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Islamic Foundations of International Trade and Economic Growth: A Panel Data Analysis of Necessities, Needs, and Luxuries

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Abstract. *This study aims to empirically validate the theoretical foundations of Islamic international trade through a panel data approach. Building upon Islamic economic principles, particularly Al-Shatibi's classification of human needs, we investigate the impact of exports and imports categorized into necessities, needs, and luxuries on GDP growth. A panel dataset covering 53 developing and 28 developed countries over the 2005–2015 period is analyzed. Using Herfindahl-Hirschman Index to measure monopolistic competition, the study employs fixed effects panel regression models. The findings reveal that international trade according to the priorities concept of Al-Shatibi has a significant influence on economic growth, with varying impacts across categories and regions. This paper contributes to bridging Islamic trade ethics with modern empirical economics.*

Keywords: *Islamic Economics, International Trade, Al-Shatibi, Panel Data, Economic Growth, Monopolistic Competition*

Abstrak. *Penelitian ini bertujuan untuk memvalidasi secara empiris landasan teoretis dari perdagangan internasional Islam melalui pendekatan data panel. Berdasarkan prinsip-prinsip ekonomi Islam, khususnya klasifikasi kebutuhan manusia menurut Al-Shatibi, kami meneliti dampak ekspor dan impor yang dikategorikan ke dalam kebutuhan pokok, kebutuhan sekunder, dan kemewahan terhadap pertumbuhan Produk Domestik Bruto (PDB). Dataset panel yang mencakup 53 negara berkembang dan 28 negara maju selama periode 2005–2015 dianalisis. Dengan menggunakan Indeks Herfindahl-Hirschman untuk mengukur tingkat persaingan monopolis, studi ini menerapkan model regresi data panel dengan efek tetap (fixed effects). Temuan penelitian menunjukkan bahwa perdagangan internasional berdasarkan konsep prioritas dari Al-Shatibi memiliki pengaruh yang signifikan terhadap pertumbuhan ekonomi, dengan dampak yang berbeda-beda tergantung pada kategori dan wilayah. Artikel ini berkontribusi dalam menjembatani etika perdagangan Islam dengan ekonomi empiris modern.*
Kata kunci: *Ekonomi Islam, Perdagangan Internasional, Al-Shatibi, Data Panel, Pertumbuhan Ekonomi, Persaingan Monopolis*

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Introduction

Global trade has undergone major transformations over the last decades, driven by technological change, geopolitical shifts, and the growing complexity of supply chains. Theoretical developments, particularly the New Trade Theory and models involving monopolistic competition, have significantly contributed to our understanding of international trade. However, these models often overlook the ethical and moral dimensions of trade that are emphasized in Islamic economic thought.

In modern and traditional literatures, there are numerous studies that adopt comparative, analytical, and even critical approaches to traditional international trade theories from an Islamic perspective. These studies have also been pursued by economists and modern Islamic economics researchers. However, most of the studies in the literature have focused merely on seeking fiqh-based solutions either at the level of import and export conditions or in terms of financial products that do not comply with Shariah rules, rather than attempting to develop a distinct and applicable Islamic framework within international economic theory. The aspect that considers the theoretical foundations of Islamic international trade and its empirical analysis has been largely neglected. At this level, this paper adopts a faith-based economic framework grounded in Al-Shatibi's maqasid-based categorization of goods. We propose a unique approach to linking Islamic economic principles with empirical panel data models to explore how trade in different categories of goods affects national economic growth. By integrating the concept of necessities (daruriyyat), needs (hajiyyat), and luxuries (tahsiniyyat) into modern trade models, we aim to offer fresh insights into the policy implications of trade in Muslim-majority countries and beyond.

The integration of Islamic principles into economic theory has opened new avenues for examining global trade dynamics. Islamic international trade theory emphasizes ethical considerations and categorizes human needs based on Al-Shatibi’s framework into necessities (daruriyyat), needs (hajiyyat), and luxuries (tahsiniyyat). While modern international trade theory has evolved to

include monopolistic competition and intra-industry trade, few empirical studies have linked these with Islamic economic models. This paper aims to empirically test the relationship between categorized trade flows and economic growth, using a panel data approach and Islamic categorization of goods. Our findings indicate that incorporating Al-Shatibi's principle of prioritization into international trade practices significantly enhances countries' GDP, thereby contributing to the overall social welfare of societies.

The rest of this article is organized as follows: the next section reviews the relevant literature, followed by the data and methodology; then, the empirical results are presented, discussed, and finally, the article concludes with key findings and policy implications.

Literature Review

Existing literature on monopolistic competition and international trade includes seminal works by Helpman (1981), Feenstra (2010), and Debaere (2005). These studies reveal that trade under monopolistic competition models yields productivity gains and enhances welfare. Few studies, however, bridge this with Islamic economics. Recent literature such as Tabarki (2020), Soukup et al. (2014), and Feenstra and Kee (2008) support the significance of diversified trade in stimulating growth.

The pioneering sources of Islamic jurisprudence have significantly addressed international trade and its related rulings. The core idea was discussed by Ibn Khaldun in his great work Muqaddimah (2004), positioning him among the major founders of the theoretical components of foreign trade—alongside classical school pioneers such as Adam Smith and David Ricardo. Imam Al-Ghazali (1058–1111), who held specific views on the concept of specialization, examined the distinction between industries and crafts that specialized each group within the Ummah in certain products, thereby enhancing equality and integration among them (Al-Ghazali A. Ḥ., 2023). Ibn Taymiyyah also discussed the principle of specialization and regarded it as one of the duties of the Islamic state (Mahmoud S. F., 2005). Imam Al-Shatibi, Ibn

Qudamah, Abu Ya'la al-Farra, Mujahid ibn Jabr, and others have also discussed foreign trade and addressed the principle of prioritization in commercial activities. They emphasized that a specific classification based on public interest should be followed in trade exchanges.

Tabarki (2020) evaluated the relationship between international trade under monopolistic competition and consumer preferences, as well as its overall impact on social welfare. The results revealed that while the demand curve plays a critical role in directing the outcomes of comparative statics and determining the structure and magnitude of welfare gains from trade, the types of preferences have only secondary importance in terms of welfare. Soukup, Brčák, and Svoboda (2014) attempted to assess the behavior of international agricultural firms using a monopolistic competition model based on optimizing the number of firms best suited to meet the needs of international trade in the agricultural sector. The observed outcome of this analysis demonstrated that the entry of new firms—and thus new product varieties—into the market reduces costs for farmers by creating economies of scale, thereby validating the model. Studies such as Hummels and Levinsohn (1995) have empirically tested whether trade volumes among OECD countries are consistent with a model based on intra-industry trade in differentiated products. One such study, Debaere (2005), used panel estimations to show that intra-industry trade is widespread among OECD countries but less prevalent in non-OECD countries. This study is based on Helpman's (1985) model. Feenstra and Kee (2008) evaluated monopolistic competition with heterogeneous firms and endogenous productivity, showing that export variety positively affects a well-defined GDP function. Estimates from panel data indicated that increases in export variety boost the productivity of exporters. Feenstra (2010) mathematically demonstrated that gains from trade under monopolistic competition can be measured using CES and translog utility functions. Mayer, Stadler, and Hautz (2015), using a panel of American and European firms, found that growth is positively affected in cases of high product variety, while it is negatively impacted in cases of low variety. Parenti, Ushchev, and Thisse

(2017) expanded existing monopolistic competition models in the literature by introducing a flexible framework that incorporates new conceptual components of demand and competition. Other studies have also examined financial aspects. Chatterjee and Wernerfelt (1991), in investigating the main determinants of diversification strategy, found a strong relationship between intangible assets and diversification using a hierarchical regression analysis. They showed this relationship to be more pronounced for high-performing firms compared to low-performing ones.

Mogoe (2014) used a model to examine the impact of international trade on economic growth in South Africa. Abdullahi, Safiyanu, and Soja (2016) evaluated the same model type in the West African region, using exchange rate, import and export ratios as independent variables, and GDP growth as the dependent variable—however, excluding the inflation rate. Following the studies of Edwards (1998) and Obadan (2008), Obadan and Elizabeth (2010) adopted a similar approach by using openness rate, foreign and domestic investment, and political stability as independent variables, while consistently treating GDP growth as an endogenous variable. In addition, Malefane and Odhiambo (2018) used a similar approach by adding government consumption and financial development rate.

Al-Shatibi's framework, although commonly discussed in Islamic jurisprudence, has not been quantitatively applied to international trade. This research attempts to fill that gap by integrating Islamic classifications into trade-growth models

Data and Methodology

This study uses a balanced panel dataset of 81 countries (53 developing and 28 developed) from 2005 to 2015. The primary variables include GDP growth, exchange rate, inflation, and detailed export and import data classified by economic sectors. Each sector is aligned with Al-Shatibi's needs classification: agriculture, pharmaceuticals, and clothing as necessities; steel, oil, and transportation as needs; and textiles and telecommunication

equipment as luxuries. The Herfindahl-Hirschman Index (HHI) is used to identify monopolistic competition conditions across the countries. If a country's trade portfolio is highly diversified and exhibits characteristics of monopolistic competition, its Herfindahl-Hirschman Index (HHI) value will be close to 0. Conversely, as the HHI value approaches 1, it indicates that the country's foreign trade is highly concentrated in a few markets, reflecting weak monopolistic competition.

First Category: Developing Countries

Albania, Belarus, Botswana, Honduras, Mongolia, Colombia, Ecuador, Gabon, Kyrgyzstan, Ghana, Lebanon, Thailand, Kenya, Kazakhstan, Vietnam, Zimbabwe, Georgia, Eswatini, Cameroon, North Macedonia, Costa Rica, Philippines, Russian Federation, Mexico, Bulgaria, India, Brazil, China, Iran, Argentina, Turkey, Egypt, Ukraine, Indonesia, Malaysia, Pakistan, Bosnia and Herzegovina, Morocco, Algeria, Peru, Paraguay, Qatar, Bahrain, Saudi Arabia, United Arab Emirates, Uruguay, Chile, Poland, Hungary, Romania, Trinidad and Tobago, Ivory Coast, Venezuela

Second Category: Developed Countries

France, Germany, United Kingdom, United States of America, Canada, Switzerland, Italy, Denmark, Spain, Belgium, Japan, Australia, Netherlands, Croatia, Austria, South Korea, Norway, Portugal, Greece, Slovenia, Iceland, Luxembourg, Ireland, Czech Republic, Lithuania, Cyprus, Estonia, New Zealand.

To classify sectors according to Al-Shatibi's conditions, it is necessary to refer to the definitions of each category. Imam Al-Shatibi and scholars who share his view define needs as follows:

- **Essential goods (Daruriyyat)**: Absolutely necessary for the continuation of life.
- **Complementary (or Basic) needs (Hajiyyat)**: Not at the top of the hierarchy but significantly ease life; their absence causes hardship.
- **Luxury goods (Tahsiniyyat):** Tertiary needs that enhance quality of life. (Al-Shatibi, 2007)

Based on this approach, when we classify the selected sectors:

- **Essential goods** include the agriculture, pharmaceutical, and clothing sectors. The products of these sectors are indispensable for sustaining life.
- **Complementary needs** include sectors such as iron and steel, petroleum and mining, and transportation equipment. From a socio-economic perspective, life would be extremely difficult without the goods produced by these sectors.
- **Luxury goods** include the textile sector and office and telecommunication equipment (including integrated circuits and electronic components), which serve to improve the quality of life.

The panel regression model is specified as follows:

$$GDP\_it = \alpha + \beta 1\ EXCRAT\_it + \beta 2\ INF\_it + \Sigma\ \beta\_export\_k\ EXPT\_k\_it + \Sigma\ \beta\_import\_k\ IMPT\_k\_it + \mu\_it$$

Where GDP_it is the growth rate of GDP, EXCRAT is the exchange rate, INF is inflation, and EXPT_k and IMPT_k are categorized export and import values by sector and need classification. Fixed effects and Hausman tests are applied to determine model appropriateness.

However, in order to precisely identify its effect, we assigned an independent coefficient to each type of variety. Following the studies we have identified, our final estimation model will therefore take the related extended form.

Results and Discussion

Table 1 & 2 present the Hausman specification test results for the developing and developed countries samples. The null hypothesis of no systematic difference in coefficients is rejected at the 1% significance level, confirming that the fixed effects model is more appropriate for the analysis.

Table 1. Hausman Specification Test Results (Developing Countries sample)

Test Statistic	Chi-square (df=18)	p-value

Hausman Test	190.14	0.000

Table 2. Hausman Specification Test Results (Developed Countries sample)

Test Statistic	Chi-square (df=18)	p-value
Hausman Test	86.67	0.000

Table 3. Panel Estimation of the Developing Countries (Fixed Effects)

Variable	Coefficient	Std. Error	t-Statistic	P-Value
LOG_INF	-0.005	0.019	-0.24	0.811
LOG_EXCRAT	-0.066	0.007	-10.05	0.000***
LOG_IMPT (Agriculture)	-0.081	0.033	-2.48	0.014**
LOG_IMPT (Pharmaceuticals)	-0.071	0.024	-2.93	0.003***
LOG_IMPT (Clothing)	-0.018	0.015	-1.26	0.209
LOG_IMPT (Iron and Steel)	0.054	0.013	4.21	0.000***
LOG_IMPT (Oil and Mining)	-0.019	0.015	-1.25	0.213
LOG_IMPT (Transportation)	0.108	0.019	5.81	0.000***
LOG_IMPT (Textiles)	0.015	0.022	0.7	0.487
LOG_IMPT (Office & Telecom)	0.097	0.022	4.4	0.000***
LOG_EXPT (Agriculture)	-0.049	0.017	-2.91	0.004***
LOG_EXPT (Pharmaceuticals)	-0.011	0.008	-1.43	0.155
LOG_EXPT (Clothing)	0.002	0.009	0.19	0.848
LOG_EXPT (Iron and Steel)	0.002	0.004	0.57	0.568
LOG_EXPT (Oil and Mining)	0.040	0.013	3.02	0.003***
LOG_EXPT (Transportation)	-0.007	0.009	-0.82	0.414
LOG_EXPT (Textiles)	0.018	0.013	1.44	0.150
LOG_EXPT (Office & Telecom)	-0.024	0.008	-2.71	0.007***

Source: Obtained from Stata and reproduced by the author

Significance levels: 1%(***) 5%(**) 10%(*)

The empirical results demonstrate different results among import and export trading. From the import side, transportation-related goods present a positive and statistically significant effect on welfare. This reflects the pressing infrastructural and mobility needs of developing countries, especially in regions like Africa, where investments in public transportation (such as metro systems and buses), interregional trade infrastructure (railways and maritime routes), and personal economic connectivity and individual mobility, reinforcing their developmental importance.

In more advanced regions of the sample—such as Gulf countries or parts of Latin America and Europe—the import of diversified and modern transport equipment, including electric vehicles, further underlines the positive role of such imports in enhancing welfare. Thus, this result strongly validates Al-Shatibi's conditions from a socio-economic welfare standpoint.

Third, imports of iron and steel, classified as industrial necessity goods, are also significant at the 1% level with a positive impact. These inputs are crucial for both consumption and production across nearly all economic sectors. Given that primary production of these materials is geographically concentrated in countries like China, India, and Russia, most other countries in the sample rely on imports to meet domestic demand. This reinforces the notion that essential industrial goods, when imported to fulfill genuine development needs, contribute positively to national welfare—once again confirming Al-Shatibi's framework.

Fourth, imports of office and telecommunication equipment, regarded as luxury goods in the classification used, show a significant and positive effect at the 1% level. This outcome is logical, especially considering that developing countries remain heavily dependent on advanced nations for technological infrastructure. These goods are essential for digital transformation, logistical improvements, and enterprise development. Their importation is therefore directly linked to progress in sectors such as web development, business digitization, and ICT infrastructure. The findings align with Al-Shatibi's

concept that supports the welfare-enhancing role of goods necessary for societal advancement.

In contrast, pharmaceutical imports—also categorized as essential—present a surprising result: they exhibit a negative and significant impact at the 1% level. This contradicts theoretical expectations and cannot be reconciled with Al-Shatibi's principles. Although developing countries typically lack sufficient pharmaceutical production and would be expected to benefit from such imports, the negative effect may reflect structural dependencies, pricing monopolies, or inefficiencies in distribution and healthcare access, particularly due to the dominance of developed nations in the pharmaceutical industry.

On the export side, three variables show statistical significance. The export of petroleum and mining products has a strong positive effect on welfare at the 1% level. This is consistent with the nature of these goods as primary revenue sources in many economies—either through direct extraction (e.g., OPEC members like Saudi Arabia, UAE, Qatar, and Algeria) or through re-export operations via offshore trade mechanisms. Al-Shatibi's theory is further supported here by the fact that even non-producers can benefit from such goods through value chain integration and re-export activities. Mining exports, including gold and silver, also fall under this umbrella of high-value, stable commodities.

However, the export of office and telecommunication goods reveals a negative and significant coefficient, echoing the dependency narrative seen on the import side. If these goods are vital for domestic development, exporting them could lead to a reduction in national welfare—again confirming Al-Shatibi's analytical framework that prioritizes internal fulfillment of needs before external trade.

Finally, agricultural exports, although significant, exhibit a negative effect on welfare, contradicting theoretical expectations. Given that agriculture is a key income source for many of the sampled countries, this result is unexpected. Ideally, the export of surplus agricultural goods should contribute positively to national welfare. However, the negative sign may reflect issues

such as overreliance on raw commodity exports, price volatility, or the undermining of local food security, thereby making it inconsistent with Al-Shatibi's conditions.

Table 4. Panel Regression Estimation Results (Developed Countries)

Variable	Coefficient	Std. Error	t-Statistic	P-Value
LOG_INF	0.016	0.063	0.26	0.794
LOG_EXCRAT	-0.008	0.034	-0.24	0.814
LOG_IMPT (Agriculture)	-0.350	0.198	-1.77	0.078*
LOG_IMPT (Pharmaceuticals)	-0.285	0.120	-2.38	0.018**
LOG_IMPT (Clothing)	-0.411	0.141	-2.91	0.004***
LOG_IMPT (Iron and Steel)	-0.185	0.112	-1.65	0.100
LOG_IMPT (Oil and Mining)	-0.094	0.126	-0.75	0.454
LOG_IMPT (Transportation)	0.508	0.096	5.28	0.000***
LOG_IMPT (Textiles)	0.836	0.223	3.75	0.000***
LOG_IMPT (Office & Telecom)	0.054	0.086	0.62	0.533
LOG_EXPT (Agriculture)	0.095	0.071	1.34	0.181
LOG_EXPT (Pharmaceuticals)	0.103	0.093	1.21	0.225
LOG_EXPT (Clothing)	0.237	0.102	2.32	0.021**
LOG_EXPT (Iron and Steel)	0.037	0.043	0.85	0.395
LOG_EXPT (Oil and Mining)	0.145	0.089	1.63	0.104
LOG_EXPT (Transportation)	0.011	0.058	0.19	0.853
LOG_EXPT (Textiles)	0.030	0.131	0.25	0.800
LOG_EXPT (Office & Telecom)	0.023	0.066	0.35	0.725

Source: Obtained from Stata and reproduced by the author
Significance levels: 1%(***) 5%(**) 10%(*)

The results presented in Table 4 indicate that, on the import side, the results show that pharmaceutical goods have a significantly negative impact on welfare. This is consistent with the notion that most of the sampled countries possess competitive pharmaceutical industries, which make the import of such goods less necessary. In many cases, domestic production covers up to 80% of pharmaceutical needs. Thus, the negative coefficient is logically expected and supports Al-Shatibi's framework concerning self-sufficiency and public welfare.

The import of textile and clothing goods shows diverging effects: textile imports have a positive and significant impact, while clothing imports have a negative and significant one. Given their economic linkage, these two variables should be interpreted jointly. Textiles serve as intermediate inputs for clothing production, and many sampled countries face shortages in basic textile inputs, justifying their positive welfare contribution when imported. On the other hand, clothing imports—representing luxury or finished goods—often originate from global fashion hubs. Their growing presence in local markets may hurt domestic production and drain foreign reserves. Hence, the negative effect is consistent with expectations. This is complemented by the positive and significant impact of clothing exports, confirming that exporting such goods contributes positively to social welfare. Together, these three variables strongly validate Al-Shatibi's conditions.

The results also reveal that agricultural imports have a negative and significant impact on welfare, which runs contrary to expectations. Ideally, diversified agricultural imports should benefit countries that prioritize food security and input availability. However, two structural reasons explain this contradiction. First, advanced agricultural technologies in developed countries make achieving complete self-sufficiency extremely costly, leading to a decline in the global competitiveness of these nations. Second, developing countries often possess larger agricultural land per capita. Therefore, for developed countries, relying on agricultural imports rather than investing in high-cost local production is inefficient, rendering Al-Shatibi's conditions invalid in this case.

Additionally, the import of transportation equipment displays a positive and significant effect at the 1% level. At first glance, this may seem counterintuitive, as the sampled developed countries already lead in automotive, aviation, and public transportation sectors and would not be expected to require further imports to boost welfare. However, this outcome can be explained by the global reorganization of production under international division of labor. Many transport manufacturing companies

outsource parts of their production to developing countries and then re-import final products. This dynamic reflects cost-efficiency strategies that benefit from lower labor costs abroad. As such, the positive impact of transport equipment imports on welfare is justified and aligned with Al-Shatibi's perspective, given the complex interdependence of global supply chains.

Table 5. T-Test Analysis of Import and Export Effects in Developed and Developing Countries

Variable	Coefficients difference	Std. Errors difference	t-Statistic	P-Value
LOG_INF	-0.021	0.066	-0.32	0.75
LOG_EXCRAT	-0.058	0.035	-1.67	0.09
LOG_IMPT (Agriculture)	0.269	0.201	1.34	0.18
LOG_IMPT (Pharmaceuticals)	0.214	0.122	1.75	0.08
LOG_IMPT (Clothing)	0.393	0.142	2.77	**0.006****
LOG_IMPT (Iron and Steel)	0.239	0.113	2.12	0.034
LOG_IMPT (Oil and Mining)	0.075	0.127	0.59	0.55
LOG_IMPT (Transportation)	-0.4	0.098	-4.09	**<0.001*****
LOG_IMPT (Textiles)	-0.821	0.224	-3.66	**<0.001*****
LOG_IMPT (Office & Telecom)	0.043	0.089	0.48	0.63
LOG_EXPT (Agriculture)	-0.144	0.073	-1.97	**0.049****
LOG_EXPT (Pharmaceuticals)	-0.114	0.093	-1.22	0.22
LOG_EXPT (Clothing)	-0.235	0.102	-2.3	**0.022****
LOG_EXPT (Iron and Steel)	-0.035	0.043	-0.81	0.42
LOG_EXPT (Oil and Mining)	-0.105	0.09	-1.17	0.24
LOG_EXPT (Transportation)	-0.018	0.059	-0.31	0.76
LOG_EXPT (Textiles)	-0.012	0.132	-0.09	0.93
LOG_EXPT (Office & Telecom)	-0.047	0.066	-0.71	0.48

Significance levels: 1%(***) 5%(**) 10%(*)

Finally, in the table above a significance difference test (t-test) between developing and developed countries revealed that key trade variables such as imports of clothing, iron and steel, transportation, and textiles, as well as

exports of agriculture and clothing, show statistically significant differences. These results indicate that the impact of trade components varies substantially between the two groups of countries, confirming the necessity of differentiated policy approaches in Islamic international trade modeling.

Discussion

The empirical results confirm that not all trade is equal in its impact on economic growth. Sectors associated with necessities, especially those with domestic capabilities, tend to have negative correlations when heavily imported, while exports of strategic commodities like petroleum drive growth. The framework based on Al-Shatibi's classification proves useful in identifying welfare-enhancing trade categories. These findings provide a bridge between classical Islamic thought and contemporary econometric modeling.

These findings have substantial implications for Islamic economic policy and broader development strategy. Firstly, the empirical confirmation of Al-Shatibi's categorization supports the argument that not all goods should be treated equally in trade policy formulation. Policymakers should carefully evaluate the macroeconomic role and societal necessity of different goods categories. Imports of necessities may need to be reduced through strategic investment in local production, particularly in agriculture and pharmaceuticals, sectors that directly affect well-being and economic sovereignty.

Moreover, the positive growth effects associated with infrastructure and transport-related imports highlight the role of industrial modernization and logistics in sustaining economic performance. These areas can be viewed as transitional goods—though not necessities in Al-Shatibi's sense, they are critical enablers of development and therefore align with Islamic objectives of communal welfare (maslahah).

Islamic economic models emphasize justice, social welfare, and sustainable development. The regression outcomes reinforce the idea that policy should not merely maximize trade volumes, but rather optimize trade composition. Luxuries, while economically stimulating in some sectors, often

do not yield the same returns in terms of aggregate welfare. Thus, an Islamic trade policy should be strategically selective, balancing openness with moral and developmental priorities.

Conclusion

This paper contributes to the literature by introducing a faith-based classification into empirical trade-growth analysis. By using panel data and Islamic categorizations, we demonstrate the differentiated economic outcomes associated with necessities, needs, and luxuries. Policymakers in Islamic economies should prioritize trade policies that support strategic sectors aligned with necessities and needs while being cautious with over-reliance on luxury imports. Future research may further refine indices reflecting Islamic principles in trade metrics.

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