

Islamic Perspective of Socioeconomic Development*

Masudul Alam Choudhury**

Abstract

The mainstream approaches to economic growth and development are examined critically against the understanding of sustainability in socioeconomic development in alternative paradigms of socioeconomic development. The ethical approaches to socioeconomic development in the literature are presented. Against the backdrop of such criticism to the mainstream theories of socioeconomic development and in cognizance of the ethical view of development sustainability, the Tawhidi epistemological methodology of unity of knowledge is presented to set the basis of the criticism revolving around the development sustainability concept. Finally, to exemplify the applications of the Islamic worldview and the model of development sustainability, some actual case studies are presented. These comprise examples of grassroots microenterprise development in a Bangladesh village, which is financed by the Zakat Fund, and the interactive, integrative and evolutionary Tawhidi model used to evaluate the experience of Islamic banks in community and enterprise relationships in Indonesia. The development approach of Islamic Development Bank is critically evaluated against the reference to the essentially sustainable development experience of the learning model of unity of knowledge in the Islamic framework of socioeconomic development. Several Figures are used to bring out the technical nature of the socioeconomic development approaches according to the Islamic methodological worldview.

Keywords: socioeconomic development, ethics and development, Islamic epistemological methodology of socioeconomic development.

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**Dr. Masudul Alam Choudhury is Professor of Economics and Finance in Sultan Qaboos University following retirement from Cape Breton University, Sydney, Nova Scotia, Canada. He is also the International Chair of the Postgraduate Program in Islamic Economics and Finance in Trisakti University, Jakarta, Indonesia. Professor Choudhury earned his Masters and Doctorate from the University of Toronto. His current area of research specialization in which he is pioneer is the Tawhidi epistemology in Islamic political economy and world-system. His contributions in this area are very many. He combines mathematical, philosophical, and empirical analysis in the study of the Qur'an and the Sunnah in the light of the Tawhidi worldview relating to problems of Islamic economics, finance, science and society. He has established a global teamwork on the quantitative application of Tawhidi methodology in various problems of Islamic economics, finance, and social and scientific themes.

Introduction

According to the South Commission Report (1990), development is defined as follows:

A process of self-reliant growth, achieved through the participation of the people acting in their own interests as they see them, and under their own control. Its first objective must be to end poverty, provide productive employment, and satisfy the basic needs of all the people, any surplus being fairly shared ...In addition, development presupposes a democratic structure of government, together with its supporting individual freedoms of speech, organization, and publication, as well as a system of justice which protects all the people from actions inconsistent with just laws that are known and publicly accepted.

The complex of interrelationships between various elements of the above-mentioned definition of development can be depicted in Figure 1. This figure points out that feedback causality of cause and effect in a domain of circular causation interaction is always a part and parcel of development thought. Yet it is very important to note that such an understanding of systemic interaction in development paradigm stems from the rationalistic foundation of human thought and its pedestal of scientific inquiry.

The idea conveyed here is that human understanding and its systemic depiction in any developmental and scientific inquiry is a rationalistic venture. It is thereby subject to the random vagaries of uncertain thinking without a directed mooring. Our scientific pursuit and the foundation of our sustainable development paradigm as understanding in complex interaction for human wellbeing remain devoid of the precise epistemology. Development thus results in conflicting and power-centered thought and experience. This is equally true of the field of biological Darwinism, social Darwinism and the study of political economy. Sustainable development paradigm shares its uncertain dialectical moorings from every one of these origins of rationalistic thought (Goodman, 2003). Consequently, concepts of human preferences, production menus, objectives of development, economic growth and ownership and distribution, organizing of entitlement and empowerment and the development-institution-market interaction through policy planning are all subjected to the rationalistic meaning and practice of sustainable development paradigm (Korten, 1995).

Part I:

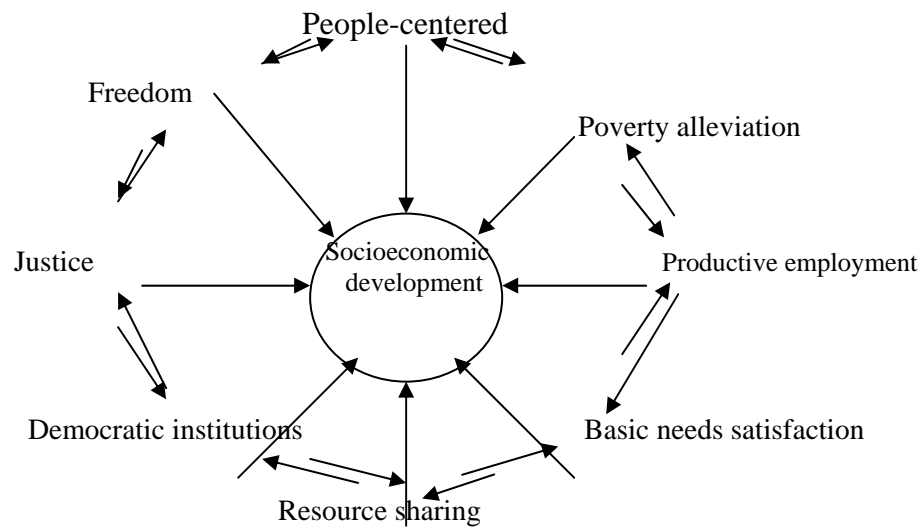
Development Paradigms of Ethics and Development: Selected Review of the Literature

Nonetheless, Brundtland (1987) had in her mind the win-win situation caused by the complementary functions of economic and social factors each reinforcing the other in

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the total context of balanced use of global resources for the present and future generations. According to Goulet (1995) sustainability is far more than an issue concerning environmental consciousness and sustained growth of the economy. It is causally intertwined with deeply ethical causes to make such a sustainable paradigm realizable.

Figure 1: Socioeconomic Development as Interactive and Integrative Process: Human centered rationalist paradigm



From the coterminous order of sustainable development comes a strong criticism of the development paradigms that either bases development on aggregate growth and the measurable variables of economic progress and prosperity or takes a linear and dissociated view of the old World Bank formula, “Development = Economic Growth + Social Change”.

Goulet (1996) warns against an unquestioned acceptance of this perception, for he argues not any kind of economic growth and social change will do. What is required in the context of sustainability is a coterminous existence of complementarities between the growth and social ends to define a development paradigm for human well-being. This would at once require not simply the predominant presence of the ethical code to instill the sustainability principle but also a re-structured institutional, economic and social planning in a wide context. Such an approach is our microeconomic orientation of functionalism to define the superstructure, which is endogenous in nature. The path cannot be in the reverse order of macroeconomic to microeconomic disaggregation. The latest thinking on development paradigm is thus toward human development, questioning the old concept of GDP.

Human Development

The ethical unease of accepting a sheer economic explanation of rate of change in the real Gross Domestic Product as the barometer of economic growth and development led to the construction of the wider index called Human Development Index. The concept of human development is defined by UNDP (1998, p.16) as,

The concept of human development provides an alternative to the view of development equated exclusively with economic growth. Human development focuses on people. And it sees economic growth and higher consumption not as ends in themselves but as means to achieve human development.

Demarting (1999) has another definition of human development:

The human development index (HDI) measures the performance of different nations and regions in promoting the well-being and opportunities of their inhabitants. The HDI is a composite measure of human development, comprising three dimensions of what constitutes a valued life. These are: (a) the capability to lead a long and healthy life; (b) the ability to acquire knowledge and to participate meaningfully in the life of the community; and (c) the ability to achieve human welfare via the acquisition of vital goods and services.

The definition of human development advanced by UNDP was further extended in 1999 by incorporating several disaggregate features that relate to human wellbeing. These are the human poverty index (HPI), gender development index (GDI) and gender empowerment index (GEM) along with human development index (HDI).

When it comes down to development planning, the preferences of policy makers and the political economy of a capitalist order impose upon the development regimes the kind of paradigm to accept. In the history of development planning it is found that the neoclassical economic paradigm, despite being one that isolates itself from the endogenous forces of moral and ethical values, has been imposed. In this regard Goulet and Wilber (1996, p. 470) write upon referring to Berger (1974): “The criminals are the hosts of planners, social theorists, and change agents who purport to speak for the people. Tragedy is compounded by their assumption that their own perception of reality is more correct than that of the masses.”

Now when we examine the neoclassical roots of the above other development doctrines we note that the assumption of power and conflict is made to be their groundwork. The condition of the world is explained as one of conflict but is not normatively modeled in a way whereby co-determination can be brought about. What policy prescriptions can be adopted to realize this normatively constructed end out of polity-market and social discourse? Thus the assumption is that the scheme of development rests permanently on conflict and competition, alienation and

domination of the strong upon the weak taken up in their various organizational and social and economic contexts.

Objective of This Paper

The epistemological discovery, explanation and application of the ethico-economic general-system methodology and model of development and sustainability as a profound concept are the objective of this paper. In this sense this paper sheds new and original light in the area of complementing the ethical concept of sustainability with the economic development perspective. A participatory model of socioeconomic development emerges. Its epistemological foundations are found in unity of knowledge in relation to the processes of learning world-systems. Sustainability in development is the idea of the emergent unified embedding among the various systems in the good things of life that are endowed by precise laws. Such laws originate inexorably from the episteme of unity of knowledge in the Qur'an and the Sunnah. This is the functional ontology of conscious oneness in relation to the development world-system. It is called Tawhid in the Qur'an. Factual examples in the light of such a Tawhidi (unity of divine knowledge worldview) are given.

Introducing Islamic Development Methodology

Figure 1 and the recent developments in development theory point out the importance of participatory development and the instruments and ways toward attaining this as the true perspective of sustainable development. But beyond the idea of sustainable development in this sense is the principle of sustainability.

Sustainability is defined as the process of establishing complementarities between economic, social and ethical issues of human development. These attributes take up center stage in a unified, that is participatory development paradigm. In it a complexity of embedding prevails continuously between interacting domains of human action. They together complement to color the total human potential in the midst of its environing whole. The process of extensive complementarities so gained gives the idea of unification of the world-system by means of the epistemology of unity of knowledge.

Such multidimensional complementarities among variables and relations of socioeconomic development result from the social enactment of a deeply relational epistemological worldview. The latter is a matter for educating the citizenry and concerned forum through the machinery of policies and programs sponsored by national Governments and international development organizations and all agents participating in development.

To start up our discussion on this special examination of socioeconomic development under the above-mentioned condition of sustainability we will now go on to explain the salient features of a general-system model that endogenizes in it the ethical factor. The most important feature of such ethical endogeneity is the principle of pervasive

complementarities between the ethical or social perspectives and the economic and financial ones. The underlying model of sustainability that so emerges, we refer to as the ethico-economic general-system model. It has its epistemological praxis in unity of knowledge (manifested by complementarities) in the context of sustainability in development.

Formalism in Unity of Knowledge and the Development World-System: The Tawhidi String Relation

The following section formalizes a process model of generalized system according to the Tawhidi epistemological methodological:

Figure 2: The Tawhidi Epistemological Worldview of Unity of Knowledge in Learning Processes of Socioeconomic Systems

$$\begin{array}{cccccc}
 \underline{\quad 1 \quad} & \underline{\quad 2 \quad} & \underline{\quad 3 \quad} & \underline{\quad 4 \quad} & \underline{\quad 5 \quad} & \underline{\quad 6 \quad} \\
 \Omega \rightarrow_F \{\Phi\} \rightarrow_{F^*} \{\Phi^*\} \rightarrow_{f_1} \{\theta\} \rightarrow_{f_2} \{X(\{\theta\})\} \rightarrow_{\downarrow} \rightarrow_{f_3} \text{New } \{\theta\} \rightarrow \text{continuity} \rightarrow \Omega=H & & & & & (1) \\
 & & & & & W(\theta, X(\theta)) \text{ in repeated processes} \\
 \text{Primal} & \rightarrow & \text{Derivation} & \rightarrow & \text{Process of} & \rightarrow & \text{Post-evaluation} & \rightarrow & \text{Evolution} & \rightarrow & \text{Continuity} & \rightarrow & \text{Closure} \\
 \text{stock of} & & \text{of primal} & & \text{deriving} & & & & \text{of similar} & & & & \text{in the} \\
 \text{knowledge} & & \text{knowledge} & & \text{knowledge} & & & & \text{processes} & & & & \text{very large-scale} \\
 & & \text{- flows} & & \text{-flows by} & & & & \text{universe} & & & & \text{discursion}
 \end{array}$$

The symbols of the Tawhidi String Relation (TSR), the name given to expression (1) are defined below. The phases of the interactive, integrative and evolutionary learning processes (IIE-processes) are shown in expression (1) below the TSR in Figure 1.

Note that the TSR is methodologically identical with the interactive, integrative and evolutionary processes (IIE-processes), and in another sense, also with the decision-making and process methodology of participation referred to as Shura in the Qur'an. Furthermore, the abstraction based on worship, of all kinds of methodological intricacies where systemic participation takes place, is referred to as Tasbih in the Qur'an. We refer to the methodological combination between Shura and Tasbih in TSR as the Tasbih-Shura circular causation interrelations.

Ω denotes the Tawhidi epistemology. That is, Ω explains the fundamental Qur'anic axiom of divine oneness. It can thus be simply understood as the dimensionless but creative and governing origin of all knowledge. Hence we intend to treat Ω as a mathematical topology. Ω denotes the completeness and absoluteness of divine knowledge. We refer to Ω as the Stock of knowledge of the divine law in the Qur'an, where it is referred to as Lauh Mahfuz, meaning the Mother of Book, the Primal Abode of the Qur'an, the Divine Tablet. Ω is treated in our work simply as a topological reality, which cannot be nor needs to be configured and quantified. Its function is that of causing relational mappings by the overarching divine law.

Φ denotes the ontology derived from Ω in the form of the divine law (Sunnat Allah). Φ is thus the knowledge domain of the revealed Qur'an as manifested in the order of the world-systems. It is observed and explained by the completeness and absoluteness of Ω .

F denotes the spontaneous and pervasive unveiling of divine oneness in the cosmic scale through the divine law.

Φ^* denotes the further ontological comprehension of the divine law in Φ as realized through the Sunnah (guidance of the Prophet Muhammad). This medium of presenting the divine law in living experience is denoted by the mapping f^* .

$\{\theta\}$ denotes a sequence of knowledge-flows derived from the epistemology of unity by the exercise of Tasbih-Shura (TS) discourse at the level of deriving the foundation of Islamic Law, the Shari'ah (Usul as-Shari'ah) as the core of the divine law.

H denotes the Event of the Hereafter. This completes the cycle from Tawhid to Tawhid through the process of the knowledge-induced world-system. Thus: $H = \Omega$, and $\Omega \rightarrow \text{World-System} = \{\theta \in \Omega; \mathbf{x}(\theta)\} \rightarrow H$. $\mathbf{x}(\theta)$ is a vector of knowledge-induced variables describing unification of a perpetually learning world-system. The World-System is spanned completely by $\{\theta \in \Omega; \mathbf{x}(\theta)\}$.

Part II:

Case Studies in Islamic Development Methodology

1. Community and Enterprise: Case of Islamic Bank Functions in Indonesia

The estimation results (Choudhury & Harahap, 2009) of the circular causation relations shown in phase (3) of Figure 1, expression (1) point out that Islamic banks in Indonesia rely much on large shareholders as opposed to raising deposits from individuals, households and businesses. Consequently, Islamic banks are at the whims of such large shareholders on investment and spending decisions of their funds. Besides, instead of promoting joint ventures by interbank networking of capital needs, Islamic banks still rely on interbank borrowing that stands for debt/asset variable in our study. Consequently, any contribution that Islamic banks make to the real economy in Indonesia is via the route of borrowing rather than by joint ventures through networking. Instead, Islamic banks in Indonesia ought to contribute to Islamic modes of financing by widening the interbank network and investment diversification.

Furthermore, to realize production and risk diversifications in joint ventures, participatory modes of financing and raising share-capital in a broad-based way are needed. These would involve raising increased volumes of share capital from the public and spending in the grassroots projects for social and economic development. Indeed, the theory of Economy of Scope (Pindyck & Rubinfeld, 2001) suggests that

joint production menus have lower cost of production than differentiated production menus.¹

Therefore, a conscious way of reorganizing the role of Islamic banks would be to emphasize participatory perspectives of development. It is equally important to pursue this goal along dynamic basic-needs regimes of development, which convey sustainable and stable states to an economy that complements the real sector with finance and monetary sector. Thereby, production cost is reduced; the joint output is expanded, as the number of shareholders increase along with the number of production outlets.² Such a prescription should be the goal of Islamic banks in grassroots development to raise share-capital from the public at large and with extensive networking as the implement of pervasive complementarities. The variables of CSR and CG would then complement in the model of participatory development.

A depiction of the complementary development relations to be expected between economic, financial and social variables with human and socioeconomic linkages is shown in Figures 3 and 4. It is important to note how Figure 1 evolves into its application to participatory development issue in Figures 3 and 4 showing the role that Islamic economic, financial and social instruments play in the resulting unified embedding. This is the meaning of pervasive complementarities between the variables of each of the interactive, integrative and evolutionary domains. It takes its meaning from the epistemology of Tawhid as the functional ontology of divine oneness represented in the divine law in terms of its methodological representation in the world-system. Specificity of issues and problems apply in the midst of the universality, uniqueness and permanence of the Tawhidi methodological worldview of unity of knowledge (Choudhury, 2007).

2. Sustainability in a Women's Sewing Project in Bangladesh by Zakat Financing

The principal sustainable financial source for a Women's Sewing Project (WSP) in Bangladesh interior village is an example of a broader class of small-scale microenterprises funded by the mandatory Zakat Fund including auxiliary charity (Sadaqat, S) -- (ZS) (Choudhury, Hossain & Solaiman, 2009). This source of financing intensifies with the rise of moral consciousness. ZS is seen as a mandatory

¹ Economy of Scope Indicator, $SC = [C_1(Q_1) + C_2(Q_2) - C(Q_1, Q_2)]/[C(Q_1, Q_2)] > 0$, where C 's denote the costs of production of outputs Q_1 , Q_2 and the joint output, (Q_1, Q_2) . The corresponding joint production function is $Q = F(Q_1, Q_2)$. In the presence of economy of scope Q_1 and Q_2 jointly feed into each other, causing complementarities between them. Such complementarities require especial attention to participatory modes of production, financing, technology, and factor market resource mobilization. Thus the existence of economy of scope is causally linked with pervasive complementarities between all elements of the productive cycle.

² $Var(Q) = Var[F(Q_1, Q_2)]$

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take on the rich to serve as seed money for development of the poor and needy. This is an Islamic obligation not a supplication for charity. Furthermore, the goal of poverty alleviation requires intensifying village activity linkages. With the use of the guaranteed ZS-funds it has been possible for WSP to impart training to both Muslim and non-Muslim needy village women. Women with better economic status can be admitted with nominal fees. They do not enjoy the stipend benefits of ZS. Necessary screening is maintained to determine the needs and economic conditions of students.

As a mandatory take from *Wealth (liquid assets) plus Savings plus Income of the Zakat payer net of permissible annual exemption (Nisab)*, Zakat assumes its fiscal status in the Islamic community. Thus ZS-fund is organized away from being mere voluntary charity and expenditure in non-developmental directions, such as handouts to the poor and needy, the sick and debtor. Instead, the ZS-fund is organized as a social security fund for ameliorating needy individuals and households according to a social development planning framework. ZS forms a social fund of and by the Islamic community. It acts as spiritual financial capital for development purposes. Hence it forms the corner stone of fiscal expenditure and receipts for the community. This fact is conveyed by WSP and its replications in and around Satkania and Patiya Uppazillas in Chittagong. The needy individuals, such as the trainees in WSP, are treated as a social entity. They have the privilege rather than humble supplication to claim ZS as social assistance.

Figure 3: An Example of Critical Complementary Relations between Socio-Economic and Policy Variables

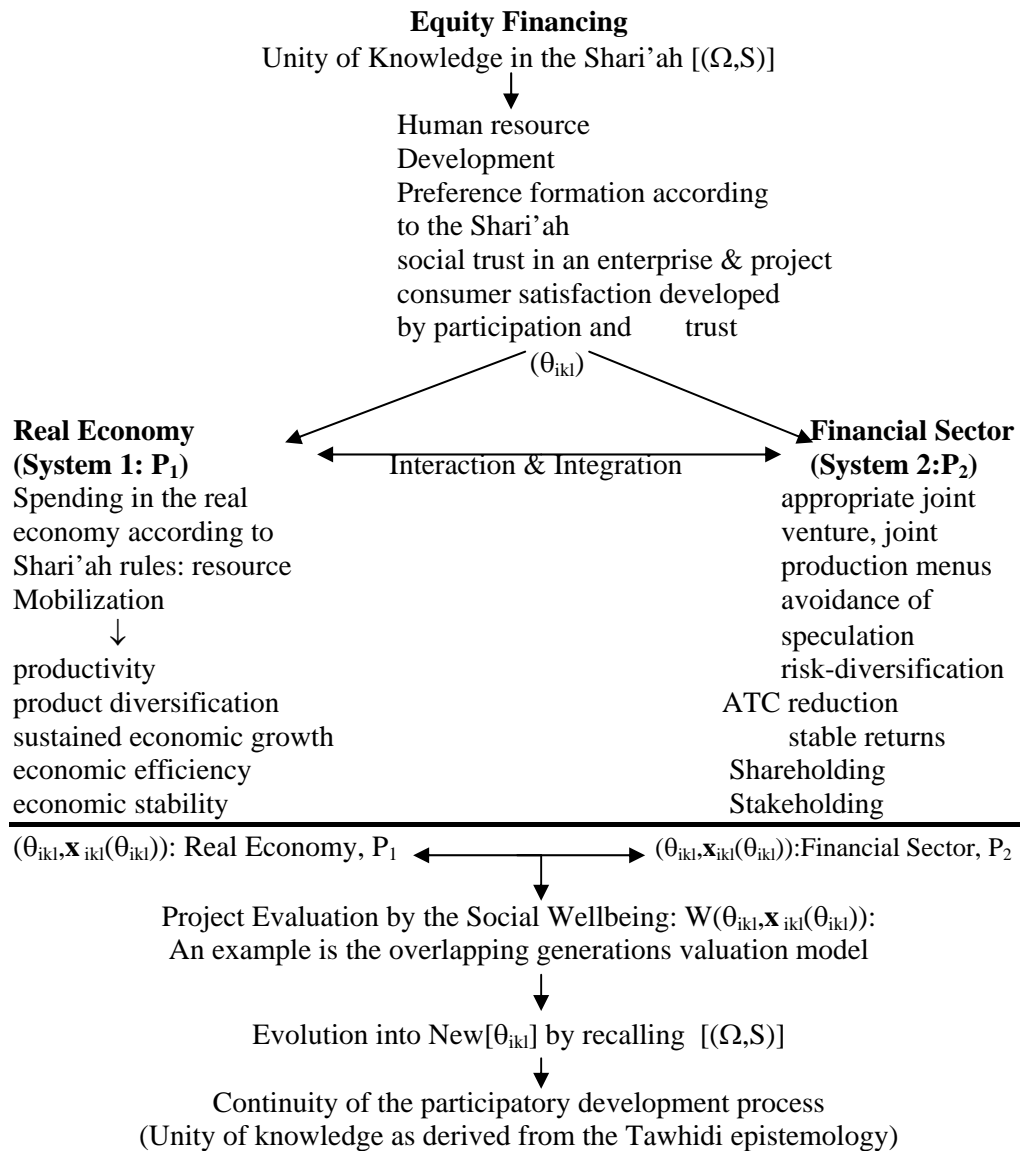
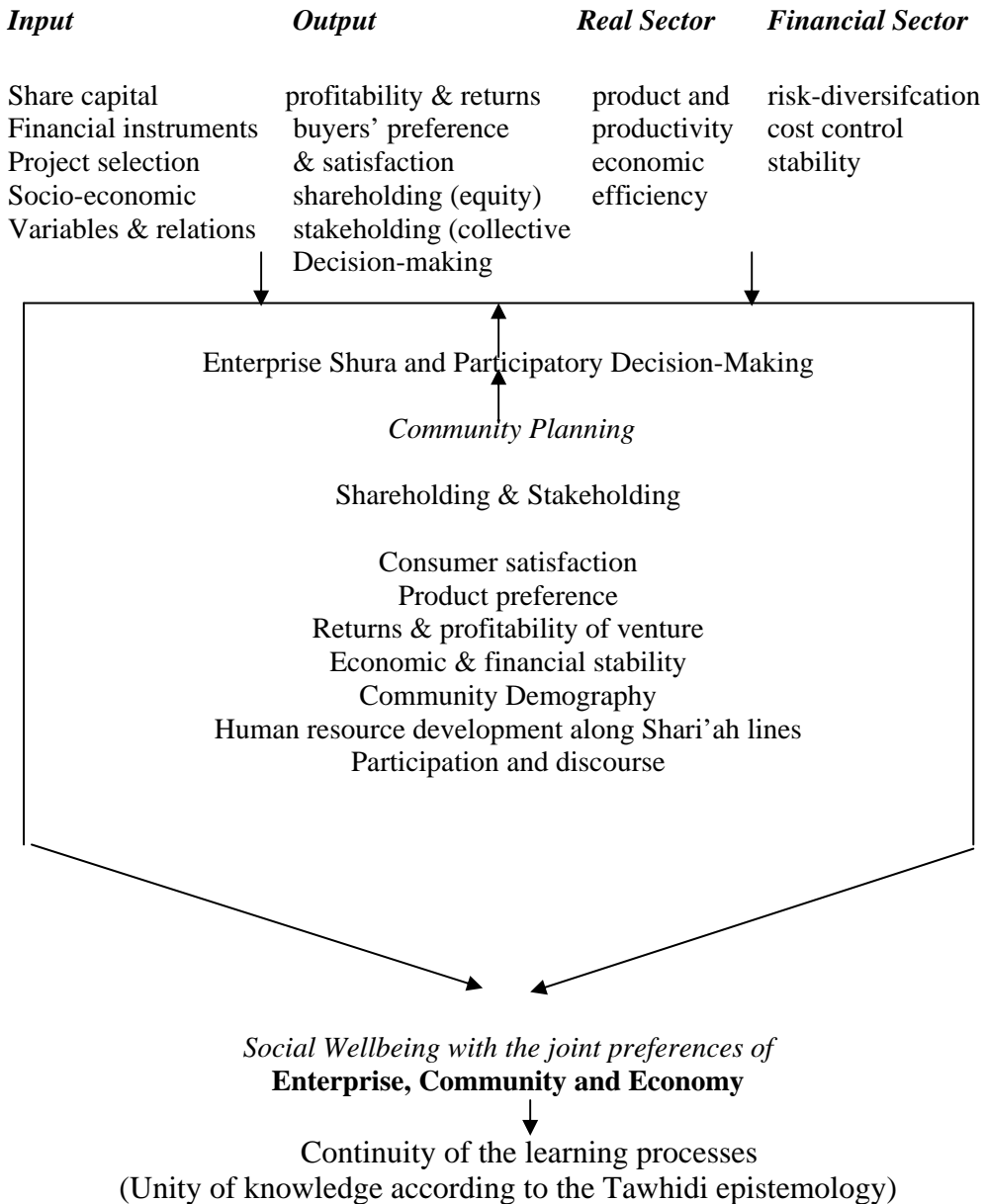


Figure 4: Strategic Interrelationships between Enterprise, Economy and Community: The Case of National Commercial Bank in Saudi Arabia

Enterprise Planning

Economic Planning

Portfolio Mix: Short, Medium & Long Run Projects and Project Financing



Part III

Structuring Development-Financing Index in the Light of the Tawhidi String Relation

Compounding charity fund (ZS) with a development-financing index

The argument here is that for attaining a heightened level of impact on poverty alleviation, human resource development and income generation, and thereby, self-reliant empowerment for target groups, sustainability of the ZS-fund must be combined annually with other productive financial instruments. In this way, a compound development financing instrument is constructed. We therefore recommend that **ZS** ought to be linked with its complementary financing instruments, namely, **S**pending in the good and productive things of life, **T**rade and replacement of interest charges by **P**articipatory financing instruments. Examples of the latter kind of financial instruments are profit-sharing, equity participation, joint ventures and co-financing. We have now four development financing instruments, (**Z** = Zakat, **S** = Spending in the good things of life, **T** = Trade, **P** = replacement of interest by participatory financing instruments). These instruments replace the interest-based modes of financing and collaterals. The nature of such a contrast between cooperative instruments and interest-based financing is pointed out in the Qur'an (57:18). The cooperative financing instruments can be compounded to form a comprehensive development financing indicator in attaining community social wellbeing.

To date, Bangladesh villages have failed to utilize productively the mandatory and sustainable flow of ZS-funds in small-scale microenterprise development. The experience of the WSP model shows that there is a substantial potential for self-reliant development at the grassroots, one that is easily implemented at minimum cost but having good performance measures economically and socially. This has been missed out. The potential thereby remains. Necessary awareness and information on ZS-driven small-scale microenterprises ought to be disseminated to the private sector and induced into the national development planning at the grassroots.

The immense amount of sustainable charitable funds derived from ZS sources has not found an outlet in village-based development of the needy and trainable through organized small-scale microenterprise projects (Choudhury, 2002). In the absence of such an innovative way of implementing small-scale microenterprises for self-reliant and empowered development of the needy with sustainable seed money and low cost of operation but yielding socially and economically productive prospects, a great deal of the charitable funds is leaked out of development at the grassroots. Such a lost opportunity ought to be reversed for the wellbeing of the very poor and needy.

We now investigate the possibility of integrating ZS-funds with other wellbeing-generating financing instruments at the grassroots so as to obtain a compound financial index that would act as catalysis of wellbeing and development at the grassroots. Besides, in a socially organic sense, the synergetic economic and social

relations engendered by small-scale microenterprises with other village activities must be noted. One such kind of compound financial index for attaining social wellbeing at the grassroots is presented below.

Compounding development-financing index with social wellbeing

The social wellbeing criterion for socioeconomic development is expressed as a compound function of variables like poverty alleviation, productivity (income generation), village-based linkages and the social indicators of enrolment ratios and marriages among women trainees as a prestige variable gained from training. Impression on marriages among trainees in WSP as prestige social indicator is derived from opinion surveys on the relationship between training and marriage prospects.

The correspondence between the social wellbeing function and the compound development financing index is this. Equally-weighted four variables (Z,S,T,P) are multiplied to form a compound financial index. Interest-free (P) financing reflects the no-collateral variable in the above-mentioned linked activities. Such a calculated index-value induces all the variables of the social wellbeing index. That is, the variables of the social wellbeing function and the index-value interrelate circularly in the simulation of social wellbeing in reference to the feedback between the variables and the index.

Socioeconomic development impact ensuing from community-based small-scale microenterprises, as exemplified by WSP, is now understood as a simulated process of systemic learning caused by participation and linkages between the variables and their underlying community-based socioeconomic activities. This is equivalent to simulating the social wellbeing function in reference to the system of circular causation as relations between its variables and the compound financial index that acts as the primal factor influencing all the other variables.

In turn, the evolutionary learning dynamics of the socioeconomic development processes imply that the index itself will be affected by the simulated variables. Consequently, the evolutionary values of the variables in the index become recursively affected by the index values and by the variables of the social wellbeing function taken one at a time. A nexus of circular causation is thus generated between all the variables and also the recursively determined simulated values of the financial index. These estimated variables yield simulated values of the social wellbeing function.

The resulting simulation model can be easily computerized and implemented at the village community levels. This can be the Satkania Uppazillah Office by virtue of the easily recordable data arising from small-scale sample with expanding inter-sectoral learning linkages. On a larger scale such a model can also be computerized at the Bangladesh Islami Bank. Figure 5 depicts the circular causation between (Z,S,T,P).

The system-oriented learning process that conveys the meaning of operational sustainability in social development planning is implied by such circular causation. Village-based activity linkages signify the extensive complementarities that underlie the concept of operational sustainability in grassroots development.

By the method of circular causation every variable in the boxes in Figure 5 is shown to interact, integrate and co-evolve along the development path. In this way, the evolving participatory processes in systemic learning are sustained. Let the recursive learning variable be denoted by θ -variable (See expression 1 above). θ is endogenously regenerated in the simulation system in reference to the system of circular causation between the θ -induced variables. In other words, θ along with its induced variables convey the path of socioeconomic change that is driven by moral and ethical consciousness. Such ethical parameters and their induced vectors are referred to in the literature as spiritual capital (Zohar & Marshall, 2004).

θ -values also represent a positive transformation of the compound financial index by virtue of its central role in simulating the social wellbeing function. Hence a θ -value reflects a positive monotonic value of the index. The simulation exercise implies processes of re-strategizing market values by learning impact, village linkages, institutional changes and micro-level policies. Each of the variables in the social wellbeing function is induced by the synergetic consequences of the θ -variable. That is by the compound index. Thus in the end, the θ -variable is determined in the entire system of circular causation by recursive feedback between the simulated socioeconomic variables of the social wellbeing function.

The Formal Model of Women's Sewing Project (Wsp) As an Application of the Methodology of Unity of Knowledge in Development Sustainability

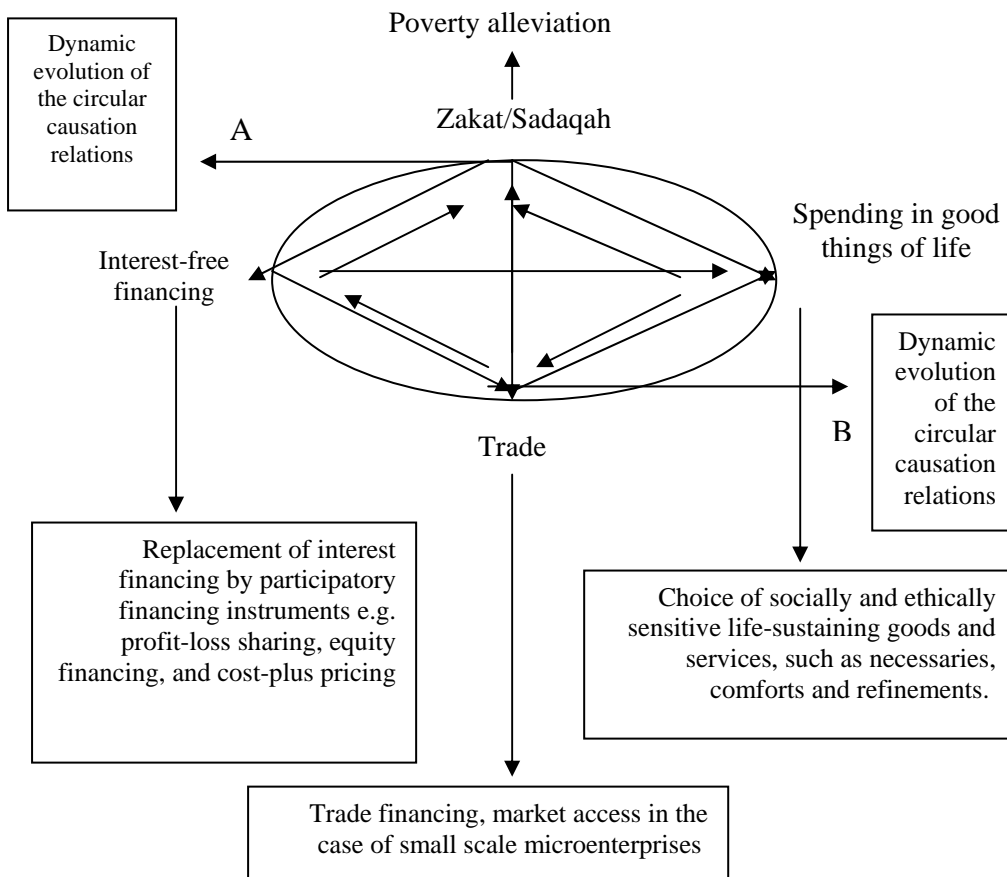
We formalize the general-system model of development sustainability in the following simplified way: Let the process-based evolutionary vector be denoted by \mathbf{X} comprising the various boxes in Figure 5. \mathbf{X} denotes the vector of estimated values of (Z,S,T,P) generated by circular causation between these.

The participatory development transformation attained by means of small-scale village microenterprise as evinced by WSP, causes integration between the variables measuring performance and wellbeing through village socioeconomic linkages and the activities that underlie them. The compound financial index of $\mathbf{X} = (Z,S,T,P)$ plays the critical role in such a transformation. Subsequently, this compound index as a positive monotonic measure of θ endogenizes the social wellbeing function causing circular causation to occur between the critical socioeconomic variables of the social wellbeing function.

Words of caution on the continued use of charity funds for socioeconomic development

Though WSP is centered on the productive use of charity funds that exist in perpetuity, there are still concerns of dependency syndrome that can arise. Choudhury and Malik (1992) have pointed out in the case of Malaysia that estimated macroeconomic models in Zakat and socioeconomic variables do show positive relationships indicated by the estimated coefficients of the log-linear forms. But the sign of the investment variable in relation to Zakah-variable was found to be negative. This is worry to the fact that Zakah and investment may be substituting each other in relation to productive grassroots change. The latter is argued to be a major focus of charity fund existing in perpetuity. Thus good control and supervision are required at the grassroots to monitor the use of perpetual charity funds into productive investments.

Figure 5: Depicting the Model of Circular Causation between (Z, S, T, P)



Policy Prospect on Small-Scale Microenterprises for Village-Centered Development Planning

WSP is an example of the wider range of general-system model of microenterprise development in a village setting with productive relationship between charity fund and economic development at the grassroots. The process-oriented learning model of grassroots development of the type depicted by WSP fits in well in village-centered development planning. The critical variables of social wellbeing are identified as human resource development, poverty alleviation, and income generation reflecting productivity, empowerment and entitlements of members of small-scale microenterprises. Also there is the social variable, such as marriages of members, which is found to convey the prestige effect of training. Then there is the social synergy of village-based linkages caused by small-scale microenterprises. Circular causation between these variables reflects the meaning of sustainability gained through such social organisms.

Figure 5 depicts such intra-village participatory dynamics between development variables by using selected financing instruments. We noted these development financing instruments as profit-loss sharing, equity participation in small microenterprise project development, cost-plus pricing for nascent-industry protection until such time when they graduate out of this need. Revolving around these primary development financing instruments are secondary ones, such as unit trust for the poor. The resulting development financing instrument combining all the above modes of grassroots development can be made to mobilize economic resources for achieving productive and social change in the rural sector.

Grassroots Development Projects and the Islamic Development Bank

The Islamic Development undertakes development projects in its membership. But to date its development financing distribution does not reveal a focused direction of spending in community enterprises, wellbeing criterion, and poverty-alleviation projects.

This development failing is due to the policy of the Islamic Development bank to grant project funds for development to the member countries. The member countries governments then make use of the funds to development in their own politically sensitive and growth-centered ways.

Also it is well-known from our above-mentioned examining of growth paradigms that economic growth and economic development do not address the issue of participatory embedding of economic, financial and social forces in the neoclassical models. The Islamic Development Bank with the help of the expertise of the Islamic Research and Training Institute has not undertaken research and implementation of appropriate sustainable development models in the light of the Tawhidi worldview. Most of the models used are still of the neoclassical macroeconomic genre or simply are devoid of any vintage of scientific modeling of participatory development at the grassroots.

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In the face of this fuzziness of development financing it becomes a problem to implement the understanding and development of a truly Islamic methodology. None of the above-mentioned kinds of the Islamic model of development has been used in the research or applied experience of the Islamic Development Bank. The IDB could not therefore address many of the social perspectives of development financing in her membership.

Conclusion

Development economics still awaits a robust conceptual and applied methodology to address participatory development with extensive complementarities between the critical variables that center on the ethics of choices of the good things of life. This is an epistemological question both of the choices of variables, the good things of life and the economic, financial, institutional and social instruments of development in a way that they are mutually embedded in circular causation relations between them. The paper has argued that such a methodology while it remains absent in the literature is contrarily the centerpiece of the Qur'anic model of unity of knowledge in relation to the unified world-system that is both evaluated as is and is then reconstructed by means of what we have explained in this paper as the methodology of unity of knowledge and the world-system, called Tawhid in the Qur'an. But we have used the precept to explain the functional ontology in relation to the world-system.

Examples of application of the Tawhidi methodological worldview in the functional ontological sense to practical case studies were given. This brings out the extensively vast scope of conceptualization and application of the Tawhidi methodology of unity of knowledge to diverse world-systems including as presented in this paper, the sustainability of grassroots development. The field of ethics and development in its participatory and learning model of systemic unity ought to be given its full attention by academia and development institutions (Choudhury, Zaman and Harahap, 2007).

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