

Integrating Maqāshid al-Syarī'ah into Human Capital: A Solow Growth Model Analysis of Real GDP per Capita in OIC Member Countries

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ABSTRACT

This study advances the augmented Solow growth framework by reconceptualising labour as value-based human capital through its interaction with a Maqashid al-Shari'ah index. Rather than treating labour as a homogeneous and exogenous input, the model introduces a labour-augmenting productivity mechanism in which ethical, social, and human-development dimensions determine the effectiveness of the workforce. Using panel data for 48 OIC countries over the period 2014–2023, the Maqashid index is constructed via principal component analysis based on the five objectives of Maqashid al-Shari'ah and is interacted with the labour force participation rate (LFPR) within a fixed-effects specification. The results show that LFPR in its conventional quantitative form is not associated with income differences across countries, whereas its interaction with the Maqāsid index is positive and robust across alternative estimators (PCSE, FGLS, and Driscoll–Kraay). This finding indicates that Maqashid- based human development operates as a labour-augmenting technology that raises total factor productivity rather than merely increasing factor accumulation. By endogenising labour quality within the Solow framework, this study provides a new empirical growth mechanism that links value-oriented human development to long-run income differences. The results imply that growth strategies in OIC countries should shift from labour expansion toward the formation of value-embedded human capital to achieve inclusive and sustainable development.

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