2014) average giving score of a country (WGI).

*Income* is one of the major determinants of charitable giving and, as expected, studies indicate that high-income individuals and households contribute more to charities (Bekkers and Wiepking 2007; Lammam and Gabler 2012). The relationship is valid at the macro level as well. Gittel and Tebaldi (2006) found that an increase in a state's per capita income increases the average charitable giving in the US. World Giving Index Reports (Charities Aid

Foundation 2010–2015) also indicate a higher percentage of the population involved in giving activities in richer countries.

Therefore, here, a positive relationship between income and giving, particularly in the form of monetary donation, is also expected. Again, a five-year average of countries' gross national income based on purchasing power parity (GNI-PPP) is used as *Income* indicator. The data was obtained from World Development Indicators.<sup>7</sup>

Second, the independent variable *Civil Society* shows the strength of civil society in a country. In many societies, most of the giving is organized through charities. Charities help identify, organize, and implement activities that help people in need and make giving more effective. In World Giving Index Reports (Charities Aid Foundation 2010–2015) the higher giving scores of Australia and New Zealand compared to the other countries of Oceania are attributed to the strength of civil society in these countries, and in all reports, promotion of civil society is recommended to stimulate giving.

The Enabling Environment Index (EEI) produced by CIVICUS (2013), an international non-profit organization dedicated to strengthening civil society in the World, is used as an indicator of *Civil Society* strength in a country. EEI is a composite index using secondary data to examine the conditions within which civil society works. The EEI is made up of 71 data sources that cover the period 2005–2012 from 109 countries. Over 70 percent of the sources are from the years 2010 and 2011. Higher scores indicate a better environment for participating and engaging in civil society. Therefore, a positive relationship is expected between countries' EEI and *Giving* scores.

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<sup>7</sup> Available at <http://data.worldbank.org/data-catalog/world-development-indicators>

Major religions have much in common and adherents of these religions are expected to adopt similar behavioral codes, like protecting the needy, being honest, working hard, living modestly, and respecting others' rights. Hence, the level of religiosity has always been considered an influential variable in social research for years, and studies have shown that religiosity affects some behavioral outcomes positively, since they adopt the above-mentioned common code of conducts (Iannaccone 1998). As mentioned above, all religions promote giving. Studies also find a positive association between religious involvement and giving (Bekkers and Wiepking 2007; Lammam and Gabler 2012). Gittel and Tebaldi's (2006) research also shows that states with a greater proportion of the population identifying with a religious affiliation give more.

Therefore, *Religiosity* is included as a third variable in our model. Data about a country's level of religiosity was obtained from the 6<sup>th</sup> wave of the World Values Survey,<sup>8</sup> a global research project that explores people's values and beliefs. Data cover surveys conducted in a given year between 2010–2014, varying across the countries. In the survey, survey-takers were asked “how is religion important” in their lives. The given answers ranged from “very important” to “not at all important”. We assume that the percentage of “very important” answers show a level of religiosity in a country, and the nations with high percentages are more pious than the others. Then, a positive relationship is expected between religiosity (high “very important” answers) and giving.

*Muslim* is a dummy variable that shows the religious affiliation of a country. It takes the value of 1 if the majority of the citizens are Muslim, and 0 otherwise. As the majority, two options are considered. First, if more than half of the population is Muslim, we then considered it a Muslim country. Second, we assumed a country Muslim if the vast majority (more than 75

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<sup>8</sup> Available at <http://www.worldvaluessurvey.org/wvs.jsp>

percent) of the population is Muslim. The sign of this dummy should be significantly positive if Muslims give more than others.

Even though the study covers the years between 2010–2014, data for the last three variables are only available for one of the years in this range. Since strength of civil society in a country and the religious affiliation and religiosity level of people in a country do not change drastically in several years, available data can be considered as representative for the period. To eliminate the impact of arbitrary changes in giving and income, averages of available years are taken for these data. Finally, we had cross-section data representing 2010–2014.

Descriptive statistics for the data are given separately for the world and Muslim countries in Table 2. Mean income for the world is 17,570 dollars. This is about 1,000 dollars lower than Muslim countries if the “vast majority” definition is used or 670 dollars higher if the “majority” definition is used. However, median *income* is about 1,500 dollars lower than the world average, irrespective of the Muslim country definition. Data also show that the income gap between the rich and the poor countries is much higher among Muslim countries, again, irrespective of the definition.

Both mean and median *Religiosity* scores of Muslim countries are about 50 percent higher than the world average. If pious people give more than others as we assumed, a high percentage in religiosity scores is an advantage for Muslim countries. Yet, mean and median EEI scores of Muslim countries are below the world average, which reveals a weakness in civil society and lower potential for giving, accordingly.

Table 2 also indicates a data deficiency problem for this study. As seen, the number of *Income* observations is 156. It drops to 106 for *Civil Society* and merely 60 for *Religiosity*. These observations do not belong to the same countries. Therefore, when each of these three

variables is taken into consideration in an analysis, the number of the data considered drops drastically. Unfortunately, no richer data sets are available for a study like this.

**Table 2 here**

## Results

Weighted Least Squares (WLS)<sup>9</sup> estimate results for all three components of GWI are given in Table 3. For each component of GWI separately, first (Model 1 of each component), a regression is run to determine the relationship between “giving” and its three determinants (*Income*, *Civil Society*, and *Religiosity*); then, the difference between Muslim countries and the others is explored (Model 2 of each component). In all models, R-squares are low, as expected in models with cross-section data, but the F-values, which show the overall significance of the model, are significantly high.

**Table 3 here**

Regression results (Table 3) show that countries that are rich, that have strong civil society and that have more religious citizens have higher *HS* and *DM* scores. In other words, in countries that are rich, that have a strong civil society and that have more religious people, a higher percentage of citizens are involved in giving activities, like *HS* and *DM*. These findings are consistent with earlier studies in “giving” literature and our expectations. Regarding *VT*, the same model overall gave insignificant results (low F-value). Then, the variable *Religiosity* is dropped, and the results given in the fifth column of Table 3 are reached. In this model, we found a significant relationship between *Income* and volunteering activities only, while the *Civil Society* indicator gave positive but highly insignificant results.

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<sup>9</sup> WLS is preferred over OLS due to its efficiency in small data sets and overcome the heteroscedasticity problem, which is common in any cross-section data.

These three models are considered the best models for each component of WGI within the limitations of this study. Then, the *Muslim* dummy is added in all models to test whether there is a difference between the Muslim countries and the others. In all three models (Model 2 of each WGI component), *Muslim* dummy had highly insignificant results implying the giving behavior of Muslim countries are no different from the others.

## **Conclusion**

Economics literature has witnessed the revival of Islamic economics over the last few decades. It began with a critique of conventional economics. They reacted to the value-free nature of conventional economics and mentioned the need for an approach that is equipped with Islamic values for a more efficient use of resources and a more just economic and social order. The second stage was to construct an alternative theory based on Islamic values and teaching. Islamic economists have devoted extensive efforts to applying Islamic principles and have built models adopting value-based behavioral assumptions, an interest ban, and giving, which are distinguishing features of Islamic economic theory. These models have shown that an economy operating according to Islamic principles would produce more efficient and fairer results.

In the third stage, we may expect new studies both from inside or outside this subfield, that test the hypotheses and promised results of these newly developing models in this newly developing subfield. This study, testing the giving behavior of Muslims, was a preliminary effort in this regard. By using country-level data, we have shown that countries with more pious citizens give more than others, but we found no difference between the giving rates of Muslim-majority countries and the others.



It should be clearly stated that this result does not imply that Muslims do not give *Zakah* or other forms of Islamic charity. As we mentioned above, the research alleges that despite the existence of devout Muslims who adhere to Islamic values strictly and fulfill their *Zakah* obligations properly, divergence from basic Islamic values and *Zakah* evasion is pervasive, even in the countries ruled with *Sharia*. Our finding is compatible with these two groups of studies and indicates that *Muslims give, yet do not give more than the members of other religions*—which also promote charitable giving—as suggested by Islamic economists, probably because the majority of them do not behave altruistically enough as ordered in Islamic teachings and assumed in IE.

No doubt, charitable giving is a decision at the individual or household level. Therefore, we need further studies at the individual or household level to support this finding.

Supplementary evidence in this regard will contribute to the development of IE in many ways.

First, Islamic economists have criticized conventional economics, due to its unrealistic assumptions. Replacing a theory based on unrealistic assumptions with another theory based on other unrealistic assumptions would be considered the same as expecting two wrongs to make a right, from an Islamic economics' standpoint. Second, some say that Islamic economics is about an ideal that would be reached if the majority of a society adopted Islamic teachings. This raises the question of why Muslims—at least the majority—have not adopted behavioral patterns prescribed by the Quran in about 1,500 years, even in Muslim-majority countries. Third, as other religions also promote charitable giving and Islam itself does not compare its giving behavior with others, Islamic economists may reconsider the compatibility of the behavioral assumptions of IE, regarding giving, with Islam. Finally, increasing numbers of studies supporting the findings of this study or raising questions about the validity of IE's assumptions may cause IE to evolve in a different direction, like conventional economics experienced during the seventeenth and eighteenth centuries.

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Table 1. Participation (%) in giving behavior by religion (2010–2014)				
	<i>Volunteering Time</i>	<i>Helping a stranger</i>	<i>Donating money</i>	<i>World Giving Index</i>
Christian	21.20	47.59	28.63	32.48
Muslim	17.99	50.29	24.88	31.05
Unaffiliated	16.94	37.93	29.43	28.05
Hindu	24.67	38.27	33.47	32.00
Buddhist	28.60	43.08	54.24	41.96
Folk	13.60	42.40	30.80	28.90
Jewish	21.20	43.20	52.20	38.80
Source: World Giving Index 2010–2014 and PEW Research Center (2012)				

Table 2. Descriptive statistics

		Mean	Median	Minimum	Maximum	Std. dev.	Number of Obs.
World	GNI	17570	11349	650	124596	18811.5	156
	Religiosity	49.6	47.8	2.6	98.9	30.68	60
	Civil Society	0.56	0.54	0.26	0.87	0.14	106
Muslim (50%)	GNI	16899	9722	876	124596	25054.9	39
	Religiosity	72.77	86.5	21.5	98.9	26.03	19
	Civil Society	0.43	0.43	0.29	0.55	0.07	20
Muslim (75%)	GNI	18534	9900	876	124596	27161.6	32
	Religiosity	76.47	88.2	34.3	98.9	24.23	16
	Civil Society	0.43	0.42	0.29	0.55	0.07	16

Table 3. WLS Results						
	Dependent Variable: HS (n=43)		Dependent Variable: DM (n=43)		Dependent Variable: VT (n=61)	
	(Model 1)	(Model 2)	(Model 1)	(Model 2)	(Model 1)	(Model 2)
Constant	14.5026 <sup>a</sup> (4.04922)	14.9719 <sup>a</sup> (5.29678)	-26.5877 <sup>b</sup> (11.6582)	-21.0388 (13.2927)	19.8588 <sup>a</sup> (5.84413)	21.4316 <sup>a</sup> (5.86721)
Income	0.000294888 <sup>b</sup> (0.000129748)	0.000295139 <sup>b</sup> (0.000131574)	0.000822533 <sup>a</sup> (0.000230418)	0.000865968 <sup>a</sup> (0.000232380)	0.000318850 <sup>a</sup> (9.17234e-05)	0.000321924 <sup>a</sup> (5.06329e-06)
Civil Society	29.5778 <sup>a</sup> (9.82570)	29.7249 <sup>b</sup> (11.2973)	51.3355 <sup>b</sup> (22.9494)	42.7604 (26.1627)	-9.59385 (12.6231)	-12.0935 (12.6633)
Religiosity	0.170094 <sup>a</sup> (0.0413178)	0.137138 <sup>a</sup> (0.0489165)	0.207561 <sup>a</sup> (0.0748267)	0.183156 <sup>b</sup> (0.0772708)		
Muslim (Vast)		3.79819 (3.07896)		-0.670175 (6.39057)		-1.75313 (4.62986)
R <sup>2</sup>	0.613622	0.524952	0.623987	0.646499	0.249254	0.233367
Adjusted R <sup>2</sup>	0.583901	0.474947	0.595063	0.609289	0.234388	0.210368
F	20.64582	10.49800	21.57328	17.37406	16.76641	10.14686
P-value(F)	3.57e-08	7.91e-06	2.12e-08	3.49e-08	5.16e-07	6.79e-06
Standard errors in parentheses. <i>Superscripts "a" and "b" show statistical significance at (1%) and (5%) respectively.</i>						

