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NEW ISLAMIC ECONOMIC INDEX

Abstract:

The Islamic economic index developed by Rehman and Askari (2010) has many limitations. This paper proposes new Islamic economic index and overcomes the limitations of Rehman and Askari (2010). Our proposed index IFI index is constructed by using principal component analysis (PCA). The PCA allows us to reduce the correlated observed variables to a smaller set of independent composite variables. Our proposed index has three main areas, namely, economic opportunities, economic freedom and social infrastructure. Our main result surprisingly shows that the first 15 countries out of a total of 132 countries are not part of the organization of Islamic cooperation, where Finland topped up the first place in the application of indicators of the Islamic economy for 2016.

Keywords:

Islamic Economic; Voice and Accountability; Government Effectiveness; Regulatory Quality; Rule of Law; Control of Corruption; Gender Equality; Human Development; Islamic Finance Country; Monopoly Index.