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Between *Sharia Maqasid* Index and Human Development Index: Which One is Happier?

Nur Hajrina
Wahyu Jatmiko

Abstract: *This research aims to find a more precise composite measurement format (index) in quantifying the ultimate achievement of human existence, which is happiness, in Organization of Islamic Cooperation (OIC) countries. Up until now, Human Development Index (HDI) is considered to be sufficiently representing the measure of human well-being. However, Easterlin (1974) argues that higher welfare does not always imply to higher happiness. Blanchflower and Oswald (2005) prove the statement of Easterlin (1974) by demonstrating the paradox between HDI level and happiness in Australia. Further, the measure of HDI is said to be less representative in reflecting happiness as it has not yet incorporated the element of religiosity. Thus, several of the new composite measures of well-being in Muslim countries have been proposed, one of them is*

Sharia Maqasid Index constructed by Ali and Hasan (2014). This research attempts to make comparison between HDI and Sharia Maqasid Index and to decide which of the two indices gives the best measure of human happiness. The authors employ Ordered Logit method and use data taken from World Value Survey along the period of 1999-2009 to measure happiness as in Leigh and Wolfers (2006), as well as to measure Sharia Maqasid Index as in Ali and Hasan (2014). Findings of this research can benefit the government of OIC countries to determine a more precise index as a benchmark to set more appropriate public policies.

Keywords: Sharia Maqasid Index, Human Development Index, Happiness, OIC Countries

1. Introduction

Is it justifiable to state that a country with a high Human Development Index (HDI) value has relatively happier citizens than a country with lower HDI value? As what most literatures suggest? Happiness remains a popular issue concerned by every nation. Despite its vague definition, as claimed by many economists, measures on happiness can be attained from popular country-level data on development comprising components of income, health and educations such as a report published by United Nations Development Programme (UNDP) on an annual basis. A goal of development, particularly human development, has gained a consensus among countries as a key objective to every economic as well as social policies implemented by each of the governments (see Lind, 1992; Ranis and Stewart, 2000; Ranis, 2004; Anand et al., 2009).

To begin with, economic growth was the sole proxy for human development, and many literatures have tried to examine the positive relationship between these two variables (see Frey and Stutzer, 2002; Ranis, 2004; and Conceicao and Bandura, 2013). However, other findings have also shown the imperfection of economic growth as a proxy to represent general welfare, or as a means toward enhanced human development (Streeten, 1979; Sen, 1985). Therefore, it gives a reason to UNDP to construct Human Development Index as a better proxy for human development measures (UNDP, 1990).

The Human Development Index (HDI) proposed itself has not been absent from criticism. Critics persist with the ultimate question of whether Human Development Index is able to perfectly represent human development (Chowdhury, 1991). Blanchflower and Oswald (2005) have proved this criticism through a different way. They examined the relationship between

HDI and happiness. They argued that if HDI is the best measures of human-being so that it may able to proxy happiness as well, because happiness itself is the universal ultimate goal of human-being (Easterlin, 2003; Blanchflower and Oswald, 2004; Helliwell and Putnam, 2004; Lucas et al 2004; Layard, 2005; Smith et al. 2005; Ubel et al., 2005; Gilbert, 2006; and Kahneman et al., 2006). Blanchflower and Oswald (2005) found that in Australia, HDI is not able to represent happiness of its people. Australia was ranked third place in the 2004 HDI league table, however, happiness of the people as well as satisfaction levels lied below several countries with lower HDI score.

This research tries to compare whether the issue is the same for Islamic Development Index. Islamic views on economic development are considered unique and different from the conventional views, particularly in the fundamental matters (Anto, 2009). However, the problem may arise because, up to now, there is no single Islamic-based Human Development Index professed as the best measures. Many scholars have proposed various kinds of Islamic-based Human Development Index (I-HDI), for instance: Anto (2009); Ali and Hasan (2014). Although the proposed I-HDI are seemingly different at sight, but they actually have the same fundamental, which is using *sharia maqasid* as the primary concept to derive indicators of the index.

Thus, in an attempt to examine the relationship between I-HDI and happiness we try to firstly propose our *Sharia Maqasid* Human Development Index as an improvement of prior proposed I-HDI. In this research, we definitely do not try to reject prior proposed I-HDI, or even to reject the original HDI, rather we propose the modified one. The modification lies more in the mixture of quantitative and qualitative data of the index construction. We use theoretical framework from Anto (2009); Ali and Hasan (2014) to construct our index. Furthermore we modify

the framework model of Blanchflower and Oswald (2005) and Leigh and Wolfers (2006) to examine the relationship between *Sharia Maqashid* Index, HDI, and also Happiness.

The rest of this paper will be arranged as follows. Section 2 is the institutional background and literature review. Section 3 is the data and methodology. Section 4 is the results and analysis. Section 5 is the conclusion and policy implications. Section 6 is the suggestions for further research.

2. Institutional background and Literature Review

2.1. The Conventional Development, Definition and Measures

Economic development in regards to economic systems is usually defined as an increase in the absolute size of, for instance, capital or annual production regardless of the size of the population – the sense in which it was commonly used before the rise of classical economics and in which it is sometimes used in popular discussion today (Robbins, 1968). In practice, availability of economic development measures is inevitably important for both economic theorizing and policy-making (see Anand et al., 2009). Therefore, many scholars have been trying to develop the most precise measures to proxy the development over time.

The development of the measures heve been progressing dynamically and can be explained as follows. First, it started from Todaro (1997) that defines the development as the capacity of national economy measured by rate of Gross National Product (GNP). Economy is considered growing if it is able to maintain GNP growth rate at 5 to 7 percent or more. Secondly, Kuznets (1955) continues with the hypothesis of 'tackle down' effect. He argued that income distribution tends to deteriorate in the initial stage of development but improves in the final stage. It implies that high GNP country does not necessarily have high

development in the early stage. Thus, it drives inequality on the income distributions. Alesina and Rodrik (1994) or Persson and Tabellini (1994) argued that an unequal income distribution tends to retard growth. It also tends to generate social conflict that may destabilize institutions, reducing consumption, investment and growth.

Third, the scholars have recognized that economic based measures are not the best proxy for development. The year 1990 was the inception of recognation that human beings are the primary ends as well as the principal means of development (Anand and Sen, 2000). Human development is defined as the improvement of the human condition so that people live longer, healthier and fuller lives. Some aspect of human development were related to people's physical well-being, such as health, nutrition and education; to the widening of choice and enhanced empowerment, such as participation, political freedoms and cultural aspect (Ranis and Stewart, 2000). The concept of human development has actually proposed since the age of Aristotle who argued that social arrangements must be judged by the extent to which they promote human good (see Sen, 1998; UNDP, 2006; Salih, 2011).

Furthermore, UNDP recognized that the human development goes beyond economic growth and has multidimensional phenomenon covering all aspects of well-being. Therefore, they released Human Development Index (HDI) in 1990. It was intended as a more comprehensive indicator than per capita income for comparing the countries' well-being. HDI was design in a simple measure of the abailability of the essential choices needed for human development. UNDP (1990) said that there are three essential variables are identified in HDI: (i) live expectancy captures the dimension of a long and health life; (ii) literacy and gross enrolment ratio captures the demension of

knowledge acquirement; and (iii) per capita gross domestic product (GDP) captures availability of resources needed for a decent standard of living.

Finally, HDI itself cannot be avoided from criticism. Many experts have been questioning both the composition and the usefulness of HDI as a development indicator and comparisons among countries (McGillivray, 1991; Hicks, 1997; Streeten, 2000). Moreover, Dasgupta (1995), Noorbakhsh (1998) and Fergany (2002) said the HDI does not capture the rich content of human development concept, such as freedom and human rights, autonomous and self-reliance, independence and sense of community, environmental concerns, etc. Any improvements are done by UNDP to face the criticisms. They published some other indices for completing the HDI, such as Human Poverty Index, Gender Development Index, Gender Empowerment, etc, although, in fact, these indices have not been widely used in practice (Kovacevic, 2011).

The improvements have been continued until today, both in the form of modifying the existing measures and developing the new measures. Many experts have been trying to propose their own measures that was claimed to considering some issues such as inequality (Alkire and Foster, 2010), environment and sustainability (Neumeyer, 2001), moral (Dar and Otiti, 2002), health (Engineer et al., 2009), family (Bagolin, 2008), and even a different multidimensional index (Berenger and Chouchane, 2007). Furthermore, some experts try to add Islamic perspective on the development measures, such as Anto (2009), Batchelor (2013), Ali and Hasan (2014). At heart, all the proposed Islamic-based development indices have the same concept, which put the *maqasid sharia* to derive indicators of the index.

2.2. Development based on Islamic Perspective

Unlike conventional, Islam does not only urge material progress as the sole purpose of development, but it also requires growth on non material as well to adequate the aim of holistic development it orders to human. The order has been lasting for more than 1400 years since the Holy Quran was sent down to prophet Muhammad (PBUH). The concept of development in Islamic perspective is based on the belief that human were created as a vicegerent to cultivate the earth and would be held accountable before God. As he lives, he would act in the way that can deliver him to this objective. Thus, his life progress expands within two time dimensions, the current world and the next world which necessitates him to fulfill both of his mundane and spiritual needs so that he can meet his ultimate goal, the God Himself. As he progresses, he would move from the state of being to the state of becoming (*ihsan*), or in other words, developed (Hasan, 1995).

A real development is in place if the progress of mundane and spiritual needs fulfillment walks in harmony. It does not allow for the isolation and exaggeration of one need over the other. This means that for instance, a mere high growth of income without being followed by the growth of morality and environmental quality will be not favored. Thus, both needs have to be balanced and complementing one another. Islamic-based development also requires that human should prefer ease over difficulty. This is deliberately stated in *surah* Al-Baqarah verse 185, "… *Allah intends for you ease and does not intend for you hardship*…". Therefore, *"health is preferable over disease, sufficiency over poverty, open available time over shortage of time, and happiness over misery"* (Ali and Hasan, 2014). Eventually, there is no limit over development both in time and spatial dimensions. Hence, the question of how long the development should take place and how wide is should be, does not necessitate an answer.

Sharia is the code of conduct that secures the sustainability of harmonious mundane and spiritual needs creation. It obliges human to and at the same time prohibits him from conducting activities that are (not) in accordance with Quran and Sunnah. This is aimed at protecting human self of the possibility to fail achieving his ultimate purpose of life. The barometer of *sharia* conduct is set in line with what Caliph Ali bin Abi Thalib says in Hasan (1995), *"man is allowed to partake of it with joy as long as he is a benefactor not a corruptor, a cultivator not a destroyer"*.

The construction of Human Development Index by enlarging the measurement component from a merely Gross Domestic Product (GDP) into life expectancy, school enrolment, inequality, political freedom, etc, actually signals to a converging idea of the real aim of development into what Islamic based-development proposes (Hasan, 1995).

2.3. Islamic-based Development Index

Islamic-based development index is derived from the concept of *maqasid sharia*. Islamic jurisprudence scholars say that *maqasid sharia* is a concept to protect one's five basic needs, which is faith (*ad din*), human self (*an nafs*), intellect (*al 'aql*), posterity (*an nasl*) and wealth (*al amal*) in order to reach Islamic ultimate goal, *falah*. *Falah* is the condition when someone is able to achieve welfare and happy living in both world (temporary welfare) and hereafter (permanent welfare) (Anto, 2009). The derivation of *maqasid sharia* can be divided by two types of human wants, which are mundane and spiritual. The mundane wants represent wants for consumption of material things and therefore also for facilities of producing them in abundance. The satisfaction of mundane wants will accommodate *maqasid sharia* aspect of human self (*an nafs*), intellect (*al 'aql*), posterity (*an nasl*) and wealth (*al amal*). On the other hand, the spiritual wants represent

the moral, ethics and social aspect of human life so that it can accommodate the *maqasid sharia* aspect of faith (*ad din*).
Furthermore, Anto (2009) has also divided the *maqasid sharia* into another two types based on their purposes, which is material welfare that can be satisfied through wealth (*al amal*) fulfillment as well as non-material welfare that is satisfied by fulfilling the rest four basic needs.

The fulfillment of five basic needs in *maqasid sharia* is the theoretical foundation for developing almost every Islamic Human Development Index proposed. The notion is that the ultimate goal of Islam, which is *falah,* will only be able to reach if *maqasid sharia* has been fulfilled. Hence, Anto (2009), Ali and Hasan (2014) proposed five dimensions for Islamic Human Development Index which can measure material welfare aspect and non-material welfare aspect as well. Anto (2009) constructed seven dimension indices derived from *maqasid sharia* in order to reach *falah*, including faith; life; science; family-social; property; freedom; and justice index. Every dimension has its own indicators that represent the types of needs in the *maqasid sharia* (see **Table 1**).

All the Anto (2009) proposed indicators is constructed by the quantitative data, even though the data constructing some indicators, namely Family-Social as well as Religiosity, are inevitably hard to be acquired. Consequently, Anto (2009) used other indicators to cover this unavailability of data condition. Family-Social Index should be accurately showing the condition and performance of society concerning with the family and social values in Islamic perspective. However, he replaced it with fertility rate and mortality rate and argued that these two rates could serve as proxies for family-social values. Religiosity Index is also subject to bias because it has not been constructed through what it should be, such as number or percentage of people performing prayer in the mosque, pilgrim (*hajj*) to Mecca,

distributing *zakah*, and doing fasting that all of these are derived from five pillars of Islam, excluding the *shahadah*. Because of the absence of these data, Anto (2009) proposed Corruption Perception Index (CPI) as a proxy, although the proxy is not exactly the most appropriate measure.

Table 1

Indicator construction of I-HDI

Welfare	Type of Needs	Proposed Indicator	
		Anto (2009)	**Ali and Hasan (2014)**
Material Welfare Index	Mal	GDP Index Gini Index Poverty Index	Property index
Non Material Welfare Index	Nafs	Life Expectancy Index	Life index
	Aql	Education index	Intelect index
	Nasl	Family-social index	Posterity index
	Din	Religiousity index	Faith index

The most recent Islamic-based development index comes from Ali and Hasan (2014) who tried to construct the *Maqasid al-Shariah* based development index though the more qualitative way. In contrast with Anto (2009), they have gauged the index based on the more qualitative data, which is the survey data provided by World Value Survey (WVS) data. Ali and Hasan (2014) argued that ideally indicators related to *Maqasid al-Shariah* Index should be developed from a questionnaire that satisfies the constructed axioms. Besides of the differences, these two literatures have slightly the same index dimension because of the

similar source of dimension derivation, which is five basics needs of *maqasid sharia.* Ali and Hasan (2014) used Faith, Life, Intellect, Posterity and Property as index dimension. In summary, Anto (2009) provides more parsimony index because we can relatively easy to obtain the data. However, Ali and Hasan (2014) give more precise and accurate measures because constructed indicator is developed from the survey data. **Table 1** shows the indicator construction of I-HDI both Anto (2009) and Ali and Hasan (2014).

2.4. Measuring Happiness

Some scholars regard happiness as something indefinable, simply because every human perceives happiness in a different way. Even some economists believe that the terms "happiness" and "life satisfaction" can be interchangeably used. Despite that they have slightly different meaning. The former *"results from a balance between positive and negative effect",* while the later *"reflects individuals' perceived distance from their aspirations"* (Conceicao and Bandura, 2013). One certainty is that it will not be possible to consider each individual perception on average to come into one aggregated conclusion about the state of being happy. However, Frey and Stutzer (2002) argue that one's happiness can be measured by asking people on how satisfied they are with their lives. Further, self-reported measures can help capture and evaluate individual's level of subjective well-being considering his surroundings, other individual's perspective, past experiences, and future expectations. This measure will then serve as a proxy to happiness.

Several prominent world surveys have been analyzing happiness and life satisfaction in a different type of question. The General Social Surveys have a single-item question counted on a three-point scale which asks: *"Taken all together, how would you*

say things are these days—would you say that you are very happy, pretty happy, or not too happy?"(James Davis, Tom Smith, and Peter Marsden, 2001). In the World Values Survey, life satisfaction is measured on a scale from 1 (dissatisfied) to 10 (satisfied) which asks: *"All things considered, how satisfied are you with your life as a whole these days?"*(Inglehart et al., 2000). Some others such as Eurobarometer Surveys (covering all members of the European Union) and the Satisfaction With Life Scale (composed of five questions and rated on a scale from 1 to 7) have also been widely used.

Apart from the inconclusive definition of happiness, Islam grants human being a multidimensional rich concept of happiness. Happiness, thus, should come within the framework of a given set of *sharia* rules which later fulfill the *maslahah.* This is supported by the fact of incomplete utility concept in defining the ultimate goal of human well-being which merely takes into account a "more is better than less" principle, or in a macro point of view, the concept of higher economic growth leads to higher welfare as is measured by GDP (Gross Domestic Product). As in Leigh and Wolfers (2006), Nigeria is ranked the highest in the world along 1995-2000 in terms of happiness and life satisfaction, despite its apparent very low income ranking during the same period. This issue of inconsistency opens up a wide opportunity for scholars to construct the other model of development that is more representative and reliable.

2.4. Conceptual Framework

Figure 1 describes the construction of both Human Development Index and Islamic-based Human development Index and the relationship of these two with each index goal. The fulfillment of *maqasid sharia* is actually not only driven by economic development but also strengthened by country Islamicity

level while the conventional Human Development Index is only driven by its economic development or growth. Islamicity level means the extent to which a certain country has followed the Islamic taught, which is Al-Qur'an and As-Sunnah or Hadits, instead of the behavior of Muslim themselves (Rehman and Askari, 2010). Although the relationship between religion and economic is still being a riddled, some studies suggested that there is a general agreement about the effect of religion on economic, scholars, however, are struggling to deal with the role of religion in the relationship, whether religion is the dependent or independent variable (Lewis, 2002; McClearly and Barro, 2006; Rehman and Askari, 2010). In terms of *maqasid sharia* fulfilment, we belive that Islamicity will be the moderating variable of relationship between economic development and the basic needs of *maqasid sharia* fulfilment.

The goal of economic development in Islamic perspective is to reach the condition of *Falah*. *Falah* itself is the condition in which every citizen has already been satisfying his own basic needs that is represented by *Maqashid Sharia,* which is *Maal* (Property), *Nafs* (Life), *Aql* (Intellect), *Nasl* (Posterity), and *Din* (Faith). Thereby, the construction of the *maqasid sharia* index should be derived from the *maqashid sharia* itself. We consider two different approaches of data mining to construct the indicator of index. First, we consider approach from Anto (2009) who constructed the indicator with the parsimony data. All the data in Anto (2009) is relatively easy to be obtained and the methodology of index construction is also considerably easy to implement because it has followed the HDI one. All the indicators below the Q hierarchy in **Figure 1** belong to Anto (2009). Second, we also consider an approach from Ali and Hasan (2014) who constructed the indicator of index from the survey data. All the indicators below S hierarchy in **Figure 1** belong to Ali and Hasan (2014). Although the data is relatively difficult to obtain, we consider Ali

and Hasan (2014) approach because it can improve the limitation of Anto (2009) in measuring some dimensions such as, Family and Faith, which may lead to bias.

Referring to HDI framework, there is actually two basic needs in *maqasid sharia* which have not satisfied, namely *Nasl* or Posterity and *Din* or Faith. GDP, Life Expectancy and Education Level are the indicators which take place in both *maqasid sharia* index and Human Development Index. Anto (2009) uses the same

indicator to proxy *Maal, Nafs* and *'Aql* with HDI, He, however, uses also Gini Coefficient and Poverty Rate in addition to *Maal* indicator. Thus, we are able to conclude that overall, *maqasid sharia* Index should be more comprehensive than Human Development Index.

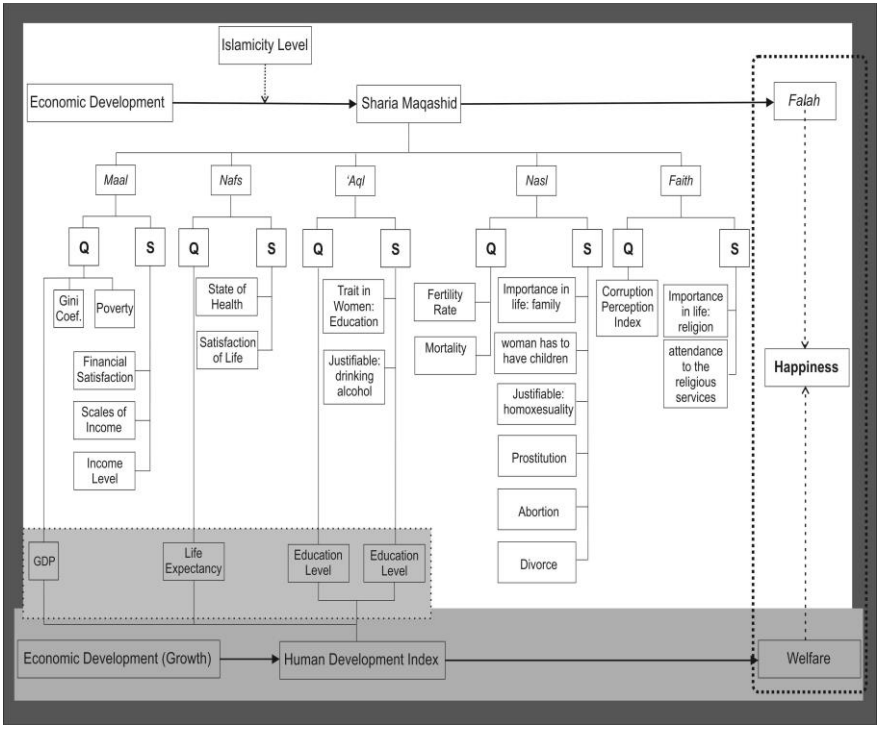


Figure 1. Islamic-based Human Development Framewok

As a measuring tools of countries development, the effectiveness of all indices should be examined of whether they are able to reach the ultimate goal of development itself. Inherently, the more effective an index, the more it can represent the axioms precisely. In this case, the goal of *maqasid sharia* is to reach *Falah* condition while the goal of conventional development is to reach the concept of welfare based on utility maximization. Because of the difference of the goal, we are trying to put happiness as a proxy of these two goals. The reason is quite simple, as it is generally recognized that happiness is what everyone looks for in this world regardless of their value (see Easterlin, 1974; Oswald, 1997; and Blanchflower and Oswald, 2005). It was found that the traditional measures of economic growth have no explanation power to explain someone happiness (Easterlin, 1974 and Oswald, 1997). Thus, if the *maqasid sharia* index, as well as HDI, can be considered as the best measures of development if it statistically has the relationship with the happiness.

3. Data and Methodology

This research examines the effect of Human Development Index, both in conventional and *sharia*-based, towards happiness of the OIC (Organization of Islamic Cooperation) countries. First of all, we will construct a more new comprehensive, but still parsimony, measure of development. Second stage of this research will examine the effect of *maqasid sharia* Development Index which we have already developed before. Finally, the comparison of the effect of Human Development, both in conventional and *sharia*-based, will be provided.

We use our own conceptual framework as we show in **Figure 1** to construct the *Maqasid Sharia* Index. To construct dimension of *Maal* (Property), *Nafs* (Life), *Aql* (Intellect) we use

constructed indicators by Anto (2009) while for constructing dimension of *Nasl* (Posterity) and *Din* (Faith) we modify indicator constructed by Ali Hasan (2014). We construct *Nasl* dimension with 'Importance in life: family' and 'Justifiable of prostitution' indicators, instead of using all the indicators proposed. Furthermore, we construct *Faith* dimension more comprehensively through 'Important of religion' and 'Attendance to religious service' as a positive indicator which represents Ibadah aspect, 'Important of God' as a positive indicator which represents Iman (believe) aspect, 'Respect for individual human right' as a positive indicator which represents Akhlak (good deeds) aspect, and we also include 'Accepting a bribe in the course of their duties' as a negative indicator which represents bad deeds. This heavy size of indicators are constructed in order to deal with the complexity of religious dimension measures.

Table 2

***Sharia Maqasid* Index Construction**

Well-Being	Type of Basic Needs	Indicator	Source of Data
Material Well-Being Index	Mal	GDP Index Gini Index Poverty Index	World Bank
Non Material Well-Being Index	Nafs	Life Expectancy Index	
	Aql	Education index	
	Nasl	Importance in life: family Justifiable of prostitution	World Value Survey (WVS)
	Din	Important of religion Attendance to religious service Important of God Respect for individual human right	

	Accepting a bribe in the course of their duties

We obtain Human Development Index (HDI) data from UNDP while GDP, Gini Coeficient, Poverty, Life Expectancy, and Education Level are obtained from the World Bank. In addition, all the survey data are acquired from World Value Survey (WVS) (see **Table 2**). Because of the issue of data availability from WVS, we use pooled cross section regression Least Square. WVS is not conducted routinely on yearly basis for every country so that we employ pooled cross section and use the data WVS code 4 (1999-2004), WVS Code 5 (2005-2009) and WVS Code 6 (2010-2014). Then, we use the newest survey data if any countries for which the data is available, has more than one WVS Code. Furthermore in order to adjust the estimation method with our nature of data, we also use Ordered Logit for our estimations.

The calculation of index use the methodology that has also been used by UNDP to construct HDI. To calculate those dimensions, first we determine the minimum and maximum values for every underlying indicator. Then, we perform this following formula:

$$ID = \frac{actual\ value - \text{minimum}\ value}{maximum\ value - minimum\ value} \quad (1)$$

Where ID stands for Index Dimension. Actual value represents value of the dimension of a country while maximum and minimum value are the highest and the lowest value in the observation for each dimension, respectively. The index value will be lied between 0 and 1.

3.1. Material Well-Being Measures

Material Well-Being Measures (MW) consists of *Mal* dimension and we will measure through equally weighted index the of three indicators, namely GDP, Gini and Poverty Index. The calculation is simply an aritmatic average of those three indices.

$$MW = (GDPI + GI + PI)/3 \quad (2)$$

Non-Material Well Being Measures (NMW) consists of *Nafs, 'Aql, Nasl* and *Din* dimensions, in which each dimension has the same weight in the agregation of index. Thus, the calculation is simply as the following formula.

$$NMW = (LEI + EI + NI + DI)/4 \quad (3)$$

LEI represents Life Expectancy Index which constructs *Nafs* dimension, EI stands for Education Index which measures *'Aql* dimension, NI and DI refer to *Nasl* Index and *Din* Index, respectively, which are obtained by the survey data from WVS. NI comes from two questions in the survey which is 'Importance in life: family' (IF) (Variable reference V4 in the WVS Code 4, 5 and 6) and Justifiable of prostitution (JP) (Variable reference V209 for Code 4, V203 for Code 5 and V203 for Code 6 in WVS). IF is a question with a likert scale 1 up to 4, where 1 represents 'Family is not at all important' and 4 refers to 'Family is very important'. In this case we only obtain the percentage of the score 4 for every country then we calculate the index using **Formula 1**. Meanwhile, JP is a question with 1 up to 10 likert scale in which score 1 indicates 'Never Justifiable' and score 10 refers to 'Always Justifiable'. We are considering to use possitive approach in this case so that we only take the percentage of score 1 to the total respondents to be calculated into index using **Formula 1**.

DI is constructed from five questions in the World Values Survey (WVS): (i) Important of Religion question (IR) (Variable reference V9 for all WVS Code). IR is a likert scale question with value 1 (Not at all important) up to (4 Very important). We only take the percentage of score 1 to the total respondents to be calculated into an index using **Formula 1**. (ii) Attendance to religious service (AR) is a likert question scale from 1 up to 7. Score 1 represents the respondents 'Never attend religious services' while Score 7 confess that 'they attending to religious services for more than once a week' (see Variable reference V185 for Code 4, V186 for Code 5 and V145 for Code 6). (iii) We also use the question of Important of God (IG) (V196 Code 4, V192 Code 5 and V152 Code 6) to measure Religiousity Index. Score 1 in IG represents that respondents regards 'the God is not at all important' while score 10 represents 'its opposite'. We only take into account for the percentage of score 10 to the construction of Index, then using **Formula 1**. (iv) Respect for Individual Human Rights (RHR) (V173 Code 4, V164 Code 5 and V142 Code 6). RHR scores 1 if the respondents 'have no respect at all to human rights' and 4 if they 'have a great deal respect to human rights'. We only use the score of 4 and calculate the index using **Formula 1**. Finally (v), Accepting a bribe in the course of their duties (AB) that we can find in the Variable reference V207 in Code 4, V201 in Code 5 and V202 in Code 6. The same with another question, it is a likert score question with 1 for 'Never justifiable' and 10 for 'Always justifiable', then we only consider the percentage of score 10 to be calculated as index.

3.3. Sharia Maqasid Index

After we partially construct the index, we now agregating all the calculated indices into the *Sharia Maqasid* Index. We assume that the Material and Non Material Indices have the same

weight in the aggregate index so that we compute the *Sharia Maqasid* Index as follows.

$$ShariaMaqasidIndex = {}^{1}/_{2}\,(MW + NW) \quad (4)$$

4. Result and Discussion

4.1. OIC Human Development Index and *Sharia Maqasid* Index: Descriptive Analysis

In order to descriptively explain each of the indices' data characteristics, we show each minimum and maximum values, mean, as well as standard deviation in the **Table 3**. Besides exhibit the HDI, SMI, Happiness score and Life Satisfaction score, we also provide the WVS survey year for every Happiness and Life Satisfaction score. **Table 3** shows that For *Sharia Maqasid* and Human Development Indices, each has a range of value from 0 to 100. A value closer to 100 indicates a better development, on the other hand, a value closer to 0 indicates otherwise. As can be seen from the table, *Sharia Maqasid* Index has the minimum value of 20.52 generated by the country of Mali and the maximum value of 87.54 is generated by Qatar in the year 2010. Whereas, on average, the minimum value of HDI of 0.34 is shown by the same country. However, its maximum value of 84 is differently generated by Kuwait in 2013, while Qatar is placed in the second.

As for the mean value, *Sharia Maqasid* Index is higher than HDI. This explains that the range of values of *Sharia Maqasid* Index is more skewed to the upper mean than that of HDI. The same is true for standard deviation; *Sharia Maqasid* Index has higher value of standard deviation than that of HDI. This explains that OIC countries HDI value is more centered around its mean than OIC countries *Sharia Maqasid* Index value. These slight differences between *Sharia Maqasid* and Human

Development Indices may occur because of distinction in the method of measurement as well as components of the two indices.

Table 3

The calculation of Human Development Index, *Sharia Maqashid* Index, Happiness and Life Satisfaction Score

No.	Country	Survey Year	HDI	SMI	Average Score	
					Happiness	Life Satisfaction
1	Albania	2002	81.59	45.28	2.57	5.16
2	Algeria	2014	74.58	40.21	2.78	6.13
3	Azerbaijan	2012	68.10	48.32	3.05	6.66
4	Bangladesh	2002	61.66	47.88	2.90	5.58
5	Bukina-Faso	2007	36.58	22.57	2.95	5.44
6	Egypt	2012	72.33	45.69	1.88	4.86
7	Indonesia	2006	61.66	56.65	3.14	6.54
8	Iran	2005	73.39	49.41	2.90	6.42

9	Iraq	2013	62.17	35.06	2.72	5.87
10	Jordan	2014	75.61	63.13	3.02	6.62
11	Kazahstan	2011	63.93	36.66	3.19	7.23
12	Kuwait	2013	84.19	65.41	3.29	7.00
13	Kyrgyz	2011	65.58	37.29	3.32	6.92
14	Libanon	2013	77.91	33.34	2.93	6.46
15	Libya	2013	79.08	50.21	3.21	7.20
16	Malaysia	2011	80.43	50.14	3.22	7.14
17	Mali	2007	34.14	20.25	3.17	5.68
18	Morocco	2007	71.53	55.22	3.02	5.23
19	Pakistan	2012	57.68	41.00	3.26	7.54
20	Palestine	2013	76.83	55.77	2.78	5.59
21	Qatar	2010	82.52	87.54	3.54	8.00

22	Saudi Arabia	2003	77.27	55.24	3.34	7.23
23	Tunisia	2013	78.26	59.92	2.91	5.55
24	Turkey	2011	74.49	59.60	3.17	7.24
25	Uzbekistan	2011	64.54	44.02	3.59	7.85
26	Yamen	2013	55.22	34.32	2.87	5.80
26	Yamen	2013	55.22	34.32	2.87	5.80
Mean			68.89	47.70	3.03	6.42
Maximum			84.19	87.54	3.59	8.00
Minimum			34.14	20.25	1.88	4.86
Standard Deviation			12.71	14.13	0.34	0.88

The comparison analysis between happiness and life satisfaction indices comprises the same elements. The value of happiness index has a range between 1 and 4, while the value of life satisfaction has a range between 1 and 9. For happiness index, a closer value to 4 indicates a higher happiness while a closer value to 1 indicates otherwise. The same rule is applied to life

satisfaction index. The descriptive comparison shows that happiness and life satisfaction may be interchangeble measures, which are able to provide a good proxy for *falah* and welfare, as Blanchflower and Oswald (2005) argued. For the mean value, it can be seen that happiness index has a mean value of 3.03 out of 4 while life satisfaction has a value of 6.42 out of the maximum value of 9. As for the standard deviation, happiness index is 0.34 while life satisfaction index is 0.88. Thus, it can be interpreted that the distribution of happiness index and life satisfaction tend to the same.

The happiest OIC country is Uzbekistan and followed by Qatar in the second place. If we refer to development index, we find that Uzbekistan is lied not on the top rank of index (score 64.54 in HDI and 44.02 in SMI), however, Qatar is considered to sign the positive relation between happiness and index because they are the highest and second rank in SMI and HDI, respectively. The lowest rank of OIC country happiness belongs to Albania which has value of 81.29 and 45.28 for HDI and SMI, respectively. The other proxy of *falah*, namely life satisfaction also shows almost similar ranking. The highest life satistaction OIC country belongs to Qatar and the Uzbekistan is lied in second place while the lowest life satisfaction OIC country consistently belongs to Albania.

In summary, we can see that HDI and SMI have different information so that it implies the differences in the distribution of data. As is explained previously, the SMI definitely consists more information than HDI, which is *Sharia Maqashid* basic needs. As **Figure 1** shows, *nasl* and *faith* dimensions are the dimension which is not captured by Human Development Index.

Furthermore, it is reasonable to take happiness and life satisfaction score into *falah* and welfare measures because these two variables have relatively the same distribution of statistics.

4.2 Graphical Analysis

In this section, we use graphic approach to make more comprehensive analysis about HDI and *Maqashid Sharia* Index in regard with their partial relationship with proxy of *falah* or welfare, which is happiness and life satisfaction. **Figure 2** shows the positive relationship between HDI and Life Satisfaction, although the slope is not too steep. The higher HDI the higher Life Satisfaction score will be. On the other hand, **Figure 3** represents the scatter line which correlate HDI and happiness score. In contrast with life satisfaction, the relationship between HDI and happiness score is relatively evenly flatter or even it tends to be negatively correlated. The last relationship is definitely an anti-thesis of what it should be. Literature says that the relationship between HDI and happiness should be positive, because the higher HDI of the citizens the more welfare will be perceived by them, and thus they will perceive more happiness.

Furthermore, we also exhibit how the *Sharia Maqasid* Index acts in the graph. **Figure 4.** and **Figure 5** present the relationship between *Sharia Maqashid* Index and Life Satisfaction and Happiness score, respectively. These two figures show the more obvious positive relation between Life Satisfaction and MS Index and between Hapiness and MS Index. **Figure 4** shows the clear relationship between Life satisfaction and MS Index. Compare with **Figure 2**, we can conclude that the direction of the relationship is the same but the MS Index seems to have a more normal data distribution than HDI. On the other hand, the relationship between MS index and hapiness is obviously have more appropriate relationship than relationship on the **Figure 3**.

The graphs shows that SM index is, in conculsion, have more clear relationship with both life satisfaction and happiness. It means SM index more able to be implemented as a measures for the development goal, which is *falah.*

Figure 2. Life Satisfaction Score and HDI

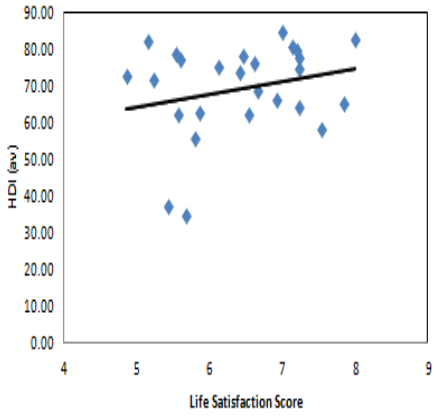


Figure 3. Happiness Score and HDI

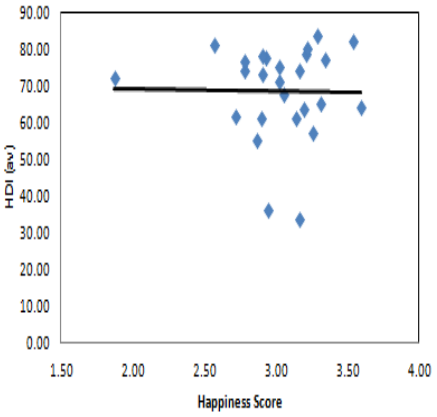


Figure 4. Life Satisfaction Score and SM Index

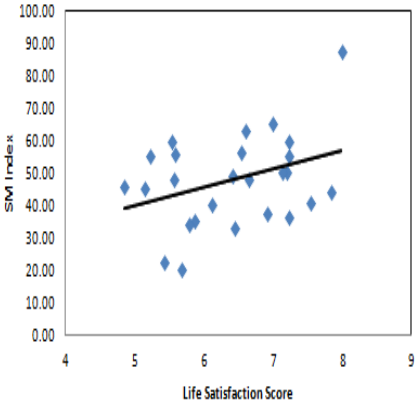
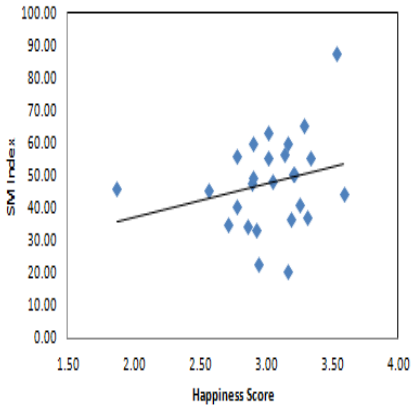


Figure 5. Happiness Score and SM Index



4.3. Regression Analysis

Table 4. shows the regression result of the impact of each development index to happiness and life satisfaction. First we

estimate the model with Ordinary Least Square Estimation after relieve the heterescedasticity problem through Newly West. Panel 1 and 2 in the **Table 4** exhibit the OLS regression result of HDI and SMI, respectively, to Happiness, while Panel 5 and 6 in the same table show the OLS regression result of HDI and SMI, respectively, to Life Satisfaction. The Findings show that, statistically, HDI is failed to determine the Happiness and Life Satisfaction while SMI can significantly determine Life Satisfaction but it can not determine Happiness. The model in Panel 1, which examine the relationship between HDI and Happiness, is not statistically fit to be considered as a model. The global test using F-statistics shows that the model fails to be used. Moreover, the individual test shows that HDI is failed to

explain the variation of Happiness. The relationship sign between HDI and Happiness is reversed so that it is not in line with the accepted theory. The findings also show HDI cannot be used to explain the variation of Life Satisfaction. Although individual test statistically points the positive relation between HDI and Life Satisfaction, the global test tells us the contrast conclusion.

The happiness survey may not be the best measures for welfare and *falah*. *Sharia Maqashid* Index is also not able to explain variation in happiness score. It is shown by F-statistic value that is not significant although the individual test using t-statistic shows SMI is moderately significant effecting the happiness and the marginal effect of SMI is also in line with theory, which is positive. However, the findings say that *Sharia Maqashid* can explain variation of Life Satisfaction using OLS model (see **Table 4** panel 6). The global and individual statistics strongly and significantly show the relationship between these two variables. The higher *Sharia Maqashid* Index leeds to the higher of Life Satisfaction.

We do not satisfy with the regression using Ordinary Least Square (OLS) yet. Therefore, we allow the regression using Ordered Logit estimation in order to ascertain that there is a significant difference in Happiness or Life Satisfaction among the OIC countries. We provide regression result in the **Table 4** panel 3,4 for happiness, and 7 and 8 for Life Satisfaction. Using logit variabel we allow to deal with ordered category in the dependent variable. As what we said, we use WVS data for our dependent variable, which is Happiness and Life Satisfaction. The nature of happiness and Life Satisfaction variable are ordered categorical. Happiness is marked one for 'not at all happy' and four for 'very happy', meanwhile Life Satisfaction is marked with one if 'completely dissatisfied' and 10 if 'completely satisfied'.

Table 4

The Impact of Development Index to Happiness and Life Satisfaction

We examine the relationship between two development indices to happiness and life satisfaction variables partially. Dependent variables are happiness and life satisfaction. Happiness score is obtained from WVS data as well as score of life satisfaction. Meanwhile, independent variable is development index which is proxied by two measures, namely Human Development Index (HDI) and *Sharia Maqashid* Index (SMI). HDI is an index provided by UNDP while SMI is constructed by the modification of Anto (2011) and Ali and Hasan (2014) methodology. There are eight regression results, four models, on the panel 1, 2, 5, and 6, are using cross section Ordinary Least Square with Newly West in order to deal with heteroscedasticity problem. Panel 1 and 2 are the model to examine the effect of HDI and SMI to Happiness, respectively. While, panel 5 and 6 are provided to examine the effect of HDMI and SMI to Life

Satifaction, respectively. We also use Ordered Logit estimation model which allows us to assess which of these differences in the happiness and life satisfaction level are statistically signifiacant. The number in parantheses below the coefficient is the *t*-statistic value. *** (**) (*) denotes statistical significance at 1% (5%) (10%) level.

	Happiness				Life Satisfaction			
	OLS		Ordered Logit		OLS		Ordered Logit	
	1	2	3	4	5	6	7	8
HDI	-0.0004		0.01376		0.0171		0.0298	
	(-0.14)		(0.28)		(1.84)*		1.03	
SMI		0.006		0.0688		0.0224		0.0622
		(2.02)**		(1.57)		(3.14)***		(2.22)**
Intercept	3.0579	2.744			5.2432	5.3514		
	(15.86)***	(15.73)***			(8.43)***	(12.96)***		
R-Square	0.0003	0.062			0.0603	0.1283		

F-Statistic	0.0065	1.576		1.5412	3.532***		
Cut_1			-2.2889	-0.3122		0.2852	1.0030
Cut_2			3.4188	6.1420		2.0615	2.9423
Cut_3						4.1450	5.2910
Pseudo R-square			0.0035	0.1143		0.0158	0.0767
Log Likelihood			-11.169	-9.9263		-32.548	-30.531

As expected, the result of ordered logit estimation is quite the same with Ordinary Least Square (OLS) model. We get no significant relationship in the model except the relationship between *Sharia Maqashid* Index (SMI) and Life Satisfaction (see **Table 4** panel 8). The model has Log Likelihood of -30.531 and Pseudo R^2 7.67%. The SMI positively affects Life Satisfacton in the moderate level of significance (5%) with 0.0622 log effect.

We argue that happiness and life satisfaction basically have the same substance but can be intepreted differently by respondents. There is no unity agreement wheter these two

variables are the same or have different meaning. Some researchers supported that happiness and life satisfaction are the same (see Blanchflower and Oswald, 2005), however, the others say the opposite (see Leigh and Wolfers, 2006). Life Satisfaction seems to be more appropriate to measures the *falah* and welfare level because, in essence, it may able to reflect more comprehensive meaning of life while question of happiness can possibly be affected by people feeling or mood when the survey was conducted.

5. Conclusion and Policy Implication

This research examines the relationship between any development indices, namely HDI from UNDP and our self-constructed *Sharia Maqashid* Index, toward the happiness of OIC countries. We also compare these indices as to find which one is more appropriate in taking the role to proxy the measure of ultimate goal of development, which in Islamic perspective is called, *falah*. We use happiness and life satisfaction surveys from WVS as interchangeble proxies of development goal. Through descriptive, graphical and regression analyses, we find a modest positive relationship between *Sharia Maqashid* Index (SMI) and life satisfaction, but the result is disappeared in the SMI effect towards happiness. On the other hand, we failed to conclude that Human Development Index can explain the variation of happiness or life satisfaction.

In addition, findings show that our regression estimation models are consistent, either using Ordinary Least Square (OLS) regression or using ordered logit regression. Without having the intention to reject HDI as a development measures, the findings also argue that *Sharia Maqashid* Index is a more appropriate measures to be a benchmark for comparing the development among countries and evaluating each country's economic policy,

particularly in Muslim countries. Furthermore, the findings show that index which includes more religious (faith) and family aspects reflect the ultimate goal of development in a more appropriate way than index which does not. This implies that the country's policy is not sufficient to only set the goals belonging to economic, education, and health aspects. Rather, they should also consider the religious and family aspects in order to reach well-being or, even deeper, the *falah*.

Moreover, the usage of *Sharia Maqasid* Index as a benchmark for country's development will incredibly shift the current traditional paradigm on almost all aspects of life. For the material welfare attainment, the change in both consumption and production patterns will converge to Islamic point of views overtime. Let us take an example of an imperfect market depicted by **Figure 6**, in which we have two different frameworks, Islamic and conventional. Following *maqasid sharia*, the firm's behavior that is guided by Islamic values and ethics will be producing within the framework of profit-maximization; however, its decision to produce will be based on the concept of *maslahah* (the fulfillment of *maqasid sharia*). Thus, the "Islamic" firm may produce at the intersection of MR and MC^s, which leads to lower price (P^s) and higher quantity of output (q_s) as compared to the conventional framework. As a result, more people can afford buying the necessity goods under the "Islamic" firm.

Figure 6. Contrasted Frameworks of Production of Primary Goods

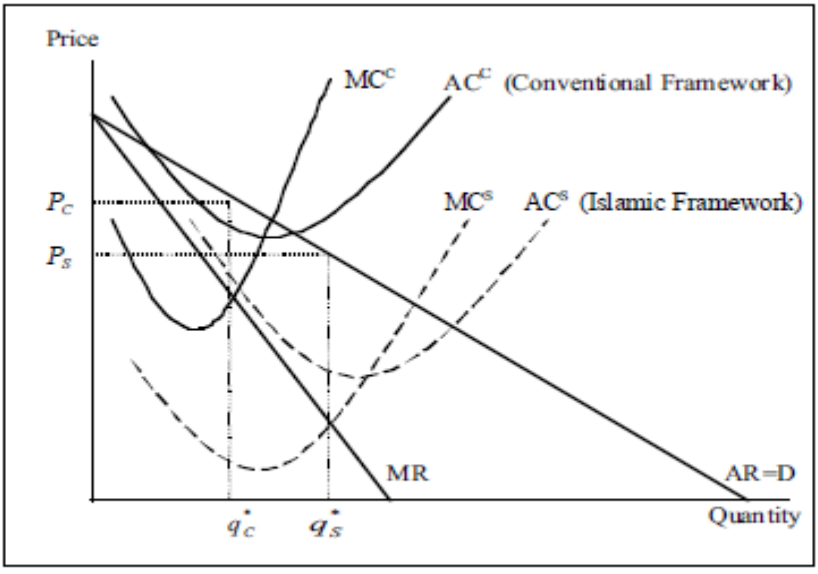


Figure 1: Production of Necessity Goods under the Islamic and Conventional Frameworks: The Case of Imperfect Markets

The same principle also holds for the consumption theory. The concept of *maslahah* puts in levels of priority in consuming goods. The first level defines *dharuriyyat* (consumption of essentials), the second level is *hajiyyat* (consumption of whatever complement the essentials), and the third level reflects *tahsiniyyat* (consumption of whatever improves on essentials). Thus, people will decide to consume by taking into account other factors such as, the circumstances, other people conditions, and the essential needs. So for instance, an individual A would delay to purchase 'Prada' if she knows that her neighbor cannot even afford buying necessity goods.

At the aggregate level, both "Islamic" production and consumption pattern will determine a country's income measurement, level of savings and investment, unemployment rate, inequality, and other crucial components of happiness.

6. Suggestion for Further Research

These results raise several intriguing questions for future research. First, whether the Islamicity level of country is priced in the fulfilment of five basic needs (*Sharia Maqashid*)? Islamicity level of the country should be a moderating variable that strengthen the relation between development and *sharia maqashid* fulfilment. Second, what is the best Islamic-based index that can be implemented? There are several proposed Islamic-based indices, but instead of trying to compare between traditional development index and Islamic-based index, the future research should try to compare which Islamic-based index is the best. We leave these questions for future research.

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