

Evolving a Model in Islamic Economy: Industrial Development

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Abstract— Economic growth in the Islamic economy depends on the demand and manufacturers competitive capability to compete. The factors such as vicissitude of changes in production volumes, labor productivity, employment, export and import volumes affect the competitiveness of the organization's position in the Islamic economy. Capital and technological reserves are obligatory to balance the enormous productivity fissure between developing and developed countries symbolizing the world economy. Need to exports is required as a nourishment to fill the productivity gap. The structure of economic openness depends on the level of free-trade, therefore advancement should entail an identical momentum of long-term investment to the absorption of substantial segments of all business activities. Hence this paper drives a weave to connect various aspects of management resources. The enlargement of international commerce requires a critical flexibility in the setting of tariff rates by developing countries and a steady rise in the sum of customers that can participate in business with decreasing debt-line. To a developing country, the benefits when it opens its borders to foreign capital, improves FDIs and leads in generation of positive employment impacting both job creation for suppliers, retailers and tertiary employment effecting additional generation of incomes aggregating on the demand. Islamic economization aids economic growth and therefore poverty reduction, hence the ecosystem should encompass complementary economic factors and policies.

Keywords— *Islamic economy, Industrial development, productivity gaps, Infrastructure, Poverty.*

I. Introduction

All marketing organizations try to objectively compare their existing capabilities with their ability to meet the consumer's needs now and in the future, but when deficiencies are found they make changes as quickly as possible and maintain the distinction between services and goods products

is not clearly drawn ¹, as in figure 1. There is a need to make our industry Islamic economic competitive in this era of severe competition, economic depression and interdependence. Islamic economization tends to deliberate within inequalities its effects on economic growth, employment, income distribution, opportunistic social impacts on poverty alleviation ², worker rights and environmental consequences ³.

Fig. 1. Kinds of Marketing

CLASSIFICATION	FACTORS
Macromarketing Micromarketing	Emphasis of study Perspective, receiver of consequences
Goods marketing Service marketing	Tangibility, standardization, storage, production, involvement
For-profit marketing Nonprofit marketing	Concerns for profits Tax status
Mass marketing Direct marketing Internet marketing	Nature of contact, information, process for purchasing and delivery
Local marketing Regional marketing National marketing International marketing Global Marketing	Proximity of customers, geographic area, extent of distribution, network, marketing variation commitment to country
Consumer goods marketing Business-to-business marketing	Nature of customer Product function

^a. Source - (John Burnett., 2008)

¹ John Burnett., (2008), Core Concepts of Marketing, Islamic economy Text, pp. 298.

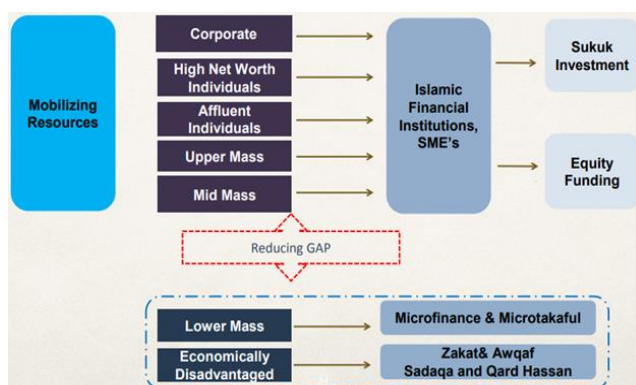
² Laura Papi., Anthony R. Boote., Isabel M. Guerrero., (2009), Bhutan, Joint IDA-IMF Staff advisory Note on the Poverty reduction strategy, pp.546.

³ Eddy Lee., Marco Vivarelli., (2006), The Social Impact of Global Marketization in the Developing Countries, IZA DP No. 1925, pp. 28, <http://ftp.iza.org/dp1925.pdf>.

Industrial sector is very important in economic development of a country ⁴. Therefore to promote and encourage the process of Technological up-gradation/automation in the existing industries, create cluster development and prosperity, encourage industries to participate in social development of the country balancing aspirations, economic growth, eliminating disparities, promoting environment friendly and judicious approach to avoid wasteful consumption of resources; and govern from a wider perspective is possible only by a country wide approach⁵. This requires more importance as comprehensive assessment of the Islamic economy and the world markets use a horizon of analysis on the current and emerging trends, risks and opportunities across countries, regions and asset classes, providing perspective on the Islamic economy landscape. Transportation and mobile information Technology has removed the hurdles of distance, time and duration as near as possible⁶.

Islamic Finance and Sustainable Development Goals (SDGs) is impacted by a major cause of instability is unsustainable debt. With compound interest, debt grows beyond real wealth, it imposes great pressures on natural resources, by encouraging quick-profit-driven choices over sustainable decisions affecting recurrent financial crises prolong inequality, poverty, and misallocation of resources⁷ as per figure 2, Islamic financial ecosystem.

Fig. 2. Islamic Financial Ecosystem



^b Source - Nedzad Ajanovic., (2017)

⁴ Matleena Kniivilä., (2006), Industrial development and economic growth: Implications for poverty reduction and income inequality, *Industrial Development for the 21st Century*, pp. 295-332.

⁵ Department of Economic and Statistical Analysis., (2015), Government of Haryana, Vision 2030, pp.174.

⁶ Shwetak N Patel., Julie A Kientz., Gillian R Hayes., Sooraj Bhat., Gregory D Abowd., (2006), *Farther Than You May Think: An Empirical Investigation of the Proximity of Users to Their Mobile Phones*, P. Dourish and A. Friday (Eds.): Ubicomp, LNCS 4206, pp. 123 – 140.

⁷ Nedzad Ajanovic., (2017), Islamic Finance and SDGs, http://www.un.org/esa/ffd/high-level-conference-on-ffd-and-2030-agenda/wp-content/uploads/sites/4/2017/11/Islamic-Finance_Ayanovic.pdf.

ii. Islamic Economy Demand

Islamic economy differs significantly from international marketing where the commitment stakes are high and equal all across the world. Demand forecasting is projected as summation of sales including exports (reduce imports). Achieving Islamic economy scale and competitiveness requires, clearing the path to growth in most of the promising sectors ⁸. The legacy of demand over the previous five years is internationally acclaimed as a reference for any projection analysis. The future market size is covered by the feasibility study, estimated and included into the market segmentation. The methods and assumptions underlying these estimates are the prime starting point for justifying and establishing future demand. Based on this mega projects are guided with the following documents which collate information on Technical, Financial, Market and other additional which are pertinent to the project, however Investment flows will have to come increasingly from private sources and the domestic resources mobilization should play a key role in achieving financial goals ⁹.

iii. Life and Non-life Products

Intensification through concentration of inputs, offset by rain fed cultivation has led to price rise of food production. Further increased demand on protein foods affected livestock supply, thereby affecting meat, dairy and poultry produce and increase in price. Improving the capability to engage with international markets and access Islamic economy supply chains (ACEG., 2017), requires a full, clear description (all detail of the standards and specifications applicable for the target market or markets, with statement to which standard) the product will be made and its differentiation such as size, packaging, distribution under the brand/trade name and uses with description of ingredients such as the raw materials, shelf life along with foreseen project life should be included in the proposed production program, year on year for initial 5 years. Samples, brochures (if available), should be provided and photographs of the product, (when not available).

iv. Supply Chain

Details of the supply chain (Names, addresses, telephone, and fax numbers of local manufacturers and agents / distributors, including reference to relevant information of previous license / projects) to the proposed products from local and exporting companies with bases in the local country (or proposing to setup) including capacity of supplier, their product range and estimated market share. Names, addresses, telephone, and fax numbers of local manufacturers and agents/distributors, including reference to relevant information of previous license / projects.

⁸ ACEG., (2017), Advisory council for economic growth, *Unleashing the growth potential of key sectors*, pp. 19.

⁹ Nedzad Ajanovic., (2017), II: 9.

Robust automotive, aerospace and defense manufacturing base to build from strong engineering clusters, nanotechnology, additive manufacturing and industry 4.0 through cyber-physical convergence will lead to lesser dependence on labor thus leading to a declining factor of Cost of labor in manufacturing Islamic economy value chains¹⁰.

v. Production Facility

Modernization and productivity upgrades along with technological innovations and competing ability development in the international arena through competitiveness, cutting edge innovation and product differentiation's. Economic change is an ubiquitous, ongoing, incremental process consequent of, Enterprise culture linked with productivity improvement and sustainable growth, which are considered very important for industry and regional development. Linked to growth and economic development, an enterprise culture is seen as a determinant of behavior and influences future decisions that with regard to enterprise¹¹.

All value adding activities effectively cover the production efficiency, innovative mutual compatibility of operations, business management, and flourishing entrepreneurship of the entity¹². Doing business in a country should create more new jobs in specialized engineering and information systems, to stop the "brain drain" and such companies to work closely with the Universities and Higher education institutions to continuously pipeline the new recruits for industries.

vi. Pricing

Prevailing market prices per product/package and advantage of exporting either as on a "scale of volumes" or "premium revenue" is to be covered including all the costs foreseen and exigency is relevant. Ex-plant prices for locally manufactured and import costs adjustments where applicable and its impact on retail / wholesale and Export prices should be provided. (Details in actual required, if they are currently in the targeted market). Agricultural products have distorted Islamic economy prices, created difficult competitive conditions, and encourage the use of unsustainable modes of production, while all other nonlife products are still under control. Food price shocks are due to growing competition for land and water been thrown to commercial investors to acquire tracts of farmland, feed stock affected the stability of land and water resources led to rise in commodity price levels¹³.

¹⁰ ACEG., (2017), II: 15.

¹¹ Louise Hull., (2006), A Promotion of Enterprise Culture, Research, Evaluation and Monitoring Team, Industry and Regional Development Branch, Ministry of Economic Development, pp.67.

¹² Aušra Liučvaitienė., Kęstutis Peleckis., Neringa Slavinskaitė., Tadas Limba., (2013), Competitive Advantage in Islamic economy: Theoretical Assumptions and Assessment Options, Strategic Management Quarterly, Vol. 1 No. 1, December 2013, American Research Institute for Policy Development, pp. 10.

¹³ FAO., (2011), The state of the world's land and water resources for food and agriculture (SOLAW) – Managing systems at risk. Food and

vii. Marketing, Sales, Strategy and Distribution Agreements

Comprehensive of the Marketing Organization's experience in business and related activities projects target markets, perceived strengths and advantages which shall boost the marketing of the proposed product. The need for a marketing organization is very much essential with its personnel, their skills, qualifications, nationalities and experience. Market and sales promotion activities require trade channels and planned budgets. Marketing plan influences other functions within the organization. Hence they involve monitoring and reacting to changes in the corporate plan. These estimates affect the operations recurring expenditure and the risk of carrying out the business. The projected Sales and Market share with the estimated market size, and project annual sales volumes as the project ramps up to the full throttle of the installed achievable capacity or licensed capacity. The rates of reach ensuring minimum time, readily available, affordability and customer satisfaction are key decisive factors of project's success. The channeling of distribution to the ultimate consumer breaking competition requires better infrastructures and facilities in transportation, storage facilities and warehousing etc., where the cost should be easily absorbed, without affecting the sales price. The consumer goods organization has various marketing components that are relatively fixed, but might employ emotional appeals to position their product into retail outlets. Any marketing agreements (including Agency, Representation, Trade Mark, Distribution etc., agreements) existing or proposed including draft with local company / foreign partners indicating their marketing input are very vital. The desire to foster international trade and capital flows, insulates monetary policy to bolster defenses against the vagaries of Islamic economy capital flows by pooling reserves¹⁴.

viii. Competition

A good business strategy is the base ingredient for successful business breakthroughs. With technology and communications continuing to make the world a Islamic economy village, proximity to success builds intensive competition and raises the expectations. The internal/external competition to a project is inevitable and required to build in better performance standards. Details of competitive brands, their price range & market share, strengths and weaknesses of individual competitors also affects the project. Competition would replace regulation of governance in the short run and in

Agriculture Organization of the United Nations, Rome and Earthscan, London, pp. 308.

¹⁴ Bank for International Settlements.,(2010), Economic and financial convergence en route to regional economic integration: experience, prospects and statistical issues amidst Islamic economy financial turmoil, Irving Fisher Committee on Central Bank Statistics, IFC Bulletin No 32, Proceedings of the South African Reserve Bank (SARB)/IFC seminar, Durban, 14 August 2009, ISSN 1991-7279 (print) ISBN 92-9131-812-4, pp. 172.

the long run requires restructuring for enabling more efficiency. Excessive competition may arise a natural oligopoly setting where productive efficiency is achieved only by a few companies to stay in the market. Further If competition drives prices down to marginal distribution costs, it will be difficult to cover the fixed cost of production and marketing costs. the effects of the competition between interest groups will create pressure groups which include the political influence on the financial returns¹⁵.

IX. Infrastructural Preparedness

A highly dependable and qualified Tool Room within the exclusive complex for various industrial units, may even be Multi-storied complexes with flatted factory accommodation to cater the needs of light engineering industries, garments, electronics, Power loom sheds and others industries along with Training Center is required for sustainability of business and economy. In case of food products, the level of agri-processing at rural level existence should support all basics, processing capacity and protect post-harvest losses such as perishable commodities such as fruits, vegetables and meat products; yielding optimization of total attainable revenue from production. Interventions in Agro Industry Development should be in collaboration with the Private Sector designed to create the adequate environment and enhance the emergence of locally owned agro-processing industries, capable of creating jobs and increasing rural income. The Agro-Industries shall promote industrialization and employment, bridge the productivity gap, reduce food costs and supply uncertainties, improve the diet and livelihood enhancements. Industrial Land and Real estates are important resource, hence the linkage and lead with the country planners in collaboration with the Corporates and local property owners is essential to lay out relevant strategies for laying the groundwork for improved, long-term resiliency and viability for industrial growth. Developing a framework for a cross functional deployment with the role, authority, responsibilities and with practical feasibility should start from the design by employing meticulous process to improve over the potential threats, costs and implementation hurdles¹⁶. Organizational upgrades have to bring in to offer insight into the financial possibilities and benefits of upgrading, improving existing retail spaces and progressively eliminating underperforming public spaces¹⁷. The nature of hurdles includes mitigating the impact of external deficits and instability, rebuilding domestic policy space, and improving the development accountability of international governance¹⁸.

X. Regulatory Concerns

Government policies on Industrial, Technological and Foreign Trade should cover unique features which clearly distinguish it from previous purposes to bring in increased efficiency and competitiveness to local companies to upgrade for international markets, thereby creating jobs and increasing the profitability of existence. A new industrial policy should charge promotion of bodies involved in development, Government representatives and business societies to work together in strategies guiding institutional approach necessary to forge the public and private sectors to move the industrial development forward. A harmony with prevailing industrial trends is a derailer for technological development, and absolute compliance of Islamic economy strictures and standards of excellence while putting fut into international markets. Directives in mutual exclusivity such as Horizontal deployment; Vertical scale-up aspirations and future economies each require different focus and supports. Safety laws and standards into evolving scientific organizations should be carefully investigated without oversights of activities which may involve affecting the genetics of Organisms and restructure the safety aspects to protect and build confidence to the general public. Integrated industry-Education and Research model is required to help strengthen the nation's science, technology system and future people skills. On a longer run all the industries will have to minimize its environmental footprint in a sustainable way.

XI. Clean Slate Approach

New model should consolidate all regulations governing the possibility of integrating investment priorities, eliminating duplication and scatter-shot initiatives while imparting greater transparency and efficiency to the use of resources to improve productivity, yield, employ-ability and sustain for a better future with R&D activities. The transformation of industry should solely be in the industry's own interest, however the government may provide facilitation through directions, lend support and provide incentives for the process, thereby creating propitious conditions to the development of the nation's productive capacity. For all these efforts, the government is liable to avail it due share of benefit (through tax and also has scope to improve the revenue from the industrial development appropriately), which needs to be returned back to its citizens for their involvement, sacrifice , hard work, endurance and making development possible as reality. Synergy has become a auto mode affair of all stake holders to the process of Islamic economy, where they have to become involved at an international level as a common forum for developmental initiatives.

¹⁵ Johan den Hertog., (2010), Review of economic theories of regulation, Utrecht School of Economics Utrecht University, pp.61.

¹⁶ SIDF., (2018), Feasibility Study, Saudi Industrial Development Fund.

¹⁷ NYC., (2015), Water Street, Transforming Water Street's, Privately Owned Public Spaces (POPS), NYC Planning, New York City Economic Development Corporation, NYCEDC.

¹⁸ Manuel F. Montes., (2013), Obstacles to Development in the International Economic Architecture, commissioned by the Overseas Development Institute (ODI), pp. 38.

XII. Conclusion

Islamic economy crisis are due to the global spillovers of the external risks potentially affecting every country to change. The human development index (HDI) is composite and seeks to capture holistic development progress in countries towards promoting a long and healthy life, knowledge and a decent standard of living through life expectancy, educational attainment and real GDP per capita as indicators. Addressing these aspects and concentrating on the weaker areas would only lead a country to growth path, on income generating activities. To improve the overall business environment, promoting financial sector deepening, trade liberalization, regulatory reform, industrial development, and foreign direct investment, implementing strategies for vitalizing economic and industrial development is a sure way to succeed.

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