



Maqashid Sharia as a Pillar of Inclusive Development: Moderation in Economic Growth Towards Poverty

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Abstract:

This study examines the moderating role of Maqashid Sharia in the relationship between economic growth and poverty in selected OIC countries in Asia. It focuses on three dimensions: education (Hifz al-Aql), health (Hifz al-Nafs), and distributive justice (Hifz al-Mal). The sample includes Bangladesh, Indonesia, Pakistan, and Uzbekistan over the period 2014–2023. Panel data were analysed using a Random Effects Model (REM). The findings reveal that economic growth has a negative, but statistically insignificant, effect on poverty, suggesting that growth has not been sufficiently inclusive. Although higher growth is associated with declining poverty, the effect is weak and unevenly distributed across low-income groups. Education, health, and distributive justice significantly reduce poverty directly. However, these variables do not significantly strengthen the impact of growth on poverty reduction. It reflects the limited relevance of education to labour market demands, the predominantly long-term effects of health improvements, and short-term efficiency–equity trade-offs in redistribution policies. The study underscores the need to promote inclusive growth through labour-oriented education reform, strengthened health services, and optimisation of zakat and waqf instruments. Limitations include the small country sample, restricted Maqashid dimensions, and limited institutional coverage.

Keywords: Poverty, Maqashid Sharia, Economic Growth, Inclusive Development

JEL Classification Code: I32, I15, I25, I31

1. Introduction

Poverty and socioeconomic inequality remain serious challenges in many developing countries. A recent report from the World Bank (2024) notes that around 27.6% of the population in lower-middle-income countries lives below the international poverty line of US\$3.65 per day. It means that more than a quarter of the population in these countries is still unable to meet their basic needs (Kochhar, 2020). This situation persists even though over the past decade, several macroeconomic indicators have shown a relatively stable growth trend (Erokhin et al., 2023). This fact confirms that positive economic growth does not necessarily guarantee an equitable distribution of welfare (Breunig & Majeed, 2020).

The relationship between economic growth and poverty reduction has long been a subject of debate. The trickle-down effect theory holds that an increase in national output will eventually “trickle down” to all levels of society, reducing poverty (Todaro & Smith, 2011). However, recent findings show that the impact of growth on poverty is primarily determined by the structure of income distribution and the quality of human development (Aggarwal, 2022).

Thus, economic stability and expansion do not always go hand in hand with improvements in the welfare of the wider community, especially when that growth is not inclusive (Johnson & Eccleston, 2023)

Structural problems are more complex in developing Islamic countries, where asset inequality, limited access to education, and differences in social, political, and institutional characteristics are widespread (Cuesta et al., 2020). In Asia is home to the world's largest Muslim population, and development dynamics exhibit uneven patterns (Siddiqui, 2024). Several countries have recorded relatively high Gross Domestic Product (GDP) growth, but poverty and inequality remain significant (Aiyemo, 2024). Empirical data show that GDP growth is not always accompanied by a proportional decline in poverty (Vandemoortele & Delamonica, 2023). This is evident in the four member countries of the Organisation of Islamic Cooperation (OIC) in Asia in 2023, namely Bangladesh, Indonesia, Pakistan, and Uzbekistan, which reflect the diversity of the Asian region in terms of geography, economic structure, and development dynamics, as shown in the following graph:

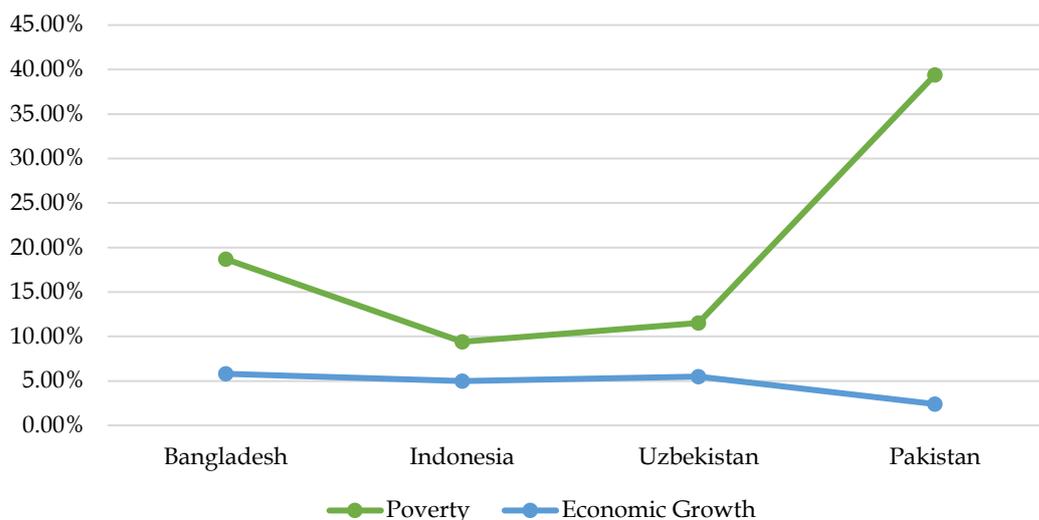


Figure 1: Economic Growth and Poverty Rate in 2023

Note: Data is processed by the authors

The figure above shows an imbalance between economic growth and poverty rates across the four OIC member countries sampled for this study: Bangladesh, Indonesia, Pakistan, and Uzbekistan. According to a World Bank report (2024), Bangladesh recorded economic growth of 5.8% with a poverty rate of 18.7%. Indonesia grew by 5.0% with a poverty rate of 9.4%, Uzbekistan grew by 5.5% with a poverty rate of 11.5%, while Pakistan showed the lowest growth of 2.4% but had the highest poverty rate of 39.4%.

This condition shows that high economic growth rates are not always directly proportional to poverty reduction (Ravallion, 2022). It is known as the



growth-poverty paradox, a condition in which economic growth is not accompanied by an inclusive distribution of development outcomes (Bostanli, 2023). It indicates that conventional economic approaches that focus solely on increasing material growth have not been effective in promoting equitable welfare in society (Hirvilammi & Koch, 2020).

According to Mukson & Subhi (2025), the ineffectiveness of economic growth in reducing poverty in some Islamic countries is due to the dominant materialistic orientation of development and its focus on macro aggregates, while the dimension of social justice, as the core of Islamic development, has not been systematically internalised into public policy. A development paradigm that places too much emphasis on output accumulation without regard for the quality of distribution and human development can lead to exclusive growth (Cuesta et al., 2020). Maqashid Sharia offers an alternative development paradigm that is more comprehensive and normative, as it is not only oriented towards increasing income, but also towards maintaining and improving the overall quality of human life (Junaedi et al., 2022).

Maqashid Sharia places human welfare (*maslahah*) as the main objective of public policy (Bhat, 2023). Maulana et al. (2024) emphasise that development from a maqashid perspective includes the protection and strengthening of the dimensions of reason (*Hifz al-Aql*), soul (*Hifz al-Nafs*), and wealth (*Hifz al-Mal*), which can be operationally translated into indicators of education (*Hifz al-Aql*), health (*Hifz al-Nafs*), and distributive justice (*Hifz al-Mal*). These three dimensions are not only normative but also empirically relevant for explaining the quality of economic growth (Navasardyan & Mkrtchyan, 2023). Thus, Maqashid Sharia is important and urgent to be integrated into the modern development framework because it can bridge the gap between economic growth and social justice (Karimullah, 2023).

The urgency of this approach is further reinforced by empirical research showing that the quality of human development and wealth distribution determine the effectiveness of growth in reducing poverty (Breunig & Majeed, 2020). Rehman et al. (2022) found that the education dimension significantly strengthens the impact of economic growth on poverty reduction. It means that economic growth will be more effective at reducing poverty when supported by increased intellectual capacity within the community (Hanushek & Woessmann, 2020). Education increases labour productivity, expands access to economic opportunities, and accelerates social mobility (Feniser et al., 2022). Meanwhile, Sulastyawati (2020) shows that improvements in health contribute to increased labour productivity and economic competitiveness, which ultimately strengthen the transmission of growth to community welfare. A healthy workforce has higher economic participation rates and lower poverty risks (Öztürk, 2022). Thus, health acts as a reinforcing factor in the relationship between growth and poverty reduction. On the other hand, Alam et al. (2024) highlight the importance of equitable wealth distribution and the optimisation of *zakat* instruments in



reducing structural poverty. Economic growth tends to be concentrated in certain groups without fair distribution, thereby having little impact on the poor. It aligns with the findings of Alfian et al. (2023) who argue that integrating the principles of Maqashid Sharia into economic policy can enhance the effectiveness of poverty alleviation programs and foster more inclusive growth.

Most of these studies are still contextual and focused on a specific country. Comparative cross-country studies of OIC countries are still relatively limited. Rehman et al. (2022) have linked the dimensions of multidimensional poverty to the five main objectives of sharia, while Yaqin & Billah (2020) emphasise the social and spiritual dimensions of poverty from a maqashid perspective. Haidar & Rachmad (2025) show that the Islamic Human Development Index (I-HDI) has a more substantial adverse effect on poverty than the conventional Human Development Index (HDI), indicating the superiority of the maqashid-based approach in Muslim societies. Furthermore, Anisa (2024) affirms the importance of maqashid in the formation of equitable economic policies, particularly through the optimisation of *zakat* and *waqf*. Musaddad et al. (2025), in a review of 30 empirical studies, also emphasise that maqashid values align with the Sustainable Development Goals (SDGs) agenda in advancing sustainable development.

There are still significant gaps in research. Most studies place Maqashid Sharia as an independent variable or normative framework, rather than as a moderating variable that explains variations in the effectiveness of economic growth on poverty (Satiadharmanto et al., 2024). Theoretically, education, health, and distributive justice can serve as enabling factors that strengthen or weaken the influence of economic growth on poverty reduction (Safarova, 2021). In the moderation framework, these three dimensions do not directly replace the role of growth, but rather determine the extent to which growth is inclusive and impacts the poor (Muqtada & Khatun, 2020).

This study attempts to fill this gap by empirically testing the role of the three main dimensions of Maqashid Sharia as moderating variables in the relationship between economic growth and poverty in OIC countries in Asia, particularly Bangladesh, Indonesia, Pakistan, and Uzbekistan. This approach is expected to provide theoretical contributions by strengthening the Islamic value-based inclusive development model, as well as practical contributions in the formulation of public policies that balance economic, educational, health, and distributive justice. More broadly, this research also opens space for developing the I-HDI as a comprehensive instrument for measuring the effectiveness of Islamic development across countries, while strengthening the integration between the maqashid framework and modern development indicators.

2. Literature Review

The relationship between economic growth and poverty has long been a central theme in development studies, especially in developing countries (Moges, 2013). Conceptually, this relationship is often explained by trickle-down theory, which holds that the benefits of growth will flow to low-income groups through market mechanisms, investment expansion, and job creation (Todaro & Smith, 2011). From a neoclassical perspective, an increase in national output is believed to drive labour demand, raise household income, and gradually reduce poverty rates (Hamit-Haggar & Souare, 2016). However, this approach has not been without criticism. Several studies show that economic growth does not always automatically reduce poverty. Ravallion (2020) asserts that the impact of growth is greatly influenced by the initial level of inequality and the pattern of income distribution. Similarly, Bourguignon (2015) shows that the elasticity of poverty with respect to growth tends to weaken as inequality increases. In situations of unequal distribution, the benefits of growth are enjoyed more by high-income groups, resulting in slow poverty reduction (Cuesta et al., 2020). This condition is often referred to as the growth-poverty paradox, in which the rate of growth is not proportional to the reduction in poverty (Donaldson, 2008).

Previous studies examining the relationship between economic growth and poverty often produce inconsistent findings, suggesting that other variables may moderate or mediate this relationship (Agussalim et al., 2024; Istiqomah & Floresti, 2024). A review of the literature shows that income inequality, for example, can be an important factor that weakens the positive impact of economic growth on poverty reduction (Hidayat & Karimi, 2020). Although high economic growth can reduce poverty, in some developing countries, the benefits of growth are less felt by the poor due to unequal income distribution (Rini & Sugiharti, 2017). Similarly, economic growth does not always correlate positively with poverty reduction, especially if the benefits of economic growth are only enjoyed by a small portion of the population or certain regions (Aini & Nugroho, 2023; Arofah & Sishadiyati, 2022). Therefore, economic growth alone is not enough to reduce poverty, especially if it is not accompanied by income equality (Ravallion, 2020).

High growth rates have not had a significant impact on poverty reduction in several OIC member countries in Asia (World Bank, 2024). This growth remains exclusive and has not reached vulnerable groups (Mukson & Subhi, 2025). Haidar & Rachmad (2025) found that measuring development using the I-HDI is more effective in reducing poverty than the HDI. It is because the I-HDI includes spiritual and moral dimensions that are not accommodated in the conventional HDI. The goal of development does not stop at material aspects alone from an Islamic economic perspective. The concept of Maqashid Sharia holds that moral and social aspects are important pillars of development (Chapra, 2008). Maqashid Sharia emphasises the protection of five main



elements: religion, soul, intellect, lineage, and wealth (Zailani et al., 2022a). This study uses three aspects of maqashid education, health, and distributive justice as moderating variables in analysing the relationship between growth and poverty reduction (Maulana et al., 2024).

Education is one of the strategic pillars in efforts to break the chain of poverty (Feniser et al., 2022). Human capital theory explains that investment in education increases a person's skills and productivity (Becker, 1975). From the perspective of Maqashid Sharia, education aims not only to strengthen intelligence but also to shape morality and character (Chapra et al., 2008). Rehman et al. (2022) found that the education dimension can strengthen the relationship between economic growth and poverty reduction in OIC countries. Quality education not only increases individual income but also contributes to social stability and the advancement of a nation's civilisation as a whole (Feri andi, 2024). Therefore, education is also seen as a long-term strategy to achieve general welfare in socio-economic aspects (Firdaus, 2018). Various studies have confirmed the significant role of education as an instrument for poverty alleviation, particularly in enhancing human resource capacity and sustainable economic growth (Feri andi, 2024). Investment in education has been empirically proven to improve the quality of life and open up broader economic opportunities for the community (Hermawan & Bahjatulloh, 2022).

Health plays an important role as the basic capital for labour productivity (Ghatak, 2010). According to the theory of health capital, Grossman (1972) explains that investment in health increases productivity and, in turn, positively affects income growth. Health is not only about maintaining physical health in Maqashid Sharia, but also about upholding the right to a decent and dignified life (Dusuki & Abdullah, 2024). Sulastyawati (2020) emphasises that equitable access to health care can improve the community's economic conditions and reduce poverty rates.

Maqashid al-Shariah framework encourages integrating Islamic economic principles to achieve fairer, more equitable healthcare outcomes, especially in a unique socio-religious context (Badeges et al., 2024). Physically and mentally healthy residents will be more productive, thereby contributing to poverty reduction and economic growth (Murniati et al., 2021). Improving the quality of human resources, one indicator of which is good health, is also a crucial factor in regional development (Herwanti & Irwan, 2018). Optimal health increases individuals' capacity to participate actively in economic activities, thereby reducing absenteeism and improving work output, which ultimately increases income (Thahir et al., 2021). Improving overall public health will drive sustainable economic growth by increasing productivity and the quality of human resources (Putri & Mintaroem, 2020; Rahmadhani & S., 2018).

The principle of fairness in wealth distribution is one of the main pillars of Islamic economics (Muhit et al., 2023). Within the framework of Maqashid Sharia, the aspect of wealth preservation not only aims to protect assets from



damage but also to ensure that wealth is distributed evenly throughout society (Chapra et al., 2008). The Gini Index is often used as an empirical indicator of income distribution inequality (Y. Liu & Gastwirth, 2020). However, Bourguignon (2015) emphasises that overly ambitious redistribution policies can hamper economic growth, especially in the short term. This view aligns with Ravallion (2020), who suggests that redistribution should be carried out productively to maintain the spirit of investment. In contemporary discourse, several studies show that Islamic economic instruments such as *zakat*, *waqf*, and microfinance offer valuable approaches to addressing inequality (Alam et al., 2024; Hibrizie et al., 2023). The implementation of productive distribution shows that wealth not only contributes to poverty alleviation but also supports more inclusive economic growth (Campano & Salvatore, 2007).

Thus, economic growth, although essential, does not guarantee a reduction in poverty if it is not accompanied by quality education, equitable health services, and fair income distribution (Moges, 2013). The Maqashid Sharia approach offers a comprehensive perspective by integrating spiritual, social, and economic dimensions in a balanced manner (Karimullah, 2023). This study expands the scope by examining, comparatively, the moderating role of the three dimensions of Maqashid Sharia in the relationship between growth and poverty in OIC countries.

Hypothesis

- H1 : Economic growth has a negative and significant effect on poverty
- H2 : Maqashid Sharia aspect of education moderates the relationship between economic growth and poverty
- H3 : Maqashid Sharia aspect of health moderates the relationship between economic growth and poverty
- H4 : Maqashid Sharia aspect of distributive justice moderates the relationship between economic growth and poverty

3. Research Methods

This study uses a quantitative approach with a causal-comparative (ex post facto) design to examine the effect of economic growth on poverty levels while testing the role of Maqashid Sharia as a moderating variable. A quantitative approach was chosen because it allows for the testing of cause-and-effect relationships in a measurable way through numerical data and inferential statistical analysis. In this way, the findings are more objective and based on empirical evidence (Creswell & Creswell, 2017; Gujarati & Porter, 2009). A causal-comparative design was used because this study did not manipulate the variables under study. The analysis focuses on phenomena that have already occurred, using cross-country and cross-time secondary data. It means that this



study does not create experimental conditions, but instead reads the patterns of empirical relationships that have already been formed in economic reality.

The research population comprises all OIC member countries in the Asian region that are classified as lower-middle-income countries by the World Bank (2024). The sampling technique used was purposive sampling with three criteria: (1) lower-middle income country status; (2) complete and consistent data for the 2014-2023 period; and (3) still facing relatively high poverty levels, but showing significant economic growth and development dynamics. Based on these criteria, four countries were selected, namely Bangladesh, Indonesia, Pakistan, and Uzbekistan. The unit of analysis was the country level over 10 years, yielding 40 observations (4 countries \times 10 years). This structure produced panel data (pooled time-series cross-section) that allowed for the simultaneous analysis of differences across countries and changes over time (Baltagi, 2008). In other words, the model captured both spatial and temporal dynamics simultaneously.

Research data is sourced from official international and national institutions, including World Development Indicators. The percentage of the population below the poverty line measures poverty. Economic growth is represented by GDP per capita. Meanwhile, Maqashid Sharia is operationalised into three main dimensions: education (average length of schooling), health (life expectancy), and distributive justice (Gini Index). Conceptually, Maqashid Sharia encompasses five main objectives: protection of religion, life, reason, offspring, and property. However, in the context of modern macroeconomics, maqashid is often translated into more measurable indicators of human development and economic distribution (Chapra, 2008; Mohammed et al., 2008).

The selection of these three dimensions is based on the availability of consistent cross-country data, their relevance to the issue of poverty, and empirical support in the literature on Islamic economic development. The dimensions of religious and hereditary protection were not included due to the limitations of uniform and reliable quantitative indicators at the macro panel level (Berggren & Bjørnskov, 2024). This approach maintains the conceptual foundation of maqashid, while remaining realistic in its empirical implementation.

Data analysis was performed using panel data regression because the data structure combines cross-sectional and time series dimensions (Deaton, 1985). This method can capture both inter-country variation and time dynamics simultaneously, increasing degrees of freedom and minimising bias from unobserved heterogeneity, thereby making the estimation more efficient (Baltagi, 2008). The three models tested include the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Model selection was performed using the Chow Test, Hausman Test, and Lagrange Multiplier Test (Breusch-Pagan). Decisions were based on p-values; if the p-value was < 0.05 , the null hypothesis was rejected, and the alternative model was considered more appropriate (Gujarati & Porter, 2009).



The step ensures that the model used is truly appropriate for the data characteristics, so that the estimates produced have adequate validity and reliability and provide a strong basis for drawing research conclusions. Next, a classical assumption test will be conducted if using an Ordinary Least Squares (OLS) based CEM, In contrast, in FEM and REM, normality testing is not a primary requirement, especially in large samples (Wooldridge, 2010). To overcome potential heteroscedasticity and autocorrelation in panel data, this study uses robust standard errors as recommended by Baltagi (2008).

The basic model used is panel regression, supplemented by Moderated Regression Analysis (MRA) for the existence of Maqashid Sharia as a moderating variable, with decision criteria (Aiken et al., 1991) as follows, if β_3 is significant ($p < 0.05$), then Maqashid Sharia is proven to be a moderating variable, and then if β_1 is significant but β_3 is not significant, then there is no moderating effect. In addition, if β_2 and β_3 are significant, then the moderation is quasi-moderating. In general, the empirical model basic is formulated as follows:

$$Y_{it} = a + \beta_1 GDP_{it} + \epsilon_{it}$$

Model 1 is formulated as follows:

$$Y_{it} = a + \beta_1 GDP_{it} + \beta_2 ED_{it} + \beta_3 (GDP_{it} \times ED_{it}) + \epsilon_{it}$$

Model 2 is formulated as follows:

$$Y_{it} = a + \beta_1 GDP_{it} + \beta_2 H_{it} + \beta_3 (GDP_{it} \times H_{it}) + \epsilon_{it}$$

Model 3 is formulated as follows:

$$Y_{it} = a + \beta_1 GDP_{it} + \beta_2 DJ_{it} + \beta_3 (GDP_{it} \times DJ_{it}) + \epsilon_{it}$$

Y	: Poverty
GDP	: Economic Growth
ED	: Education
H	: Health
DJ	: Distributive Justice
GDP×ED	: Interaction variable (Economic Growth X Education)
GDP×H	: Interaction variable (Economic Growth X Health)
GDP×DJ	: Interaction variable (Economic Growth X Distributive Justice)
i	: Country
t	: Year
α	: Constant
ε _{it}	: Error term
β ₁ - β ₁₃	: Coefficient values

Based on the above description, the relationship between variables in this study can be described as follows:

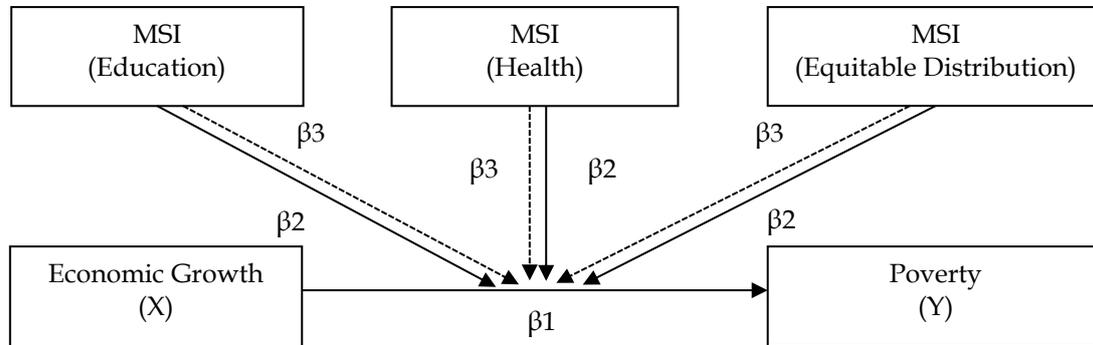


Figure 2: Research Framework

This research model explains the relationship between Economic Growth (GDP) and Poverty Levels (POV), with Maqashid Sharia (MSI) as a variable that can strengthen or weaken this relationship. Theoretically, economic growth is often positioned as the main instrument for reducing poverty (Škare & Družeta, 2016). Through the trickle-down effect, an increase in national output is expected to create jobs, raise incomes, and expand community participation in economic activities. Chapra (2008), asserts that new growth is only effective in reducing poverty when accompanied by human development and equitable distribution. Without improvements in the quality of human resources and a fair distribution system, growth risks becoming exclusive and failing to truly reach the poor (Aiyar & Ebeke, 2020). In such situations, growth merely inflates economic statistics without addressing the root causes of poverty.

Maqashid Sharia is operationalised through three main dimensions: education, health, and distributive justice (Padela, 2018). These three dimensions serve as the foundation that determines the quality of growth (Ha-Huy & Tran, 2020). Maqashid Sharia not only directly affects poverty but also moderates the extent of GDP's impact on POV (Anis et al., 2022). When education, health, and distribution are optimal, growth tends to be more inclusive, and poverty reduction becomes more apparent (Breunig & Majeed, 2020). Conversely, if all three are weak, growth loses its transformative power and may even widen the gap (Kang, 2015). Thus, Maqashid Sharia becomes a key element in ensuring that economic growth does not stop at numbers, but truly leads to fair and equitable development (Lamido, 2016).

4. Finding and Discussion

Descriptive statistics are used to present an overview of data, making it easier to understand. This technique usually involves measures such as the mean,

median, and standard deviation, as well as presenting data in tables or graphs. The results of the presentation are shown in Table 1 below.

Table 1: Descriptive Statistics

Variables	Obs.	Mean	Std. Dev
Property	44	18.39318	6.984548
Economic Growth	44	4.133900	1.464207
Education	44	20.55717	12.07161
Health	44	69.80470	2.496382
Distributive Justice	44	34.82727	5.061545

Note: Data is processed by the authors

Based on Table 1 above, the descriptive statistics show that each variable in the study has an average value greater than its standard deviation. The data distribution is not too wide, so the data is stable. Furthermore, model selection in panel data analysis is used to determine the estimation method that best suits the data's characteristics. The results of this test are shown in Table 2 below.

Table 2: Panel Data Regression Model Selection Test

Test	Prob.	Cut-Off	Note
Chow	0.0000	< 0.05 FEM	FEM
		> 0.05 CEM	
Hausman	0.7191	< 0.05 FEM	REM
		> 0.05 REM	
Lagrange Multiplier	0.0000	< 0.05 REM	REM
		> 0.05 CEM	

Note: Data is processed by the authors

Based on Table 2, the Chow Test shows a probability of 0.0000 (< 0.05), indicating that the FEM is more appropriate than the CEM. However, the Hausman test ($p = 0.7191 > 0.05$) indicates that the REM is more appropriate. Therefore, proceeding with the Lagrange Multiplier Test at the 0.0000 (< 0.05) significance level, the model used is the REM. In accordance with the procedure, REM does not require strict classical assumption testing, as its estimation is based on GLS, which already addresses heteroscedasticity and autocorrelation. Therefore, normality testing is not a primary requirement (Wooldridge, 2010). To address potential heteroscedasticity and autocorrelation in panel data, this study uses robust standard errors as recommended by Baltagi (2008).

The use of Generalized Least Square (GLS) requires an estimable error variance-covariance structure and the presence of individual-specific (cross-section) effects, as in the REM (Vasnev, 2010). Considering these conditions, GLS aims to produce more efficient and consistent estimators by adjusting to the error structure in the data (Q. Liu & Vasnev, 2019). Therefore, in the context of this study, GLS is relevant for improving the accuracy of estimating the relationship between economic growth, the dimensions of Maqashid Sharia, and poverty.

Next, panel data regression testing is performed according to the best model estimation obtained in the previous model testing. The test results can be observed in Table 3 below.

Table 3: Panel Data Regression Test

Variables	Coeff.	Std. Error	t-Statistic	Prob
C	18.73824	4.632183	4.045228	0.0002
Economic Growth	-0.083470	0.372430	-0.224122	0.8237

Note: Data is processed by the authors

The results show that when economic growth is 0, the poverty rate is estimated at 18.74. This constant is statistically significant at the 0.0002 level. This finding confirms that, even without accounting for the economic growth variable, there is a relatively high base poverty rate that has a real influence on the model. On the other hand, the economic growth coefficient has a negative value of -0.083, indicating that higher economic growth can reduce poverty. However, the probability value of 0.8237 is greater than 0.05, indicating that the relationship is not statistically significant. In other words, during the research period, economic growth did not show a significant effect on reducing the poverty rate. Meanwhile, the existence of moderator variables can be determined through MRA. In other words, this analysis helps determine whether the moderator strengthens or weakens the existing relationship. The results of this test are shown in Table 4 below.

Table 4: Moderated Regression Analysis

Moderation	Variables	Coeff	Std. Error	t-Statistic	Prob
Model I	C	32.18178	3.030185	10.62040	0.0000
	Economic Growth	-1.755863	0.766397	-2.291064	0.0273
	Education	-0.958386	0.172900	-5.543007	0.0000
	Economic Growth * Education	0.153037	0.043411	3.525329	0.0011
Model II	C	245.6745	26.86469	9.144885	0.0000
	Economic Growth	-35.88770	6.717819	-5.342166	0.0000
	Health	-3.351551	0.386848	-8.663743	0.0000
	Economic Growth * Health	0.534151	0.095590	5.587912	0.0000
Model III	C	70.00288	11.48341	6.096002	0.0000
	Economic Growth	-5.043642	2.613744	-1.929661	0.0608
	Distributive Justice	-1.648979	0.350952	-4.698587	0.0000
	Economic Growth * Distributive Justice	0.184009	0.079555	2.312992	0.0259

Note: Data is processed by the authors

The estimated Model I constant is 32.18, which is statistically significant ($p = 0.0000$), indicating a relatively high level of basic poverty when the economic growth and education variables are set to zero. The economic growth variable



has a coefficient of -1.7558 with a significance of 0.0273 (< 0.05), indicating that economic growth has a negative and significant effect on poverty. Furthermore, the education variable also shows a negative and significant effect on poverty with a coefficient of -0.9584 ($p = 0.0000$). It means that an increase in the community's educational level directly reduces poverty. However, the interaction between economic growth and education has a positive coefficient of 0.1530, significant at 0.0011. This positive coefficient indicates that education actually weakens the relationship between economic growth and poverty reduction.

The constant of 245.67 is also significant ($p = 0.0000$), indicating a high level of basic poverty in Model II. The economic growth variable has a coefficient of -35.8877 ($p = 0.0000$), which means that economic growth plays an important role in reducing poverty. Meanwhile, the health variable shows a coefficient of -3.3516 with a significance value of 0.0000. It confirms that improvements in public health contribute significantly to poverty reduction, as healthier communities tend to be more productive and competitive. However, the interaction variable between economic growth and health shows a positive coefficient of 0.5341 ($p = 0.0000$). It means that improvements in health actually weaken the negative impact of economic growth on poverty.

Model III shows a constant of 70.00 and is significant ($p = 0.0000$), indicating a high level of basic poverty. The economic growth variable has a coefficient of -5.0436 with a p-value of 0.0608, which, although not significant at the 5% alpha level, still indicates a negative association with poverty. Meanwhile, the distribution equity variable, measured using the Gini Index, shows a significant adverse effect on poverty ($p = 0.0000$). It means that the more equitable the income distribution in a region, the lower its people's poverty rate. However, the interaction term between economic growth and distributive justice shows a positive coefficient of 0.1840 and a p-value of 0.0259. It indicates that distributive justice weakens the adverse effect of economic growth on poverty.

The results of this study indicate that the coefficient of economic growth on poverty is negative, but not statistically significant. It means that during the period 2014-2023, increased economic growth in Bangladesh, Indonesia, Pakistan, and Uzbekistan did not significantly reduce poverty rates. Thus, economic growth in these developing OIC countries has not been fully inclusive, as the benefits of development have not been distributed evenly across all segments of society.

This illustrates what is known as the growth-poverty paradox, a situation in which increased economic activity does not automatically reduce poverty (Todaro & Smith, 2011). According to the trickle-down effect theory, economic growth should trickle down to low-income groups through job creation, increased investment, and growth in aggregate consumption. However, empirical evidence shows that the results of growth are often concentrated among high-income groups and urban areas, while poor groups remain trapped



in structural poverty (Ravallion, 2020; Bourguignon, 2015). This indicates that growth without equitable income distribution actually widens social inequality and slows down poverty reduction.

In the context of Islamic countries' development, Mukson & Subhi (2025) highlight that a development orientation that still focuses on materialistic growth without regard for Islamic social justice values has exacerbated inequality. The conventional approach of assessing progress solely based on increases in GDP per capita fails to capture the moral and social aspects of human welfare that are at the core of Islamic teachings (Shaikh, 2017). Therefore, exclusive economic growth cannot be used as a measure of human welfare (Gehring & Kowalski, 2024). In line with this, Abdullah Haidar & Dedy Rachmad (2025) argue that the I-HDI provides a more comprehensive picture than the HDI in explaining the relationship between human development and poverty. The I-HDI integrates spiritual and moral dimensions that are part of Maqashid Sharia, thus better reflecting true welfare (Shirazi et al., 2023). Thus, although economic growth remains important, its effectiveness in reducing poverty greatly depends on the extent to which development is based on the principles of Maqashid Sharia (Wahyudi et al., 2024), such as distributive justice, preservation of reason, and spiritual well-being.

These insignificant results can also be explained by structural factors that hinder the transmission of growth to poverty reduction (Breunig & Majeed, 2020). In many developing countries, the economic structure is still dominated by the informal sector and low-skilled labour (Heintz, 2015). As a result, GDP growth does not directly increase the income of the poor (World Bank, 2023). Inequality in access to education, health, and economic capital means that the benefits of growth are enjoyed only by a small portion of the population, while the majority remain trapped in poverty (Breunig & Majeed, 2020). This situation reinforces the view that economic growth without social inclusiveness cannot be a long-term solution to poverty (Vandemoortele & Delamonica, 2023). From an Islamic economic perspective, growth that is not accompanied by equity is contrary to the principle of Maqashid Sharia, which emphasizes justice and balance. Chapra (2008), asserts that the goal of Islamic economic development is not merely the accumulation of wealth, but rather *tahqīq al-falāh*, the realization of comprehensive human welfare, both material and spiritual. Therefore, the success of development must be measured not only by an increase in economic output, but also by its ability to protect the intellect, life, and property of the community (Sherwood, 2019).

Overall, the results of this study reinforce the urgency of applying a development paradigm based on Maqashid Sharia (Zailani et al., 2022b). This paradigm does not reject the importance of economic growth, but emphasizes that growth will only be meaningful if it is accompanied by equity, social justice, and moral sustainability (Zhironkin & Cehlar, 2022). In other words, equitable



economic growth is a form of growth that is truly capable of alleviating poverty in a sustainable manner (Breunig & Majeed, 2020).

The results of MRA in model I show that education has a negative and significant effect on poverty levels. This means that the higher the level of education of the population, the lower the poverty level in the developing OIC countries that were sampled in the study (Aqeel et al., 2022). However, the interaction between economic growth and education shows a positive and significant coefficient, indicating that education weakens the negative effect of economic growth on poverty (Feniser et al., 2022).

These results reflect a weakening moderating effect (inverse moderation). Although education can directly reduce poverty (Safarova, 2021), it has not been able to strengthen the role of economic growth in alleviating poverty (Breunig & Majeed, 2020). This indicates a mismatch between the education system and the structural needs of the economy in developing OIC countries (Draissi & Rong, 2023). In other words, the increase in the number of educated graduates is not matched by the ability of the economic sector to absorb educated workers, resulting in a mismatch between human resource qualifications and market demand (Todaro & Smith, 2011). As a result, the benefits of economic growth do not fully flow to educated groups, especially those working in the informal sector and rural areas, thereby weakening the trickle-down effect of growth on poverty (Škare & Družeta, 2016).

Conceptually, these findings can be explained through human capital theory, which asserts that education plays a role in improving individual capabilities and productivity (Becker, 1975). However, for education to strengthen the impact of economic growth on welfare, structural transformation is needed to enable the productive workforce to play a broader role in the economic system (Feniser et al., 2022). Barriers to this transformation often arise due to weak industrialization processes, limited technological innovation, and unequal access to quality education between urban and rural areas in OIC countries (Al-Roubaie & Sarea, 2020).

The concept of *Hifz al-Aql* has a deeper meaning than simply improving formal education from the perspective of Maqashid Sharia (Abdulhameed, 2021). This emphasizes the importance of maintaining and developing intellectual potential in order to bring about social welfare (Chapra, 2008). Dusuki & Abdullah (2024), emphasize that education within the framework of Maqashid Sharia is not only aimed at improving human capital, but also at shaping moral awareness, work ethic, and social responsibility as the foundation for sustainable development. Thus, in the context of Islamic development, education is not merely an economic instrument, but also an ethical means to create a knowledgeable, productive, and moral society (Woessmann, 2016). Therefore, education that is only oriented towards market needs without instilling values of justice and social welfare tends to fail to strengthen the relationship between economic growth and poverty alleviation (Feniser et al., 2022). The results of this



study are in line with the findings of Rehman et al. (2022), which confirm that new education can play an effective role in reducing poverty if the system is inclusive, adaptive to the needs of the poor, and capable of increasing labour productivity. Conversely, education that is only accessible to the upper-middle class actually widens social inequality (Huber et al., 2020). Economic growth is then concentrated in the high-tech formal sector, while the less educated remain trapped in the cycle of poverty (Breunig & Majeed, 2020).

The results of this study indicate that although education plays an important role in directly reducing poverty, its moderating function in the relationship between economic growth and poverty is still limited. This condition requires a reorientation of the Islamic education system towards a welfare-based paradigm, which not only emphasizes improving individual competence but also ensures a more equitable distribution of economic benefits (Al-Razi et al., 2024). The integration of the principle of *Hifz al-Aql* in education policies in OIC countries is expected to make education a pillar of inclusive development where economic growth not only produces efficiency but also promotes equity and social justice in accordance with sharia values (Ghazal & Zulkhibri, 2019).

The results of MRA in model II show that health has a negative and significant effect on poverty levels. This indicates that the better the health conditions of the people in developing OIC countries, the lower their poverty levels (Fatoni et al., 2019). However, the interaction between economic growth and health has a positive and significant coefficient, which indicates that improvements in health weaken the negative relationship between economic growth and poverty (Jayadevan, 2021). In other words, although health plays a direct role in reducing poverty, this variable has not been able to strengthen the effect of economic growth on improving social welfare (Fumagalli et al., 2024).

The results show that improvements in health indicators have not been fully integrated into the economic growth process empirically (Fumagalli et al., 2024). It can be explained by the concept of the health-productivity paradox, whereby improvements in health do have the potential to increase labour productivity, but the economic impact on poverty reduction is usually only seen in the long term (Grossman, 1972). In the early stages of development, health investments are mostly focused on infrastructure development, basic services, and financing systems, so they do not have a direct impact on increasing individual income or expanding productive employment (Francis et al., 2023). Thus, the effect of health on poverty tends to be intertemporal, with the effects felt in the long term, rather than strengthening the relationship between economic growth and poverty in the short term (Breunig & Majeed, 2020).

This situation also highlights the limitations of trickle-down theory, as criticized by Bourguignon (2015), who argues that economic growth does not automatically improve welfare if social dimensions such as health and public services do not develop in parallel. In the context of OIC countries, uneven health investment often only benefits the middle and upper classes, while low-income



communities still face limited access to adequate health services, insurance, and nutrition (Susanto et al., 2025). This inequality explains why improvements in national health do not necessarily strengthen the contribution of economic growth to overall poverty alleviation (Bloom et al., 2024).

The dimension of *Hifz al-Nafs* (preservation of life) is the main objective of sharia, which aims to protect the continuity and dignity of human life (Dusuki & Abdullah, 2024). This concept not only means protecting the body from disease or death, but also includes improving quality of life, productivity, and socio-economic balance. Chapra (2008) emphasizes that true economic prosperity cannot be achieved without the preservation of the soul, because a society that is sick or marginalized in terms of health will only produce fragile and unsustainable growth. In the context of development, this underscores that health policies should be oriented toward collective well-being and the empowerment of the poor (Apouey, 2013), rather than merely increasing life expectancy or the number of medical personnel.

Sulastyawati (2020) stated that improving health will only be effective in reducing poverty if health services are inclusive and equitable. When services are more concentrated in urban areas or among high-income groups, health inequalities actually weaken the positive impact of economic growth on the welfare of the poor (Costa-Font et al., 2018). In such conditions, economic growth tends to be enjoyed only by groups that are already healthy and productive, while poor communities with poor health conditions remain trapped in a cycle of multidimensional poverty (Patterson, 2023).

These findings are also in line with the research by Alam et al. (2024), which emphasizes the importance of integrating health services into Islamic economic policies to create a sustainable social protection system. Approaches based on health *zakat*, sharia social funds, and health financing through *waqf* can be effective solutions in expanding access for the poor without burdening the state budget (Mohd Nor & Mat Sari, 2022). With this mechanism, the role of *Hifz al-Nafs* not only directly reduces poverty but also strengthens the social foundation so that economic growth becomes more inclusive and equitable (Diallo & Gundogdu, 2021).

The results of this study confirm that the health aspect plays a significant role in reducing poverty directly, but is not yet effective as a moderating variable that strengthens the relationship between economic growth and community welfare (Siregar, 2019). Within the framework of Maqashid Sharia, health development in OIC countries needs to be directed not only at curative and preventive aspects, but also at economic empowerment through increasing the productivity of a healthy workforce, equalizing access to services, and strengthening social solidarity based on Islamic values (Syahputra & Hayati, 2022). With this approach, health can function as a strategic instrument in creating inclusive and equitable development that is in line with the main



objectives of Maqashid Sharia to maintain a balance between economic growth and human welfare (Zailani et al., 2022b).

The results of MRA on model III show that distributive justice, represented by the Gini Index, has a negative and significant coefficient on poverty levels. This finding confirms that the smaller the Gini Index value, which reflects a more equitable distribution of income, the lower the poverty rate (Qi et al., 2025). However, the interaction between economic growth and distributional justice actually shows a positive and significant coefficient (Woo, 2020). This result suggests that the level of distributional justice, as measured by the Gini Index, can weaken the negative relationship between economic growth and poverty (Qi et al., 2025). Thus, when income inequality decreases and distribution becomes more equitable, the effect of economic growth on poverty reduction tends to diminish or slow down compared to conditions where income distribution is still relatively unequal (Breunig & Majeed, 2020).

This condition illustrates the short-term trade-off between growth and equity as explained by Bourguignon (2015). In the early stages of development, overly aggressive redistribution policies through progressive taxation, massive social subsidies, or wealth distribution reforms can suppress capital accumulation and reduce productive investment (Woo, 2020). As a result, the rate of economic growth slows down, thereby reducing the economic system's ability to create new jobs and reduce poverty. Ravallion (2020) emphasizes that redistribution without increased productivity only results in static equity; inequality may decrease, but the growth momentum for poverty alleviation becomes limited.

The result should not be interpreted negatively. Rather, the findings reflect the principle of *Hifz al-Mal* (preservation of wealth), which demands a balance between economic efficiency and social justice. Chapra (2008) emphasizes that development in Islam must ensure that wealth circulates productively and fairly, so that it is not concentrated in the hands of a small group, but also not distributed excessively to the extent that it reduces productive motivation and hinders growth. Therefore, the apparent weakening of moderation is not a contradiction to the Maqashid Sharia, but rather an indication of a balancing mechanism that prevents development from becoming trapped in the extremes of exploitative growth and passive redistribution (Lamido, 2016).

The results show that consumptive redistribution from a policy perspective, such as non-productive subsidies or short-term cash assistance, although capable of reducing inequality, does not necessarily strengthen the relationship between growth and poverty alleviation (Olinto et al., 2014). Conversely, redistribution based on productive distribution, such as investment *zakat*, productive *waqf*, and sharia microfinance, is capable of strengthening this relationship (Wibowo, 2015). Alam et al. (2024), emphasize that distribution mechanisms in Islamic economics have a dual function: maintaining social justice while strengthening productive activities. If redistribution is only passive, the



interaction between growth and distributive justice will appear to weaken (Khalifa, 2022).

Alfian et al. (2023), also highlight that the effectiveness of distributive justice is highly dependent on the governance of *zakat*, *infaq*, and *waqf* institutions. When these institutions channel social funds to productive sectors such as business capital, sustainable agriculture, or education financing for the poor, redistribution can strengthen long-term growth while reducing structural poverty (Berg et al., 2018). Conversely, if social funds are only distributed consumptively, their impact on economic growth will be minimal and may even weaken the relationship between growth and poverty reduction (Gründler & Scheuermeyer, 2018).

Thus, distributive justice acts as a moderator that weakens the effect of growth on poverty in the short term, but functions as a structural balancer in the long term (Bangura, 2015). *Hifz al-Mal* not only emphasizes reducing inequality, but also directs wealth to circulate fairly and productively (Hasan, 2020). Therefore, redistribution policies in OIC countries should focus on productive redistribution models based on Islamic values such as productive *zakat*, investment *waqf*, and Islamic microfinance in order to create a sustainable relationship between growth and equity (Gunawan, 2024). With this approach, economic development within the framework of Maqashid Sharia not only pursues growth, but also ensures social justice and the sustainability of the welfare of the people.

5. Conclusions

This study analyses the moderating role of Maqashid Sharia in the relationship between economic growth and poverty in selected OIC countries in Asia. It focuses on three principal dimensions: education (*Hifz al-Aql*), health (*Hifz al-Nafs*), and distributive justice (*Hifz al-Mal*). The sample comprises Bangladesh, Indonesia, Pakistan, and Uzbekistan for the period 2014–2023. The panel data are analysed using the REM.

The study's results show that economic growth in OIC countries in Asia has not significantly reduced poverty. Although the direction of the relationship is negative, meaning that growth tends to be followed by a decline in poverty, the effect is relatively weak. It indicates that the growth that has occurred is not yet fully inclusive, and its benefits have not been felt evenly by low-income communities. The three dimensions of Maqashid Sharia, namely education, health, and distributive justice, have been proven to have a direct impact on poverty reduction. However, these three dimensions have not significantly strengthened the impact of economic growth on poverty. Education is not yet fully aligned with labour-market needs, so its impact on income growth remains limited. Improvements in health have a longer-term impact than a short-term one. Meanwhile, income distribution policies often face a dilemma between



efficiency and fairness, so in the short term, they can slow down growth before having a broader social impact.

Theoretically, this study reinforces the study of Islamic economic development by positioning Maqashid Sharia as a moderating variable in the relationship between growth and poverty. In addition, OIC countries need to encourage inclusive growth by improving the quality of education aligned with the labour market, strengthening health services, and optimising the distribution of instruments such as *zakat* and *waqf*. These results confirm that development success is not measured solely by economic growth, but also by equity and improvements in the community's quality of life. This study focuses on four countries and a specific observation period, so generalisations should be made with caution. The measurement of Maqashid Sharia also covers only three main dimensions, and the quantitative panel approach does not fully capture each country's institutional factors. Therefore, further research is recommended to expand the dimensions of maqashid and use a more comprehensive methodological approach.

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