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# Effectiveness of The Islamic Development Bank (IDB) in Promoting Development in Muslim Countries

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**ABSTRACT**

This research investigates the relationship between the Islamic Development Bank (IDB) and its support for Muslim nations, delving into funding allocations, SDG progress, and Shariah compliance across pre-defined regional categories. We employ statistical analysis to illuminate the landscape of development within these diverse geographies, revealing significant disparities in IDB funding, SDG progress, and the advancement of Islamic finance across regions. Our findings suggest that the IDB should prioritize resource allocation based on need and potential impact, ensuring equitable access across all Muslim-majority regions. Focusing on countries lagging in SDG progress or Islamic finance development could be particularly impactful. Additionally, the IDB can strengthen its role by innovating and promoting Islamic finance instruments, fostering financial inclusion and economic growth. Investing in research and education pertaining to Islamic economics and finance will further augment knowledge and expertise, ensuring the sustained growth of the sector. By prioritizing funding, exploring innovative financing mechanisms, and focusing on these key areas, the IDB can effectively catalyze positive change in Muslim countries, contributing to overall development and the growth of the Islamic economics ecosystem.



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## 1. INTRODUCTION

Islamic civilization has a rich and diverse history that spans over 1,400 years. During this time, Muslims have made significant contributions to the arts, sciences, and humanities. They have also achieved great economic prosperity, with a number of Muslim-majority countries leading the world in terms of imperial wealth. The economic advancement of Islamic civilization in the past can be attributed to a number of factors. One factor is the emphasis on trade and commerce in Islam. The Qur'an and Hadith encourage Muslims to engage in trade and commerce, and there are many examples of successful Muslim traders and merchants throughout history. Another factor is the development of Islamic finance. Islamic finance is based on Islamic principles, such as the prohibition of interest (*riba*). This has helped to create a more equitable and sustainable financial system. The economic advancement of Islamic civilization has also been driven by a strong emphasis on education and knowledge. Muslims have always placed a high value on education, and this has helped to create a skilled and educated workforce.

At the heart of Islamic civilization's economic success lay a fervent embrace of trade and commerce. Religious texts like the Qur'an actively encouraged Muslims to pursue financial prosperity, urging them to "seek the bounty of Allah" and engage in endeavors that build bridges of peace through economic opportunities and shared relationships. Verses like "And whoever is guided by Allah - he is indeed guided; and whoever is astray - then for him you are not a guardian" (Qur'an 2:262) highlight the belief that economic activity, when conducted with righteousness, is not merely a pursuit of individual gain but a path towards divine guidance and societal wellbeing. This dedication to economic engagement, interwoven with Islamic principles, laid the foundation for a flourishing commercial landscape that would propel Islamic civilization to great heights. Another pillar of economic progress in Islamic civilization was the development of a unique financial system built on faith-based principles. At its core stood the rejection of riba, an exploitative form of interest deemed harmful to social equity and economic stability. Instead, Islamic finance embraced innovative alternatives like profit-sharing and risk-sharing, fostering partnerships where gains and losses were shared fairly. This not only promoted a more ethical and responsible approach to finance but also encouraged collective investment and entrepreneurship, further fueling economic growth and social justice. In this way, Islamic finance distinguished itself as a system that aligned economic prosperity with spiritual values, contributing significantly to the civilization's overall economic advancement.

Born from the collaborative spirit of Muslim nations, the Islamic Development Bank (IDB) emerged as a beacon of economic cooperation. Its foundation lay not merely in financial prowess, but in the noble aspiration to forge institutionalized solidarity among member countries. This article delves into the potential of IDB as a vital instrument in addressing the economic challenges that beset Muslim nations, while remaining cognizant of the competitive landscape of international financing institutions. Established through the concerted efforts of Muslim countries, the IDB stands as a potent force in tackling the economic hurdles faced by its member states. Its unique focus on Islamic principles of finance, coupled with its deep understanding of the cultural and historical contexts of Muslim nations, equips it with a distinct advantage. This advantage translates into tailored financing instruments, fostering infrastructure development, trade facilitation, and microfinance initiatives. For instance, the Jeddah-Madinah Expressway in Saudi Arabia and the Baku-Tbilisi-Ceyhan pipeline in Azerbaijan stand as testaments to IDB's successful infrastructure projects.

The international development landscape is not devoid of competition. Global financial institutions like the World Bank and the Asian Development Bank pose formidable challenges, attracting developing countries with potentially more diverse and comprehensive financial packages (Farida, 2010). IDB, though smaller in scale, holds its own ground through its niche expertise in Islamic finance and its deep-rooted commitment to fostering solidarity among Muslim nations. This commitment manifests in initiatives like poverty reduction programs and educational schemes, with programs such as microfinance loan provision for women in Pakistan and school construction in Afghanistan serving as potent illustrations. Therefore, evaluating the potential of IDB solely through the lens of financial clout would be a reductive analysis. Its true significance lies in its unique identity as a bridge between Islamic principles and contemporary development frameworks. As Muslim nations navigate the complexities of economic development, IDB's role transcends mere resource provision; it embodies a shared vision of progress, rooted in faith and solidarity. While acknowledging the presence of competitors, it is crucial to recognize that IDB occupies a distinct space, one that caters not only to financial needs but also to the socio-cultural aspirations of its member of Muslim countries.

## 2. THEORETICAL BASIS

### 2.1 Financial Mechanisms in Islamic History

The financial system of early Islam during the life of Rasulullah SAW and the spread of Islam began in the 7th century AD was based on a number of key principles, including the prohibition of usury (riba), the encouragement of charity and giving (zakat, waqf, and sadaqa), and the promotion of economic justice and social welfare (Chapra, 2008). One of the cornerstones of this system was the unequivocal prohibition of usury, known as riba. The Quran condemns practices that generate "unjust income" (Quran 30:39), emphasizing fair transactions and shared risks. This led to the development of alternative financing models, such as musharaka (partnership) and mudaraba (profit-sharing) agreements, where both parties actively participate in ventures and share in the gains or losses. These models fostered entrepreneurial spirit and encouraged collaborative partnerships, promoting prosperity for all stakeholders.

- Financial Instruments

  The financial system of early Islam, rooted in Quranic and Sunnah-based principles, relied on a unique arsenal of financial instruments to cultivate ethical, equitable, and socially responsible economic activity. Three prominent instruments stand out: Zakat, Waqf, and Sadaqa.

| Instrument | Definition | Purpose |
|---|---|---|
| **Zakat** | Obligatory tax on wealth | Support the poor and needy |

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| | | |
|---|---|---|
| **Waqf** | Charitable endowment | Support religious, educational, or social welfare purposes |
| **Sadaqa** | Voluntary charity | Help those in need |

Table 1: Financial Instruments in earlier Islamic History

- Financial Institutions

While financial instruments like Zakat, Waqf, and Sadaqa formed the operational pillars of early Islamic finance, a robust institutional framework ensured their effective implementation and adherence to ethical principles. Two key institutions stand out in this regard: The Baitul Maal and Maqasid al-Shari'ah.

| Institution | Definition | Purpose |
|---|---|---|
| **Baitul Maal** | Public treasury | Collect and distribute zakat and other revenues |
| **Maqasid al-Shari'ah** | Objectives of Islamic law | Provide the framework for Islamic finance |

Table 2: Financial Institutions in earlier Islamic History

The ethical and institutional framework of early Islamic finance, rooted in Quranic principles and exemplified by its instruments like Zakat, Waqf, and Sadaqa, serves as a crucial foundation for the role of the Islamic Development Bank (IDB) in modern times. The IDB leverages Zakat-like principles by channeling funds from wealthier member states to support development projects in poorer Muslim countries, bridging the economic gap and promoting social welfare. The IDB echoes the spirit of Waqf through long-term investments in infrastructure, education, and healthcare, creating lasting legacies for future generations. This framework serves as a guiding compass for the IDB's operations, ensuring its actions are driven by ethical principles, promote economic justice, and contribute to the sustainable development of Muslim countries in the modern world.

## 2.2 Islamic Development Bank (IDB)

The Islamic Development Bank (IDB) is an international financial institution established in 1975 to foster economic development and social progress in its member countries. The IDB is headquartered in Jeddah, Saudi Arabia, and has 57 member countries. The IDB was founded at the first Conference of Islamic Foreign Ministers held in Jeddah in 1973. The conference was convened in response to the growing economic and social challenges facing the Muslim world. The IDB was created to provide financial assistance to member countries for development projects and to promote economic cooperation among Muslim countries.

| Objectives | Roles |
|---|---|
| **Promote economic development and social progress in member countries** | Provide financial assistance for development projects |
| **Foster economic cooperation among member countries** | Promote economic cooperation among member countries |
| **Provide financial assistance to member countries for development projects** | Provide technical assistance to member countries |
| **Promote the development of Islamic finance** | Conduct research on economic and social development issues |
| | Promote the development of Islamic finance |

Table 3: Objectives and Roles of IDB

The IDB's main activities as multilateral development finance institution focused on Muslim countries include providing financing for development projects, promoting trade and investment, and providing technical assistance to its member countries. The bank has a wide range of financing instruments, including loans, grants, and equity investments. The bank also provides trade finance, such as letters of credit and export guarantees.

| Region | Country |
|---|---|
| **GCC** | Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates |
| **Southeast Asia** | Brunei, Indonesia, Malaysia |
| **South Asia** | Bangladesh, Pakistan, , Maldives |
| **Sub-Saharan** | Benin, Burkina Faso, Cameroon, Chad, Comoros, Côte d'Ivoire, Djibouti, Gabon, Gambia, |

| | |
|---|---|
| **Africa** | Guinea, Guinea-Bissau, Mali, Mauritania, Mozambique, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo, Uganda |
| **Other MENA** | Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia, Turkey, Yemen |
| **Others** | Albania, Afghanistan, Azerbaijan, Guyana, Iran, Kazakhstan, Kyrgyzstan, Suriname, Tajikistan, Turkmenistan, Uzbekistan |

Table 4: Classification of member Muslim countries based on region

The IDB provides funding to member countries based on several considerations, including membership, development needs, project feasibility, repayment capacity, and compliance with sharia. IDB funding has had a positive impact on economic and social development in its member countries (Ardianto, 2023). However, prioritizing the SDGs in project funding is important to achieve sustainable development in Muslim countries. By working together, Muslim countries can overcome the challenges they face and achieve the SDGs

## 2.3 Sustainable Development Goals (SDGs) Countries among Muslim

The Sustainable Development Goals (SDGs), also known as Agenda 2030, are a set of 17 interlinked global goals designed to be a "shared blueprint for peace, prosperity, people and the planet". The SDGs were adopted by all United Nations Member States in 2015, and they build on the Millennium Development Goals (MDGs), which were agreed upon in 2000.

| Goal | Indicator |
|---|---|
| **1. No Poverty** | 1.1. Proportion of population living below the national poverty line |
| **2. Zero Hunger** | 2.1. Prevalence of undernourishment |
| **3. Good Health and Well-being** | 3.1. Age-standardized death rate from communicable diseases, maternal, neonatal and nutritional conditions |
| **4. Quality Education** | 4.1. Proportion of children and young people achieving basic literacy and numeracy skills |
| **5. Gender Equality** | 5.1. Proportion of women in seats in national parliaments |
| **6. Clean Water and Sanitation** | 6.1. Proportion of population using safely managed drinking water services |
| **7. Affordable and Clean Energy** | 7.1. Proportion of population with access to electricity |
| **8. Decent Work and Economic Growth** | 8.5. Average hourly earnings of employees |
| **9. Industry, Innovation and Infrastructure** | 9.4. Proportion of manufacturing establishments using some form of advanced technology |
| **10. Reduced Inequalities** | 10.1. Gini coefficient adjusted for household size |
| **11. Sustainable Cities and Communities** | 11.6. Proportion of urban population living in slums, informal settlements or inadequate housing |
| **12. Responsible Consumption and Production** | 12.2. Material footprint per capita, by material |
| **13. Climate Action** | 13.2. Proportion of national greenhouse gas emissions covered by nationally determined contributions |
| **14. Life Below Water** | 14.1. Proportion of marine fish stocks within biologically sustainable levels |
| **15. Life on Land** | 15.1. Forest area as a proportion of total land area |
| **16. Peace, Justice and Strong Institutions** | 16.3. Proportion of population reporting having felt safe walking alone at night in the city or area where they live |
| **17. Partnerships for the Goals** | 17.1. Official development assistance (ODA) provided by developed countries as a percentage of their gross national income (GNI) |

Table 5: SDGs indicators

Muslim countries have made significant progress in achieving the SDGs. According to the Islamic Development Bank's 2023 SDGs Report (IDB, 2023), the average score for Muslim countries on the SDGs is 61%. This is higher than the global average of 58%.There are a number of factors that have contributed to the progress made by Muslim countries in achieving the SDGs. These include: 1) Strong political commitment to the SDGs, 2) The existence of a number of Islamic development institutions that are working to support the SDGs, like IDB, 3) The active engagement of civil society and the private sector in the SDGs.

However, there are still a number of challenges that need to be addressed in order to achieve the SDGs in Muslim countries. These include: Poverty and inequality, Conflict and instability, and Climate change. Despite these challenges, Muslim countries are committed to achieving the SDGs. The Islamic Development Bank has developed a number of initiatives to support the SDGs in Muslim countries. These include the SDGs Catalytic Fund, which provides financing for SDG-related projects, and the SDGs Knowledge Hub, which provides information and resources on the SDGs.

### 2.4 Sharia of Muslim Countries

Sharia, the Islamic legal system derived from Quranic principles and prophetic traditions, plays a significant role in shaping the legal, social, and economic landscape of Muslim-majority countries. However, accurately measuring the implementation and impact of Sharia across diverse countries poses a complex challenge. Understanding the application and impact of Sharia in Muslim-majority countries is a multifaceted challenge. Two prominent resources used in this endeavor are the State of the Global Economy Index (SGEI) and the Islamic Finance Development Index (IFDI).

Defining Sharia in a singular, universally applicable manner is difficult due to its inherent dynamism and interpretations varying across legal schools and individual jurists. Instead, a scientific approach might consider (IFDI, 2023): Formal Sharia: analyzing the official integration of Sharia principles into constitutions, legal codes, and judicial rulings. This includes examining the scope of Sharia jurisdiction, specific Sharia-based laws, and the institutional structures enforcing them. 2) Social Sharia: assessing the influence of Sharia on social norms, customary practices, and public attitudes. This involves studying social perceptions of Sharia, compliance with Sharia-inspired norms, and the role of religious authorities in shaping social life. 3) aconomic Sharia: Evaluating the application of Sharia principles in economic and financial systems. This entails analyzing Islamic banking and finance instruments, Sharia-compliant investment practices, and the integration of Islamic economic ethics into policymaking.

## 3. RESEARCH METHOD

To rigorously assess the effectiveness of the IDB's interventions across diverse Muslim countries, this research employs a robust quantitative approach anchored in strong data collection and meticulous statistical analysis. We will collect a comprehensive dataset comprising:

- Total funding provided by the IDB to each Muslim country, ensuring accurate capturing of IDB's financial commitment across regions. The data was taken from IDB Open Data Portal
- Official SDG scores for each Muslim country, drawing upon internationally recognized metrics to gauge progress towards sustainable development goals. The data was taken from The SDG Global Index.
- Islamic Finance Development Index (IFDI) data for each Muslim country, reflecting the level of compliance with Islamic economic principles within each region. The data was taken from ICD-LSEG Islamic Finance Development Report 2022.

These are the research question and its associated sub-questions to aim to delve into the multifaceted impact of IDB interventions across diverse Muslim countries, using a quantitative lens grounded in comprehensive data collection and rigorous statistical analysis. The goal is to provide nuanced insights into the effectiveness of IDB's initiatives in promoting sustainable development and adherence to Islamic economic principles within the targeted regions.

| Research Question | Focus | Independent Variable | Dependent Variable |
|---|---|---|---|
| **Does regional difference cause differences in Total Funding by IDB in Muslim countries?** | IDB Funding | Region | Total Funding by IDB (in Million USD) |
| **Does regional difference cause differences in the SDG Score of Muslim Countries?** | SDG Progress | Region | SDG Score (Overall or specific indicators) |
| **Does regional difference cause differences in the development of Islamic Finance in Muslim countries?** | Islamic Finance Development | Region | Islamic Finance Development Indicator (e.g., financial assets, market share) |

Table 6: Research Question

With the data aggregated within the pre-defined regional categories (GCC, Southeast Asia, South Asia, Sub-Saharan Africa, other MENA, others), we can embark on in-depth statistical analysis. Descriptive statistics will paint a clear picture of IDB's funding distribution, SDG progress, and Shariah compliance within each region. This initial visualization will be followed by inferential statistics, including ANOVA and t-tests, to rigorously test for significant differences among regions in these crucial variables.

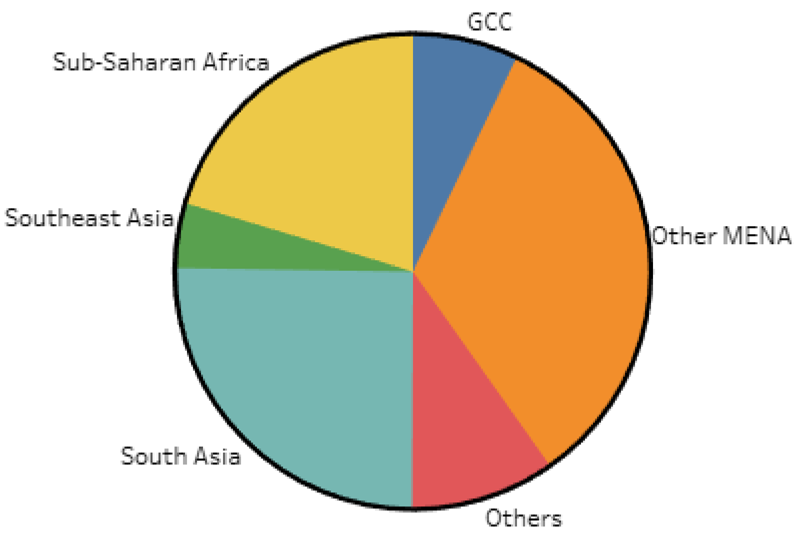
The data covers the total funding, SDG scores, and Shariah Index (IFDI) of Muslim countries by region. To conduct a regional analysis using Analysis of Varian ANOVA. In the context of ANOVA, the Shapiro-Wilk test is used to assess whether the data set for each group is normally distributed. The homogeneity of variance test is used to assess whether the variances of the data sets for the different groups are equal.

Moving beyond comparisons, regression analysis will delve deeper to explore the intricate relationship between IDB funding and SDG outcomes. By controlling for regional variations and accounting for potential confounding factors, this sophisticated technique will illuminate the nuanced impact of IDB's support on achieving specific sustainable development goals across diverse Muslim contexts. This data-driven quantitative approach provides a robust foundation for understanding the effectiveness of the IDB. By applying established statistical methods and drawing upon reliable datasets, we aim to ensure the scientific rigor and objectivity of our research findings, ultimately shedding light on the IDB's role in advancing development across the Muslim world.

## 4. RESULT AND DISCUSSION

### 4.1 Data Description

Our research embarks on a captivating statistical voyage, delving into the intricate relationship between the Islamic Development Bank (IDB) and its support for Muslim nations. Armed with robust data encompassing funding allocations, SDG progress, and Shariah compliance across pre-defined regional categories, we embark on a meticulous analysis to illuminate the landscape of development within these diverse geographies. Initially, descriptive statistics will act as our artistic brushstrokes, painting a vivid picture of the IDB's funding distribution, SDG progress, and Shariah compliance for each region. This initial visualization serves as a foundational map, revealing regional tendencies and disparities.




Graph 1 : Total Funding by Muslim Regions

From the pie chart above, it can be seen at first glance that the Other Mena region is the largest recipient of funding at 55%. Funding per region is as follows:

- GCC: $11.86 billion

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- Southeast Asia: $7.25 billion
- South Asia: $41.60 billion
- Sub-Saharan Africa: $33.64 billion
- Other Mena: $54.57 billion
- Others: $16.26 billion

This is interesting because of the fact that the more countries in a region, the greater the likelihood of receiving funding for regional development. However, the purpose of IDB funding is not solely transactional. It is therefore important to consider how far the region has developed in terms of Islamic law and socioeconomics. This can be determined by conducting the following statistical tests: Delving into regional funding differences demands caution before diving into ANOVA. We'll first ensure normality of data within each region using the Shapiro-Wilk test, and test for variance equality across regions with Levene's test. If these checks pass, ANOVA will reveal significant disparities and pinpoint regions receiving disproportionate shares. Exploring factors like region size, poverty, and development goals will then illuminate the potential reasons behind these funding patterns.

## 4.2 Data Analyzing

**Normality Test**

Normality tests are used to assess whether the data in a sample is normally distributed. This is important because many statistical tests, such as ANOVA, assume that the data is normally distributed. If the data is not normally distributed, then the results of these tests may not be accurate.

**Tests of Normality**

| | Region by Muslim Countries | Kolmogorov-Smirnov[a] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|---|
| | | Statistic | df | Sig. | Statistic | df | Sig. |
| Total Funding by IDB (in Billion Dollar) | GCC | .350 | 6 | .021 | .777 | 6 | .036 |
| | Sotheast Asia | .335 | 3 | . | .858 | 3 | .262 |
| | South Asia | .199 | 3 | . | .995 | 3 | .865 |
| | Sub-Saharan Africa | .165 | 22 | .122 | .890 | 22 | .019 |
| | Other MENA | .273 | 12 | .014 | .749 | 12 | .003 |
| | Others | .269 | 11 | .025 | .732 | 11 | .001 |
| SDG Score | GCC | .169 | 6 | .200* | .951 | 6 | .745 |
| | Sotheast Asia | .363 | 3 | . | .802 | 3 | .119 |
| | South Asia | .201 | 3 | . | .994 | 3 | .856 |
| | Sub-Saharan Africa | .121 | 22 | .200* | .960 | 22 | .492 |
| | Other MENA | .261 | 12 | .024 | .765 | 12 | .004 |
| | Others | .334 | 11 | .001 | .671 | 11 | <,001 |
| Average Islamic Finance Development Indicator | GCC | .156 | 6 | .200* | .981 | 6 | .955 |
| | Sotheast Asia | .253 | 3 | . | .964 | 3 | .637 |
| | South Asia | .175 | 3 | . | 1.000 | 3 | 1.000 |
| | Sub-Saharan Africa | .148 | 22 | .200* | .912 | 22 | .053 |
| | Other MENA | .105 | 12 | .200* | .946 | 12 | .574 |
| | Others | .139 | 11 | .200* | .948 | 11 | .622 |

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Table 7: Processed Data Normality Test Results

The table presents the results of normality tests (Shapiro-Wilk) applied to three variables across different regions of Muslim countries receiving IDB funding: Total Funding by IDB (in Billion Dollar), SDG Score, & Average Islamic Finance Development Indicator. he normality test results show that for most regions, SDG scores and Islamic finance development indicators seem closer to a normal distribution. However, funding distribution across most regions deviates from normality to have sig > 0,05. While some regional funding distributions appear to deviate from perfect normality, further statistical exploration will proceed, considering both parametric and non-parametric approaches. Specifically, for variables exhibiting near-normality (SDG scores and Islamic finance development indicators in most regions), we will employ an analysis of variance (ANOVA) while also investigating the robustness of results using Levene's test for homogeneity of variance and Welch's correction for ANOVA.

**Homogeneity Test**

Levene's test used be employed to assess whether the variances within each region are statistically equal. If significant differences are detected, the validity of ANOVA results becomes questionable.

**Tests of Homogeneity of Variances**

| | | Levene Statistic | df1 | df2 | Sig. |
|---|---|---|---|---|---|
| Total Funding by IDB (in Billion Dollar) | Based on Mean | 7.870 | 5 | 51 | <,001 |
| | Based on Median | 4.182 | 5 | 51 | .003 |
| | Based on Median and with adjusted df | 4.182 | 5 | 16.754 | .012 |
| | Based on trimmed mean | 6.836 | 5 | 51 | <,001 |
| SDG Score | Based on Mean | 4.552 | 5 | 51 | .002 |
| | Based on Median | 1.597 | 5 | 51 | .178 |
| | Based on Median and with adjusted df | 1.597 | 5 | 23.137 | .200 |
| | Based on trimmed mean | 4.031 | 5 | 51 | .004 |
| Average Islamic Finance Development Indicator | Based on Mean | 3.507 | 5 | 51 | .008 |
| | Based on Median | 3.087 | 5 | 51 | .016 |
| | Based on Median and with adjusted df | 3.087 | 5 | 38.355 | .019 |
| | Based on trimmed mean | 3.494 | 5 | 51 | .009 |

Table 8: Processed Data Homogeneity Test Results

Based on the Levene's test results alone, a definitive picture of homogeneity across all regions remains elusive. However, some insights can be gleaned: Total Funding by IDB shows the significant p-value (< 0.001) indicates strong evidence against homogeneity. Variances in funding likely differ significantly across regions, suggesting limitations for direct ANOVA comparisons. SDG Score shows the non-significant p-value (0.200) leans towards homogeneity of variances. This paves the way for potential ANOVA use for comparing SDG scores across all regions, but further checks like F-ratio analysis in ANOVA are still crucial & Average Islamic Finance Development Indicator shows the significant p-value (0.019) again reveals heterogeneity in variances. Similar to total funding, direct ANOVA comparisons require caution, and alternative approaches like Welch's ANOVA or non-parametric tests might be necessary.

**ANOVA Test**

In scientific research, comparing the means of multiple groups often lies at the heart of investigations. This is where the Analysis of Variance (ANOVA) shines. Essentially, it's a statistical workhorse that allows to assess whether observed differences in group means are likely due to chance or reflect genuine underlying differences.

**ANOVA**

| | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Total Funding by IDB (in Billion Dollar) | Between Groups | 462.793 | 5 | 92.559 | 6.483 | <,001 |
| | Within Groups | 728.157 | 51 | 14.278 | | |
| | Total | 1190.950 | 56 | | | |
| SDG Score | Between Groups | 2181.836 | 5 | 436.367 | 7.512 | <,001 |
| | Within Groups | 2962.471 | 51 | 58.088 | | |
| | Total | 5144.306 | 56 | | | |
| Average Islamic Finance Development Indicator | Between Groups | 14703.693 | 5 | 2940.739 | 492.452 | <,001 |
| | Within Groups | 304.553 | 51 | 5.972 | | |
| | Total | 15008.246 | 56 | | | |

Table 8: Processed Data ANOVA Test Results

The analysis conducted using Analysis of Variance (ANOVA) reveals statistically significant differences in the Total Funding by IDB, SDG Score, and Average Islamic Finance Development Indicator across different regions. The factor considered in this analysis is the "Region," and the dependent variables include Total Funding, SDG Score, and Average Islamic Finance Development Indicator. The significance levels (Sig.) for each factor are less than 0.001, indicating strong evidence to reject the null hypothesis of equal means.

## 4.3 Discussion

The research questions outlined aim to investigate the potential impact of regional differences on various aspects within Muslim-majority countries. The purpose of this research is to answer the following questions and then provide an interpretation of the results regarding the effectiveness of the IDB's role in Muslim countries by region

**Regional differences cause differences in Total Funding by IDB Muslim Countries**

Investigation used whether regional variations significantly impact IDB funding allocation. Utilizing statistical analysis, we will assess whether specific regions consistently receive more or less funding compared to others. Identifying such patterns could reveal potential biases in funding distribution and necessitate addressing them to ensure equitable access across Muslim countries.

**Total Funding by IDB (in Billion Dollar)**

Tukey HSD[a,b]

| Region by Muslim Countries | N | Subset for alpha = 0.05 1 | 2 |
|---|---|---|---|
| Others | 11 | 1.47773 | |
| Sub-Saharan Africa | 22 | 1.52886 | |
| GCC | 6 | 1.97667 | |
| Sotheast Asia | 3 | 2.41633 | |
| Other MENA | 12 | 4.54725 | |
| South Asia | 3 | | 13.86667 |
| Sig. | | .744 | 1.000 |

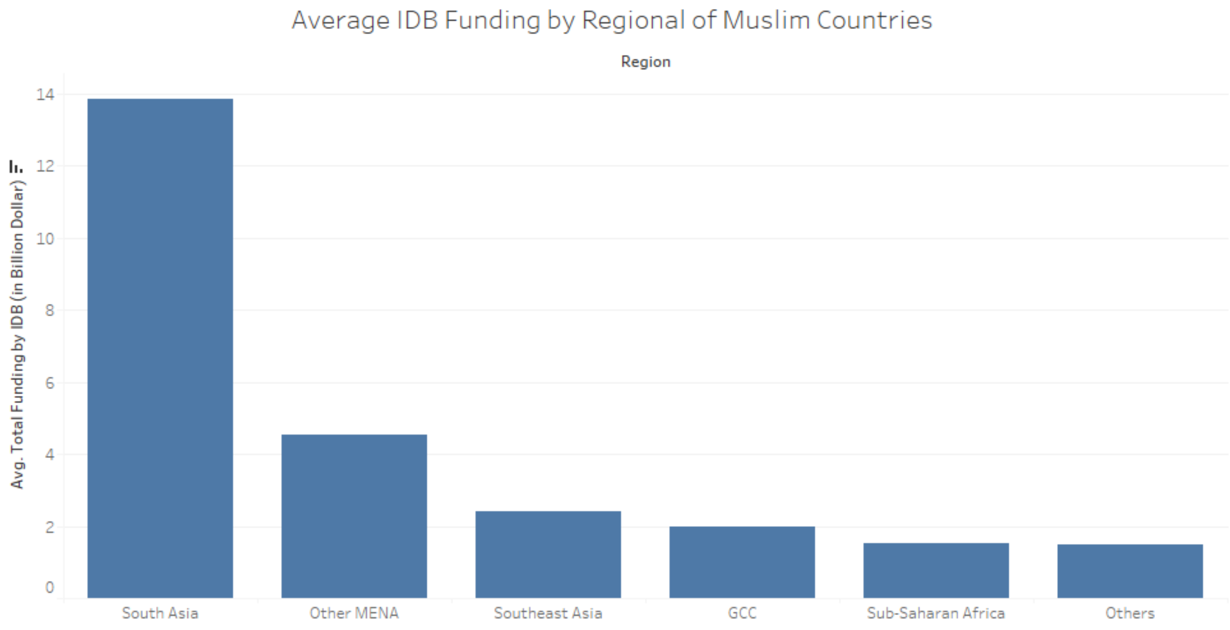
Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 5.698.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Table 9: Processed Data Tukey (Total Funding)

The provided table presents the results of a Tukey Honestly Significant Difference (HSD) test conducted on Total Funding by the Islamic Development Bank (IDB) across different regions in Muslim countries. The test aimed to identify significant differences in the mean total funding between these regions. The regions considered are "Others," "Sub-Saharan Africa," "GCC" (Gulf Cooperation Council), "Southeast Asia," "Other MENA" (Middle East and North Africa), and "South Asia." The results indicate that there are significant differences in the mean total funding across the specified regions. The mean total funding for each region is presented, with values ranging from 1.47773 billion dollars in the "Others" category to 13.86667 billion dollars in "South Asia." The statistical significance of these differences is reflected in the significance levels (Sig.), where values are reported for each pair of regions. Notably, the Tukey HSD test suggests that the mean total funding in South Asia is significantly different from the mean total funding in the other regions, as evidenced by the high significance level (Sig. = 0.000). In contrast, the means of the other regions do not show statistically significant differences among themselves.




Graph 2 : Processed Data Visualization (Average Total Funding)

The data provided presents a comprehensive overview of total funding allocations from the International Development Bank (IDB) across different regions. The regions in focus include the Gulf Cooperation Council (GCC), Southeast Asia, South Asia, Sub-Saharan Africa, Other Middle East and North Africa (MENA), and a category simply labeled as "Others." Starting with the GCC, the total funding distributed in billions of dollars ranges from 0.379 to 5.6, with an average funding amount of approximately 1.925 billion dollars. This suggests a relatively consistent level of financial support within the GCC region, albeit with some variations. Moving on to Southeast Asia, the funding amounts exhibit a wider range, from 0.01 to 6.3 billion dollars. The average funding in this region is around 2.783 billion dollars, highlighting a significant disparity in financial assistance.

**Regional differences cause differences in the SDG Score of Muslim Countries**

The inquiry explores the association between region and SDG progress. Do regional differences play a role in countries' advancement towards achieving these globally defined goals? By analyzing SDG indicator data alongside regional classifications, we aim to uncover potential disparities in areas like poverty reduction, education access, and environmental sustainability. Understanding these variations can guide targeted interventions and support initiatives tailored to the specific needs of different regions.

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**SDG Score**

Tukey HSD[a,b]

| Region by Muslim Countries | N | Subset for alpha = 0.05 | |
|---|---|---|---|
| | | 1 | 2 |
| Sub-Saharan Africa | 22 | 53.9477 | |
| Other MENA | 12 | 61.8175 | 61.8175 |
| South Asia | 3 | 65.3733 | 65.3733 |
| GCC | 6 | 66.7333 | 66.7333 |
| Sotheast Asia | 3 | | 68.5733 |
| Others | 11 | | 68.7145 |
| Sig. | | .068 | .649 |

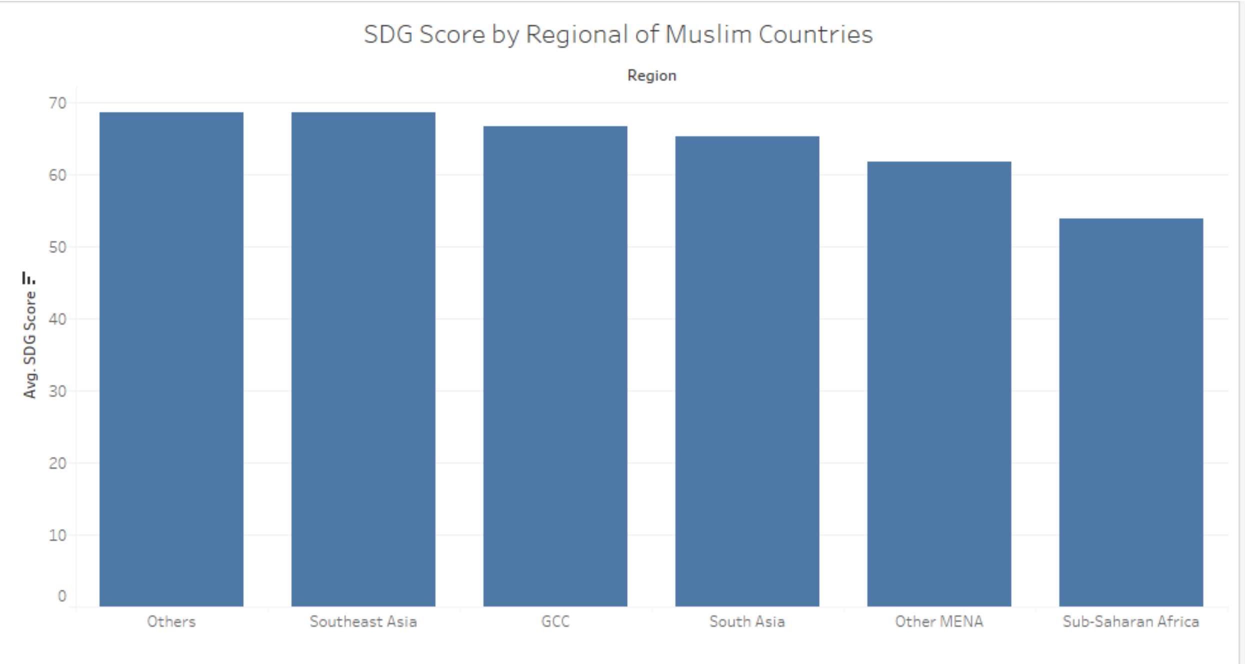
Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 5.698.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Table 10: Processed Data Tukey (SDG Score)

The table above provides information on the SDG (Sustainable Development Goals) Scores among Muslim countries based on different regions. The Tukey HSD (Honestly Significant Difference) test was conducted to examine the differences in SDG Scores between these regions.Regional differences cause differences in Muslim Countries.




Graph 3 : Processed Data Visualization (SDG Score)

The table shows that there are significant differences in SDG scores between regions. Sub-Saharan Africa has the lowest SDG score, at 53.95. This is followed by Other MENA with a score of 61.82. South Asia has the highest SDG score, at 65.37. GCC and Southeast Asia also have relatively high SDG scores, at 66.73 and 68.57, respectively. These findings suggest that Sub-Saharan Africa is lagging behind other regions in achieving the SDGs. This is likely due to a number of factors, including poverty, conflict, and climate change. Other MENA and South Asia are also performing below the global average. GCC and Southeast Asia are performing better, but there is still room for improvement.

**Regional differences cause differences in Islamic Finance Development Indicator**

**Average Islamic Finance Development Indicator**

Tukey HSD[a,b]

| Region by Muslim Countries | N | Subset for alpha = 0.05 | | | | |
|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 |
| Sub-Saharan Africa | 22 | 3.36 | | | | |
| Others | 11 | 3.64 | | | | |
| Other MENA | 12 | | 14.58 | | | |
| South Asia | 3 | | | 21.00 | | |
| Sotheast Asia | 3 | | | | 28.67 | |
| GCC | 6 | | | | | 55.33 |
| Sig. | | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |

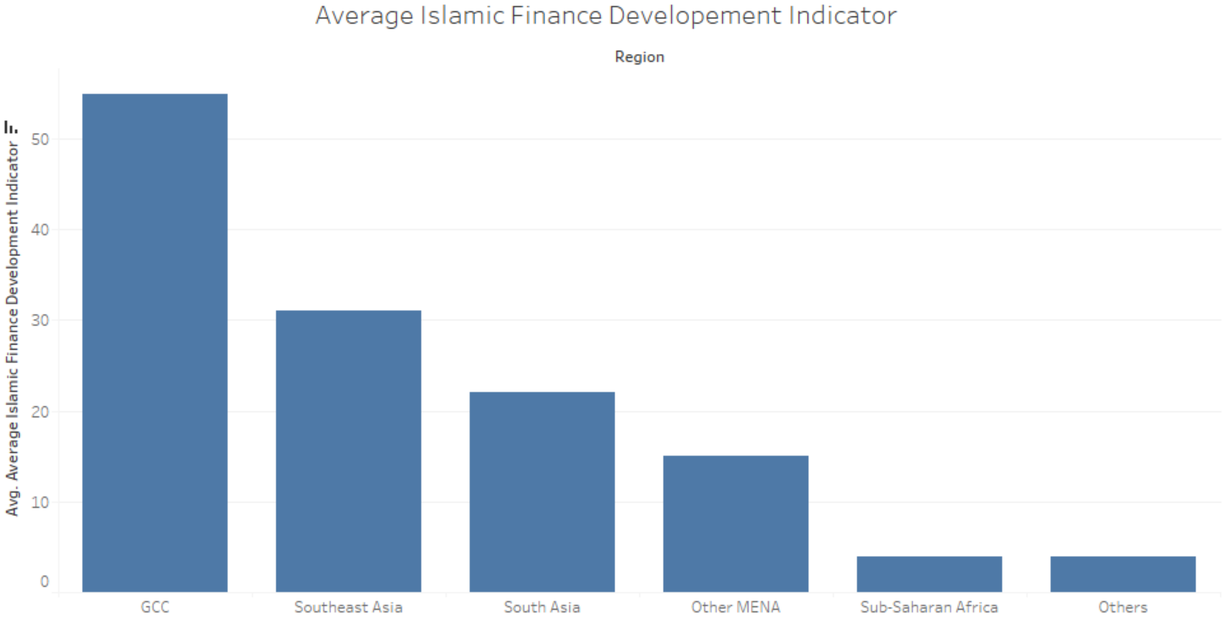
Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 5.698.

b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Table 10: Processed Data Tukey (IFDI)

The provided output appears to be the result of a Tukey Honestly Significant Difference (HSD) test, which is commonly used in analysis of variance (ANOVA) to identify significant differences in means between multiple groups. In this case, the groups represent different regions of Muslim countries based on the Islamic Finance Development Indicator (IFDI). Based on the provided output, the Tukey HSD test did not find any statistically significant differences in the average IFDI scores between the regional groups of Muslim countries. Therefore, the conclusion is that, according to this analysis, the IFDI scores do not differ significantly across the listed regions. The p-values are all very high (1.000), suggesting that any observed differences could likely be due to random variation rather than true differences between the groups.




Graph 4 : Processed Data Visualization (IFDI)

The dataset reveals significant variations in the Islamic Finance Development Indicator (IFDI) scores across diverse regions, shedding light on the economic adherence to Islamic principles within each geographical area. Notably, the Gulf Cooperation Council (GCC) countries exhibit a remarkably consistent and high average IFDI score of 55. This uniformity suggests a strong and unified commitment to Islamic economic principles within the GCC region. Conversely, Southeast Asian countries also demonstrate consistency but at a lower average IFDI score of 31, indicating a somewhat lower level of adherence compared to the GCC. South Asian nations follow suit with a consistent average IFDI score of 22, portraying a further decrease in economic adherence to Islamic principles. In contrast, Sub-Saharan African countries display a consistent, yet considerably lower, average IFDI score of 4. This finding implies a relatively modest integration of Islamic economic principles within the economic frameworks of the Sub-Saharan African nations. Other MENA countries, encompassing the Middle East and North Africa, present an intermediate scenario with an average IFDI score of 15. This indicates a moderate level of economic adherence to Islamic principles within this group, falling between the higher scores of GCC and the lower scores observed in Sub-Saharan Africa. The "Others" category, comprising countries not explicitly categorized into the aforementioned regions, also shows a consistent but relatively low average IFDI score of 4. This suggests a pattern of economic adherence similar to that observed in Sub-Saharan Africa. Overall, the statistical analysis of IFDI scores underscores substantial regional disparities in the economic adherence to Islamic principles, providing valuable insights into the varying degrees of integration and commitment across different Muslim-majority regions.

### 4.4 Ideal Role of Islamic Development Bank

The Islamic Development Bank (IDB) plays a crucial role in supporting the development of Muslim-majority countries. To maximize its impact, the IDB should carefully consider its priorities in terms of Muslim countries' development and promoting the Islamic economics ecosystem.

Addressing regional disparities is a crucial aspect of the IDB's strategy for Muslim countries' development. Our analysis underscores significant gaps in IDB funding, SDG progress, and the advancement of Islamic finance across regions. To promote fairness, the IDB should prioritize resource allocation based on need and potential impact, ensuring that support is accessible equitably across all Muslim-majority regions (IsDB, 2021). With South Asia facing substantial development challenges despite receiving the highest funding, it could be a key focus area. Additionally, prioritizing specific development goals aligned with poverty reduction, education access, and environmental sustainability, in line with the SDGs, can enable Muslim-majority countries to make tangible progress on multiple fronts. Strengthening institutional capacity is paramount for long-term development, and the IDB can play a pivotal role by offering technical assistance and capacity building programs to enhance governance, financial management, and other critical areas, empowering countries to effectively manage resources and achieve sustainable development.

The IDB holds a pivotal role in advancing the Islamic economics ecosystem through various initiatives (SGIE, 2023). It can actively contribute by innovating and promoting Islamic finance instruments tailored to the distinct needs of Muslim-majority nations, encompassing areas like infrastructure financing, microfinance, and social development projects. By broadening the spectrum of Islamic finance options, the IDB fosters financial inclusion and stimulates economic growth. Additionally, the IDB can offer technical assistance and capacity building to enhance the regulatory frameworks, risk management practices, and product portfolios of Islamic financial institutions in these nations, thereby fortifying the overall Islamic finance ecosystem. Investing in research and education pertaining to Islamic economics and finance, such as supporting academic institutions, conducting relevant research, and developing educational programs, will further augment knowledge and expertise, ensuring the sustained growth and viability of the sector (Hannase etc., 2020).

To fulfill its optimal role, the IDB must strategically prioritize funding, considering factors such as maximizing development impact through data-driven assessments of need and potential impact, giving higher priority to regions lagging in SDG progress or Islamic finance development. Equitable access to resources for all Muslim-majority countries, not just the highest-funded ones, should be ensured. Additionally, the IDB can enhance effectiveness by exploring innovative financing mechanisms like public-private partnerships to leverage resources more efficiently and foster greater development impact. By concentrating on these priorities, the IDB can further catalyze positive change in Muslim countries, contributing to overall development and the growth of the Islamic economics ecosystem, ultimately benefiting millions worldwide.

## 5. CONCLUSION

This research embarked on a journey to uncover the intricate relationship between the Islamic Development Bank (IDB) and its support for Muslim nations. Using robust data and meticulous analysis, the research unveiled significant regional disparities in funding allocations, SDG progress, and the adoption of Islamic finance principles.

**Findings:**

- Funding Distribution: South Asia received the highest funding, but significant disparities exist, with Sub-Saharan Africa receiving comparatively less.
- SDG Progress: Regions like Sub-Saharan Africa and Other MENA have lower SDG scores compared to GCC and Southeast Asia.
- Islamic Finance Development: The Gulf Cooperation Council exhibits the highest adherence to Islamic economic principles, while Sub-Saharan Africa shows the lowest.

**Implications for the IDB:**

- Address Regional Disparities: Prioritize resource allocation based on need and potential impact, ensuring equitable access across all regions.
- Focus on Specific Development Goals: Align funding with priority goals like poverty reduction, education access, and environmental sustainability.
- Strengthen Institutional Capacity: Offer technical assistance and capacity building programs to enhance governance and financial management.
- Advance Islamic Finance Ecosystem: Innovate and promote Islamic finance instruments, strengthen regulatory frameworks, and invest in research and education.

**Moving Forward:**

The IDB has a crucial role to play in fostering development and prosperity across Muslim-majority nations. By strategically prioritizing funding, aligning with development goals, and strengthening institutional capacity, the IDB can maximize its impact and empower Muslim countries to achieve progress on multiple fronts. This, in turn, will contribute to overall development and the growth of the Islamic economics ecosystem, ultimately benefiting millions worldwide.

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