When Religion Shapes Redistribution: Islamic Economic Provisions and Income Inequality

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Abstract

This study examines how constitutionally embedded Islamic economic principles – declarations of an "Islamic Economy Provision," "Islamic Alms/Zakat Provision," and "Islamic Riba Provision" – affect income inequality in OIC countries over the period 1980–2019. Using novel disaggregated constitutional data (Gouda, 2026) merged with World Inequality Database measures, we estimate correlated random-effects panel models with Driscoll–Kraay standard errors. The results reveal heterogeneous post-2011 Arab Spring effects. Broad economy declarations and Islamic alms/zakat provisions are associated with higher top-10 and top-1 income shares and compressed middle and bottom shares in Arab states, suggesting elite capture in rentier contexts. By contrast, riba prohibitions reduce Gini coefficients and increase bottom-50 income shares across OIC countries. In non-Arab OIC countries, Islamic economy and alms provisions are associated with more egalitarian outcomes. The findings show that constitutional provisions operate as autonomous distributional forces, but their effects are mediated by textual specificity, implementation capacity, and political context. The policy implication is that enforceable institutional mechanisms are more likely than symbolic constitutional commitments to translate Islamic egalitarian norms into redistribution.

Keywords: Islamic Constitutions, Income Inequality, Zakat, Riba Prohibition, OIC Countries

JEL Classification: D31, K10, P48, Z12

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1 Introduction

Income inequality across member states of the Organization of Islamic Cooperation (OIC) is substantial and highly heterogeneous, with particularly high concentration in the Middle East and North Africa. Distributional national-income data show that the top 10% captures more than half of national income in several countries, while the bottom 50% receives only a limited share, placing many OIC economies at the upper end of the global inequality distribution (Moshrif, 2022; World Inequality Lab, 2022). This pattern is especially pronounced in resource-rich Arab economies, where oil rents are associated with concentrated income structures, elite income concentration, and limited redistribution (Osorio and Soares, 2017; Ross, 2012).

These distributional outcomes have important political implications. Persistent inequality has been linked to declining middle-class prospects, perceptions of distributive injustice, and social unrest in the Arab world. The Arab Spring uprisings revealed what has been described as a "broken social contract," in which expectations of economic security, fairness, and upward mobility were not met despite decades of state expansion and economic growth (Devarajan and Ianchovichina, 2018). Inequality therefore operates not only as an economic outcome, but also as a political-economy mechanism shaping legitimacy, trust, and regime stability.

This pattern is difficult to reconcile with the widespread constitutional incorporation of Islamic economic principles across OIC countries. Islamic political economy emphasizes redistribution, social justice, circulation of wealth, and constraints on excessive accumulation (Chapra, 1992; Khattak, 2018). Instruments such as zakat, waqf, and the prohibition of riba suggest that Islamic economic frameworks should, in principle, be associated with more egalitarian outcomes. Micro-level evidence is broadly consistent with this expectation. Survey-based research shows that religiosity and support for Islamic law are associated with stronger redistributive preferences, economic communitarianism, and support for reducing inequality (Davis and Robinson, 2006; Moaddel, 2007).

However, macro-level evidence remains ambiguous. Constitutional provisions do not necessarily translate into effective redistribution, particularly in settings characterized by weak enforcement, rent-based political economies, and elite capture (Baraggia et al., 2019). In many OIC economies, social protection systems remain fragmented, regressive, or poorly targeted, limiting their capacity to convert constitutional or normative commitments into broad-based distributive outcomes (Osorio and Soares, 2017). This creates an important empirical puzzle: if Islamic economic principles emphasize redistribution and social justice, why do many constitutionally Islamic or Islamically influenced economies continue to exhibit high levels of income concentration?

This paper argues that resolving this apparent paradox requires distinguishing between different types of Islamic economic constitutional provisions. These provisions

vary in their degree of specificity and in the scope for interpretation they allow. Broad references to an "Islamic economy" are inherently flexible and may be implemented selectively, especially in contexts where political and economic elites retain strong influence over policy enforcement. By contrast, more specific provisions, such as prohibitions of riba or institutionalized zakat and waqf provisions, are closer to concrete policy instruments. This variation implies that Islamic economic constitutionalism should not be treated as a single institutional category. Instead, different provisions may generate different distributive effects depending on their legal specificity, enforceability, and political context.

To examine these mechanisms, we combine the Comparative Islamic Constitutions Database covering the period 1861–2022 with income distribution data from the World Inequality Database for OIC countries over the period 1980–2019 (Gouda, 2026; World Inequality Database, 2026). We distinguish between three types of constitutional provisions: Islamic economy clauses, zakat and waqf provisions, and riba prohibitions. Using correlated random-effects panel models with Driscoll–Kraay standard errors, we assess how these institutional features relate to overall inequality and income shares across the distribution. This empirical strategy allows us to estimate the effects of time-invariant and slow-moving constitutional provisions while accounting for within-country and between-country variation, serial correlation, and cross-sectional dependence.

The results show that the effects of Islamic economic provisions are heterogeneous and context-dependent. Following the Arab Spring, broad Islamic economy clauses are associated with higher income concentration in Arab countries, consistent with mechanisms of selective implementation and elite capture. By contrast, riba prohibitions are associated with lower inequality and improved outcomes for lower-income groups, suggesting that more specific and enforceable provisions may constrain rent extraction or protect lower-income households. Outside the Arab world, similar provisions are linked to more egalitarian outcomes, highlighting the importance of institutional and regional context in shaping the distributive consequences of Islamic economic constitutionalism.

The paper makes four main contributions. First, it introduces disaggregated constitutional measures that distinguish between different types of Islamic economic provisions rather than relying on aggregate measures of religiosity or Islamic constitutional identity. Second, it combines long-run constitutional data with detailed distributional measures, including income shares across different parts of the distribution. Third, it identifies tail-specific effects that are not visible in aggregate inequality indicators. Fourth, it shows that the distributive impact of Islamic economic provisions emerges primarily after 2011, when constitutional reform, distributive contestation, and political instability intensified across many OIC countries.

The remainder of the paper proceeds as follows. Section 2 develops the conceptual framework linking Islamic economic norms to constitutional institutions and income dis-

tribution. Section 3 presents the data and measurement strategy. Section 4 outlines the empirical strategy. Section 5 reports the results. Section 6 discusses mechanisms and implications. Section 7 concludes.

2 Conceptual Framework and Literature

2.1 Do Constitutional Provisions Shape De Facto Socio-economic Outcomes?

A central question in constitutional political economy is whether constitutional provisions systematically shape de facto policy choices and socio-economic outcomes, or whether they primarily serve symbolic or declaratory functions. A longstanding skeptical view emphasizes that constitutions lack a centralized external enforcer and that compliance depends on political incentives, judicial capacity, and societal willingness to treat violations as illegitimate. As a result, the "law on the books" may diverge from the "law in action," particularly in low-capacity environments where informal power relations dominate formal legal constraints (Petersen and Chatziathanasiou, 2021; Versteeg, 2022).

Empirical evidence broadly supports this conditional view. Early studies find limited systematic effects of constitutional provisions, especially when they are framed in broad or programmatic terms. For example, Ben-Bassat and Dahan (2008) examine whether constitutional social rights are associated with higher public expenditure across OECD and non-OECD countries. They find little systematic relationship between constitutional commitments to education, health, or housing and realized spending levels, with the notable exception of social security. This exception is instructive because social security provisions are usually linked to identifiable fiscal instruments and administrative structures. More generally, these findings suggest that broad constitutional commitments often lack binding force unless supported by specific institutional mechanisms, fiscal capacity, or enforceable legal doctrines.

More recent work refines this skeptical view by showing that constitutional provisions can influence outcomes when they are supported by enforcement capacity or institutional incentives. Rather than asking whether constitutional provisions matter on average, this literature emphasizes the conditions under which they become effective. Chilton and Versteeg (2017) show that constitutional social rights do not automatically increase social spending, a pattern they describe as "rights without resources." Similarly, Chilton and Versteeg (2022) show that even highly salient constitutional provisions, such as gender equality clauses, often have limited effects when enforcement mechanisms are weak or when institutional incentives for compliance are absent. This literature highlights that effectiveness depends less on constitutional text per se than on the institutional environment in which provisions operate.

At the same time, constitutional rules can exert independent and persistent effects. Evidence from the political economy of the Muslim world shows that it is the constitutional entrenchment of Islamic law, rather than informal religiosity, that shapes observed outcomes. Gouda and Potrafke (2016) show that discrimination against women is more pronounced in Muslim-majority countries where Islam is constitutionally designated as a source of legislation. Similarly, Gouda and Gutmann (2021) find that religious minorities face higher discrimination in countries where Islamic principles are constitutionally entrenched, while Gouda and Hanafy (2022) show that the constitutional entrenchment of Islamic law has a negative and significant effect on democracy in OIC member states. Importantly, this body of research does not suggest that Islam as an informal institution necessarily produces these outcomes. Rather, it shows that formal constitutional incorporation can operate as a binding constraint and coordination device under certain conditions.

A key determinant of constitutional effectiveness is the design of constitutional provisions. Comparative research shows that provisions differ in precision, scope, and enforceability, with important consequences for compliance. More specific and operational rules are more likely to constrain behavior, while broad or abstract clauses tend to expand interpretive discretion and increase the scope for selective implementation (Lewkowicz et al., 2024; Tsebelis and Nardi, 2016; Versteeg and Zackin, 2016). Constitutional provisions therefore do not operate only through their presence or absence. Their effects also depend on whether they create clear obligations, specify institutional mechanisms, and reduce the discretion available to political actors.

Two implications follow from this literature. First, constitutional provisions are not institutionally redundant, but their effects are conditional on enforcement capacity, political incentives, and societal compliance. Second, heterogeneity in provision design, particularly differences in specificity and enforceability, plays a central role in shaping their impact. This distinction provides a useful framework for analyzing economic rules embedded in constitutions.

Islamic economic provisions offer a particularly clear case of such heterogeneity. They range from broad normative commitments to more specific and operational rules. Some constitutions contain general mandates that economic activity, trade, or finance should conform to Islamic principles, without specifying concrete policy instruments. Others include explicit prohibitions of riba or recognize redistributive institutions such as zakat and waqf. From the perspective of constitutional political economy, these differences map closely onto the distinction between symbolic or declaratory clauses and operational, policy-proximate provisions. This variation implies systematic differences in their susceptibility to interpretation, enforcement, and political capture. It also motivates a disaggregated analysis of Islamic economic constitutionalism, rather than treating Islamic economic provisions as a single institutional category.

2.2 Constitutional Provisions, Islamic Economics, and Inequality

Constitutional provisions can influence income inequality not only through fiscal redistribution, but also by shaping market organization, property relations, political constraints, and the allocation of economic rents (Acemoglu and Robinson, 2006; Scheve and Stasavage, 2016). As a result, constitutional rules governing economic practices may affect income concentration even in the absence of large-scale redistributive policies. This perspective is especially important for studying Islamic economic constitutionalism, where economic provisions often regulate the moral and institutional foundations of market exchange rather than simply mandating public spending.

Islamic economic provisions provide a particularly relevant case for examining these channels. Islamic political economy emphasizes distributive justice, limits on excessive accumulation, circulation of wealth, and protection of vulnerable groups through instruments such as zakat, waqf, and the prohibition of riba (Chapra, 1992). In normative terms, these principles suggest a constitutional orientation toward more egalitarian outcomes. However, their economic effects depend critically on how they are institutionalized, enforced, and translated into concrete policy arrangements.

In practice, Islamic economic instruments can be implemented through diverse institutional mechanisms, with important implications for distributional outcomes. Zakat and waqf may operate as formal redistributive mechanisms, semi-public welfare institutions, or decentralized systems of social provision. By contrast, prohibitions of riba may reshape financial intermediation, credit allocation, and the distribution of returns between lenders, borrowers, and asset holders (Kuran, 2004, 2012). These differences imply that Islamic economic principles cannot be expected to exert uniform effects on inequality. Their distributive consequences depend on whether they function as operational constraints, redistributive institutions, symbolic commitments, or instruments selectively interpreted by political and economic elites.

From a constitutional perspective, the key distinction lies in the degree of specificity and the scope for interpretation. Broad constitutional references to an "Islamic economy" are inherently abstract and grant substantial interpretive discretion. Such clauses may signal a general normative commitment to Islamic economic principles without specifying how redistribution, market regulation, or financial governance should be implemented. In contexts characterized by weak enforcement, rent-based political economies, or close alignment between religious authorities and political elites, these broad provisions may facilitate selective implementation and increase the scope for elite capture.

By contrast, more specific provisions impose clearer constraints on economic behavior. Riba prohibitions directly regulate financial transactions and limit discretionary reinterpretation, potentially affecting inequality through credit-market dynamics and the

distribution of financial rents. Zakat and waqf provisions are more concrete than broad Islamic economy clauses, but their effects depend heavily on administrative design, fiscal integration, bureaucratic capacity, and the extent to which these institutions are used for broad-based redistribution rather than narrow patronage. For this reason, zakat and waqf provisions may produce more context-dependent effects than riba prohibitions.

This distinction also connects to broader debates in constitutional political economy. Comparative research suggests that constitutional provisions are more likely to shape socio-economic outcomes when they are policy-proximate, institutionally embedded, and operationally specific (Cammeraat, 2021; Chilton and Versteeg, 2017). Broad aspirational clauses may influence political discourse or agenda-setting, but they are less likely to generate measurable distributive change unless supported by enforcement capacity and institutional incentives. More specific economic provisions, by contrast, may affect distribution directly by regulating permissible forms of economic activity, shaping access to resources, or constraining rent extraction.

Taken together, these distinctions suggest that Islamic economic provisions should not be treated as a homogeneous category. Their distributive effects depend on their level of specificity, the scope for interpretation, and the institutional environment in which they operate. Broad Islamic economy clauses may remain symbolic or become vulnerable to selective implementation, while riba prohibitions and zakat/waqf provisions may have more direct, though still context-dependent, implications for market organization and income distribution. This heterogeneity provides a framework for understanding why constitutional references to Islamic economic principles may be associated with divergent inequality outcomes across countries and over time.

2.3 Hypotheses

The preceding discussion highlights that Islamic economic constitutional provisions differ systematically in their degree of specificity, the scope for interpretation they allow, and their susceptibility to political manipulation. These differences imply that such provisions are unlikely to exert uniform effects on income inequality. Instead, their distributive consequences depend on the extent to which they constrain economic behavior, shape institutional implementation, and limit discretionary interpretation.

Broad constitutional references to an "Islamic economy" are inherently abstract and encompass a wide range of possible institutional arrangements. As discussed above, such provisions grant substantial interpretive discretion and are often mediated by state-linked religious authorities. In contexts characterized by weak enforcement, rent-based political economies, and close alignment between political and economic elites, this discretion may facilitate selective interpretation or elite capture. As a result, broad Islamic economy provisions may have limited redistributive impact and may even reinforce existing patterns

of income concentration.

By contrast, constitutional prohibitions of riba represent more precise and observable constraints on financial practices. By directly regulating interest-based transactions and financial intermediation, these provisions limit discretionary reinterpretation. In principle, such constraints may reduce rent extraction in credit markets and limit the concentration of financial returns among capital owners. At the same time, they may encourage alternative financing structures based on risk-sharing, which can broaden participation in economic activity. Through these channels, riba prohibitions may contribute to more equal distributional outcomes.

Provisions related to zakat and waqf occupy an intermediate position. While they are more concrete than broad Islamic economy clauses, their distributive effects depend critically on administrative design, governance quality, and the extent to which they are integrated into formal fiscal systems. As a result, they may generate redistributive effects in some contexts, but they may also be subject to uneven implementation, substitution effects, or elite capture in others.

Based on these considerations, we derive the following hypotheses:

H1a: Broad constitutional references to an Islamic economy are associated with higher income inequality and greater concentration of income at the top of the distribution.

H1b: Constitutional prohibitions of riba are associated with lower income inequality and higher income shares for lower- and middle-income groups.

H1c: Constitutional provisions related to zakat and waqf exhibit heterogeneous and context-dependent effects on income inequality.

3 Data and Econometric Specification

3.1 Data

Dependent variables: post-tax inequality and income shares

We employ post-tax income inequality, measured by the Gini coefficient, alongside income shares of different population groups—the bottom 50 percent, middle 40 percent, top 10 percent, and top 1 percent—as dependent variables for the period 1980–2019. The time frame is dictated by the availability of consistent long-run distributional data across OIC member states. Focusing on post-tax inequality allows us to capture realized distributive outcomes after fiscal intervention, rather than purely market-generated inequality.

This choice is motivated by a growing literature emphasizing the socio-political relevance of income distribution in the Middle East and North Africa. Nimeh (2012) highlights the role of inequality in shaping economic grievances underlying the Arab upris-

ings, while Devarajan and Ianchovichina (2018) emphasize frustrations among the middle class—captured by the middle 40 percent—stemming from limited economic opportunities and weak public goods provision.

Accordingly, we combine aggregate inequality (Gini) with disaggregated income shares to assess whether Islamic economic constitutional provisions affect distinct segments of the distribution. While the Gini summarizes overall dispersion, income shares allow us to identify distribution-specific effects, particularly at the top and bottom. All inequality measures are obtained from the World Inequality Database (WID), which provides harmonized long-run series.

The resulting dataset forms an unbalanced panel of OIC member states over 1980–2019, with a maximum of 2,016 country-year observations. Coverage varies across variables due to data availability. As shown in Table 1, most core variables approach full coverage, while some controls—such as oil rents and respect for constitution—have slightly fewer observations.

3.2 Islamic Constitutional Provisions

To operationalize Islamic economic constitutionalism, we draw on the Comparative Islamic Constitutions Database (1861–2022) (Gouda, 2026), which codes detailed constitutional provisions across OIC member states. Building on the Islamic Constitutions Index developed by Ahmed and Gouda (2015), we distinguish three conceptually distinct dimensions of Islamic economic provisions, reflecting differences in institutional specificity and channels of influence.

First, *Islamic Economy Provision* captures whether the constitution mandates that economic activity—such as trade, finance, or banking—adhere broadly to Islamic principles or Sharia. This variable equals 1 if the constitutional text explicitly requires economic organization to conform to Islamic norms, and 0 otherwise. As a broad and interpretive clause, this provision allows significant discretion in implementation.

Second, *Riba Prohibition* records whether the constitution explicitly bans interest-based financial transactions. This variable equals 1 if the constitution contains a clear prohibition of *riba*, and 0 otherwise. Compared to general Islamic economy clauses, this provision is more narrowly defined and directly targets financial intermediation and capital allocation.

Third, *Alms / Zakat / Waqf* captures whether the constitution recognizes or regulates Islamic redistributive institutions such as *zakat* or *waqf*. This variable equals 1 if the constitutional text explicitly refers to the organization, supervision, or administration of such mechanisms, and 0 otherwise. These provisions potentially provide institutionalized channels for redistribution, though their effectiveness depends on enforcement and state capacity.

All variables are coded dichotomously based on explicit constitutional language. General symbolic references to Islam as the state religion are not sufficient for inclusion.

Importantly, these provisions differ in their susceptibility to interpretation and political capture. Broad Islamic economy clauses are inherently flexible and may be shaped by ruling elites, while *riba* prohibitions and *zakat*/*waqf* provisions are more specific and closer to concrete policy instruments. This distinction is central to our empirical strategy and aligns with the theoretical expectation that not all Islamic provisions exert uniform distributional effects.

As shown in Table 1, these provisions exhibit substantial cross-country variation: Islamic economy clauses appear in approximately 9 percent of country-years, *riba* prohibitions in about 5 percent, and *zakat*/*waqf* provisions in roughly 21 percent. This heterogeneity underscores the importance of distinguishing between broad declaratory commitments and more policy-proximate constitutional rules.

Controls and descriptive patterns

The baseline specifications include controls for economic development, demographic structure, political institutions, and external exposure. Specifically, we include log GDP per capita and log population (Maddison Project Database, 2026), democracy and respect for constitution (V-Dem Institute, 2026), social protection (Asian Development Bank, 2026), oil rents (World Bank, 2026), and trade openness (World Inequality Database, 2026).

While the literature highlights additional determinants such as union density or political instability, these variables are excluded due to substantial data limitations. Preserving broad country coverage—including under-researched cases such as Afghanistan and Iran—requires prioritizing sample breadth over additional controls.

Figure 1 presents the correlation matrix. Several patterns are noteworthy. First, inequality measures display strong internal consistency: the bottom 50 percent share is strongly negatively correlated with both the Gini (≈ -0.90) and the top 10 percent share (≈ -0.91), while the top 10 and top 1 percent shares are highly positively correlated (≈ 0.87). These relationships justify the use of both aggregate and distribution-specific indicators.

Second, the correlations suggest economically meaningful links between structural factors and distributional outcomes. Social protection is positively associated with the bottom 50 percent share (≈ 0.51), while oil rents correlate positively with top income shares. GDP per capita also shows positive correlations with some Islamic constitutional provisions.

Finally, pairwise correlations among the Islamic economic variables are moderate, indicating that multicollinearity is unlikely to drive the regression results. This supports treating the provisions as analytically distinct rather than combining them into a single

index.

Overall, these descriptive patterns provide preliminary evidence of systematic relationships between economic structure, constitutional design, and income distribution, motivating the econometric analysis that follows.

3.3 Econometric Specification

3.3.1 Regular Model

To investigate the determinants of income inequality, we employ a Random Effects (RE) panel data model. This modeling choice is strictly dictated by the composition of our dataset, which contains both time-varying control variables and time-invariant binary indicators of primary interest: $IslamicEconomyProvision(Econ)$, $Alms/Zakat/Waqf(Alms)$, and $Riba\ Prohibition(Riba)$.

Standard econometric theory establishes that the Fixed Effects (FE) estimator utilizes a "within" transformation [subtracting the time-averaged mean from each variable] to control for unobserved heterogeneity. As noted by Baltagi (2008) and Wooldridge (2010), this transformation inevitably eliminates all time-invariant variables from the estimation because their values are constant for each cross-sectional unit. Consequently, Bell and Jones (2015) explain that applying a Fixed Effects specification would result in the omission of our key independent variables ($Econ$, $Alms$, $Riba$) due to perfect collinearity with the country-specific effects. Therefore, to retain these critical binary indicators while exploiting the panel structure of the data, the Random Effects estimator is the most suitable methodological approach.

The RE estimator assumes that the unobserved country-specific effect is uncorrelated with the regressors, i.e.,

$$\mathbb{E}(\mu_i \mid X_{it}) = 0.$$

The baseline model is estimated using the following equation:

$$Y_{it} = \beta_0 + \beta_1 Econ_{it} + \beta_2 Alms_{it} + \beta_3 Riba_{it} + \boldsymbol{\gamma}\mathbf{X}_{it} + (\mu_i + \epsilon_{it}) \tag{1}$$

In Equation (1), Y_{it} represents the inequality measure, such as (post-tax) inequality and income shares of bottom 50, middle 40, top 10, and top 1, for country i at time t. The variables $Econ_{it}$, $Alms_{it}$, and $Riba_{it}$ denote the time-invariant binary indicators. The vector $\mathbf{X}_{it}$ contains the time-varying control variables. The error structure is composite, consisting of the unobservable country-specific random effect μ_i and the idiosyncratic error ϵ_{it}.

To ensure the validity of our inference, we relax the standard assumption of independent and identically distributed errors. We estimate the model using Driscoll-Kraay

standard errors (Driscoll and Kraay, 1998). This non-parametric covariance matrix estimator is robust to general forms of cross-sectional dependence (spatial correlation) and serial correlation up to a specific lag. Given that macroeconomic variables often exhibit dependence across countries and persistence over time, the use of Driscoll-Kraay standard errors ensures that our hypothesis testing remains consistent and reliable. Furthermore, to verify that our results are not distorted by linear dependencies among the predictor variables, we conduct a multicollinearity diagnostic using the Variance Inflation Factor (VIF). The resulting VIF statistics for all independent variables remain well below the standard threshold, indicating that multicollinearity is not a concern in our specification.

While the Random Effects (RE) estimator allows us to retain time-invariant constitutional provisions, it relies on the assumption that unobserved country-specific effects are uncorrelated with the regressors. Given the potential endogeneity of institutional variables, this assumption may be restrictive in our context.

To address this concern, we augment the RE specification using the Mundlak approach, also known as the Correlated Random Effects (CRE) model (Debarsy, 2012). This specification includes the country-specific means of time-varying covariates, thereby allowing the unobserved effects to be correlated with the regressors while preserving the identification of time-invariant variables.

Accordingly, the CRE model serves as our preferred specification, while standard RE estimates are reported for comparison. The full results from the CRE estimation are reported in Appendix A.1.

3.3.2 Structural Break Analysis and Parameter Instability

Given the significant geopolitical and economic shifts occurring during the sample period [most notably the Arab Spring] we formally test for parameter instability in the relationship between Islamic economic institutions and inequality. Rather than imposing an arbitrary ex-ante break date, we employ an endogenous search procedure to determine the precise timing of any structural shifts (Andrews, 1993; Bai, 1997).

We systematically test for a structural break at each possible candidate year τ within the central 70% of our sample period to avoid endpoint bias. For every candidate year τ, we estimate the following fully interacted Random Effects model:

$$\begin{aligned} Y_{it} =& \beta_0 + \beta_1 \mathbf{I}_i + \boldsymbol{\gamma} \mathbf{X}_{it} + \delta_0 D_{t \geq \tau} \\ &+ \boldsymbol{\delta}_1 (\mathbf{I}_i \times D_{t \geq \tau}) + \boldsymbol{\delta}_2 (\mathbf{X}_{it} \times D_{t \geq \tau}) + (\mu_i + \epsilon_{it}) \end{aligned} \tag{2}$$

In Equation (2), $D_{t \geq \tau}$ is a dummy variable taking the value of 1 if year $t \geq \tau$ and 0 otherwise. The vector $\mathbf{I}_i$ represents the time-invariant Islamic institutional variables, while $\mathbf{X}_{it}$ denotes the vector of time-varying controls. The coefficients $\boldsymbol{\delta}_1(\tau)$ capture the

structural shift in the impact of Islamic institutions for that specific candidate break year.

For each candidate break year, τ, we calculate the Wald statistic to test the joint significance of the interaction terms. The estimated break date, τ^*, is then identified as the year that maximizes the Wald statistic according to the Sup remum Wald Test. This corresponds to the point at which parameter instability is strongest. Based on this procedure, we estimate the structural break to occur around 2011–2012.

3.4 Robustness and Sensitivity Analysis

To assess the robustness of our findings, we conduct a series of sensitivity checks [the Appendix A, Tables A6 – A15]. These tests ensure that the estimated effects of Islamic economic constitutional provisions on income inequality are not driven by outliers, distributional assumptions, sample composition, or simultaneity concerns.

First, we address the potential influence of outliers by estimating a winsorized specification. Specifically, we trim the dependent variable and key continuous controls at the 5th and 95th percentiles. This approach limits the impact of extreme observations while preserving the full sample.

Second, to account for potential skewness in inequality measures, we re-estimate the models using a logarithmic transformation of the dependent variable, $\ln(1 + Y_{it})$. This transformation stabilizes variance and reduces the influence of large values.

Third, we examine the sensitivity of our results to sample heterogeneity by estimating GDP-weighted regressions. This approach assigns greater weight to larger economies, allowing us to assess whether the results are driven by smaller or more volatile countries.

Finally, to mitigate concerns about simultaneity, all time-varying control variables are lagged by one period. This helps reduce the possibility of contemporaneous feedback between inequality and explanatory variables.

Across all specifications, the results remain qualitatively unchanged, reinforcing the robustness of our main findings.

3.4.1 Counterfactual Simulation Framework

To translate our econometric estimates into substantive implications, we implement a counterfactual simulation framework, often referred to as a "Universe Flip" approach (Chernozhukov et al., 2013). This method allows us to quantify the aggregate distributional implications of Islamic economic constitutional provisions by comparing predicted inequality levels under alternative institutional configurations.

We rely on the estimated coefficients ($\hat{\boldsymbol{\beta}}$) derived from Equation 1 to generate predicted values ($\hat{Y}$) for every country-year observation in the dataset. We construct two synthetic datasets:

1. **Scenario A (No Islamic Provisions):** We force the values of all Islamic constitutional indicators (*Islamic Economy Provision*, *Alms / Zakat / Waqf*, and *Riba Prohibition*) to 0 for all observations, while keeping all other control variables ($\mathbf{X}_{it}$) at their actual observed values.

2. **Scenario B (Full Islamic Provisions):** We force the values of all Islamic constitutional indicators to 1 for all observations, holding all other control variables constant.

Predicted inequality for each scenario is computed as:

$$\hat{Y}_{it}^{Scenario} = \hat{\beta}_{0,RE} + \hat{\beta}_{1,RE} Econ_{it}^{Scenario} + \hat{\beta}_{2,RE} Alms_{it}^{Scenario} + \hat{\beta}_{3,RE} Riba_{it}^{Scenario} + \hat{\boldsymbol{\gamma}}_{RE} \mathbf{X}_{it} \quad (3)$$

where $Scenario \in \{A, B\}$ indexes the counterfactual institutional configuration. In Scenario A, $Econ_{it}^{Scenario}$, $Alms_{it}^{Scenario}$, and $Riba_{it}^{Scenario}$ are set to 0 for all observations. In Scenario B, all three Islamic constitutional indicators are set to 1, while the remaining covariates remain fixed at their observed values.

By comparing the kernel density distributions of $\hat{Y}^{No\ Islamic\ Provisions}$ and $\hat{Y}^{Full\ Islamic\ Provisions}$, we visualize the "systemic gap," namely the net distributional shift attributable to the presence of Islamic economic constitutional provisions, holding macroeconomic and structural characteristics constant.

4 Findings and Discussion

4.1 Descriptive Analysis

This section provides an overview of the key variables and institutional variation underlying the empirical analysis. The dataset combines income distribution measures with a novel set of constitutional indicators capturing Islamic economic provisions across OIC member states.

The constitutional data are drawn from the Comparative Islamic Constitutions database (Gouda, 2026), which systematically codes institutional features related to Islamic governance. In this study, we focus on three provisions with direct economic relevance: Islamic economy clauses, riba prohibitions, and zakat/waqf provisions. These indicators capture distinct dimensions of Islamic economic constitutionalism, ranging from broad declaratory commitments to more specific financial and redistributive mechanisms.

The set of countries included in the analysis is presented in Figure 2, which also illustrates the extent to which the Comparative Islamic Constitutions database components are formally adopted within national constitutions. Substantial cross-country heterogeneity is evident. For example, countries such as Iran exhibit extensive incorporation of

Islamic constitutional provisions, whereas others, including Turkey, display limited or no formal adoption. This variation provides meaningful institutional leverage for identifying the relationship between constitutional design and income distribution.

Figure 3 illustrates the evolution of these provisions over time. The adoption of zakat/waqf provisions shows a clear upward trend, indicating increasing formalization of redistributive mechanisms within constitutional frameworks. In contrast, broader Islamic economy clauses expanded in earlier decades but appear to have stabilized since the mid-2000s. Riba prohibitions remain relatively rare throughout the sample period, highlighting the limited diffusion of strict anti-interest provisions despite the broader expansion of Islamic economic principles.

Turning to inequality outcomes, Figure 4 indicates that many countries in the sample exhibit relatively high levels of income inequality. Considering that the Gini coefficient ranges from 0 to 1, and noting that many developed nations maintain a coefficient around 0.35 (Makhlouf, 2023), inequality in Islamic countries appears particularly acute.

A broader comparison offers further insight. As shown in Appendix Figure A1, average inequality levels across Arab and non-Arab Islamic countries have not followed the global downward trend observed since the 1980s. While Milanovic (2013) documents a substantial decline in global inequality, the corresponding reduction within Islamic countries appears more muted, suggesting persistent distributional imbalances.

Figure 5 further illustrates the structure of income concentration. The top 10 percent of earners, post-tax and inclusive of the top 1 percent, account for a substantial share of total income across many countries, while the bottom segments retain comparatively smaller shares. These patterns are consistent with significant concentration at the upper end of the distribution.

Additional decomposition analysis, presented in Appendix Figure A2, suggests that post-tax redistribution often has limited equalizing effects in a number of cases. While these descriptive patterns do not imply causality, they point to the potential importance of institutional and policy factors in shaping distributional outcomes.

Overall, the observed variation in both constitutional provisions and inequality measures provides a suitable empirical setting to examine whether different forms of Islamic economic constitutionalism are associated with distinct distributional consequences.

4.2 Econometric Findings and Discussion

Baseline Results

Table 2 presents the baseline estimates of the relationship between Islamic economic constitutional provisions and income distribution. Across specifications, the results indicate that broader Islamic economy provisions are associated with higher levels of income inequality. In particular, these provisions are linked to lower income shares for the bottom

50% and middle 40%, alongside higher shares for the top 10% and top 1%.

These patterns suggest that broad Islamic economic constitutionalization is associated with a more unequal distribution of income. While these estimates are not causal, they are consistent with a distributional shift favoring higher-income groups. The decline in the income share of the middle 40% is also important, as it points to a possible weakening of the middle class, which plays a central role in sustaining economic performance and political stability (Derndorfer and Kranzinger, 2021; Pressman, 2007).

In contrast, control variables behave largely as expected. Democracy and social protection are associated with more equal distributional outcomes, consistent with standard political economy arguments emphasizing the redistributive role of democratic institutions (Acemoglu et al., 2015). Notably, this contrasts with earlier findings by Gradstein et al. (2001), who reported that democracy had no significant effect on income inequality in Muslim countries. Our results suggest that this relationship may have evolved over time, with democratic institutions now playing a more visible role in shaping redistribution in Islamic countries.

Structural Break and Regime Shift

We next examine whether these relationships changed following the Arab Spring. A substantial body of literature argues that economic inequality played an important role in the emergence of the Arab Spring (Ncube and Anyanwu, 2012; Nimeh, 2012). This motivates us to investigate whether the relationship between Islamic economic constitutional provisions and inequality outcomes changed around this period.

The structural break analysis, presented in Figure 6, identifies a clear break around 2011–2012. Most income groups exhibit evidence of structural change during this period, which coincides with the Arab Spring. This motivates a split-sample estimation for the pre-2011 and post-2011 periods.

The pre-2011 results, presented in Table 3, indicate that Islamic economic provisions are not systematically associated with inequality. Instead, distributional outcomes appear to be driven primarily by conventional macroeconomic factors such as GDP per capita. For example, GDP per capita is positively associated with inequality and disproportionately benefits top income earners, a pattern consistent with the modest but positive growth documented by Naama (2017).

The post-2011 results, by contrast, reveal a marked shift. Islamic economic provisions become statistically significant predictors of inequality, while conventional macroeconomic variables lose explanatory power. In this period, broader Islamic economy provisions are associated with increases in top income shares and declines in middle- and lower-income shares.

Mechanism: Elite Capture versus Populist Protection

We interpret these divergent patterns through a political economy lens. Following 2011, the role of Islamic economic institutions appears to depend critically on their institutional specificity. This shift unfolds against a backdrop of deteriorating living standards. Devarajan and Ianchovichina (2018) argue that the years preceding and following the Arab Spring were characterized by persistently high unemployment, low wages, and a sharp decline in life satisfaction, particularly among youth who expected living conditions worse than those of their parents.

Broad Islamic economy provisions, characterized by general and flexible constitutional language, are associated with higher inequality. This pattern is consistent with a mechanism of elite capture, whereby loosely defined institutional frameworks allow for selective implementation and rent allocation. In the fragmented post-2011 landscape, broad Islamic labels may have served primarily as a legitimacy device and a flexible umbrella for institutional redesign. Because such constitutional formalization is wide in scope and not tied to a single enforceable policy margin, it can be implemented selectively, leaving room for the consolidation of insider advantages rather than genuine redistribution.

By contrast, *riba* prohibitions exhibit the opposite pattern in the post-2011 period. These provisions are associated with lower inequality and higher income shares for the bottom 50%. Unlike broad constitutional clauses, *riba* prohibitions represent a concrete and enforceable policy constraint on financial intermediation. This suggests a form of populist protection, in which restrictions on interest-based lending may limit creditor rents and provide partial protection to lower-income borrowers. This interpretation aligns with political economy accounts in which populist governance is organized around protection commitments that pit ordinary people, often debtors, against creditor power and the financial sector (Morelli, 2025).

Regional Heterogeneity: Arab versus Non-Arab Countries

To further explore these dynamics, we examine whether the post-2011 effects differ between Arab and non-Arab countries. Given the structural break identified around 2011 and the opposing distributional effects of specific Islamic components, an important question remains: are these patterns common across all Islamic countries, or do they vary systematically between Arab and non-Arab contexts?

Due to sample size limitations, we avoid further splitting the data. Instead, we adopt a parsimonious approach by introducing indicator variables for Arab versus non-Arab countries and for the post-2011 period, interacting these dummies with our key institutional variables. The interaction results, presented in Tables 6 and 7, reveal substantial regional heterogeneity.

Before 2011, neither the coefficient on *Islamic Economy Provision* nor the interaction

term *Arab* × *Islamic Economy Provision* is statistically significant. This suggests that, in the pre-2011 period, Islamic economic provisions are not systematically associated with inequality in either Arab or non-Arab countries. After 2011, however, the effects diverge sharply.

In Arab countries, post-2011 interactions indicate distributional shifts favoring top income earners, consistent with rising inequality. In contrast, non-Arab countries exhibit more equalizing patterns, with gains accruing to middle- and lower-income groups. These differences suggest that the distributional impact of Islamic economic institutions depends less on religion per se and more on institutional context.

In many Arab settings, Islamic economic provisions appear to operate within political environments characterized by rentier dynamics, authoritarian social contracts, and limited accountability, increasing the scope for elite capture. Rather than functioning as genuine mechanisms for redistribution, these tools may serve primarily as symbolic sources of political legitimacy. Consequently, institutions such as *zakat* and Islamic finance may bypass the most vulnerable populations and instead benefit insiders, including regime-aligned actors and politically protected networks. This interpretation is consistent with Clark (2004), who shows that Islamic social welfare networks often prioritize the mobilization and support of the professional middle class, such as engineers, physicians, and academics, rather than the destitute. Similarly, Kuran (2014) argues that authoritarian rulers have historically weakened the *waqf* system to prevent the emergence of autonomous civil society organizations that could challenge regime power.

By contrast, in non-Arab contexts, stronger bureaucratic capacity, greater legal formalization, and closer integration with formal fiscal systems may allow Islamic redistributive instruments to complement state-led redistribution. As noted by Hoggarth (2016), such coordination with public redistribution mechanisms can support a more equitable allocation of resources, facilitating broader social inclusion and contributing to more egalitarian outcomes in non-Arab Muslim-majority countries.

4.3 Simulation Model

To assess the quantitative implications of our estimates, we implement the counterfactual simulation framework described in Section 3.4.1. This exercise translates the regression results into predicted inequality outcomes under alternative institutional configurations.

Specifically, we compare observed inequality with two counterfactual scenarios: (i) a setting in which Islamic economic constitutional provisions are absent, and (ii) a setting in which such provisions are uniformly present across countries. These scenarios do not represent realistic policy regimes, but instead serve as analytical benchmarks to isolate the distributional contribution of institutional variables.

Figure 7 presents the resulting distributions. The simulation indicates that, holding

other factors constant, the presence of Islamic economic constitutional provisions is associated with a rightward shift in the distribution of inequality. In other words, predicted inequality tends to be lower in the absence of these provisions and higher when they are uniformly imposed.

Importantly, this aggregate pattern masks substantial heterogeneity across institutional components. As shown in the regression results, broad Islamic economy provisions are associated with higher inequality, consistent with mechanisms of selective implementation and institutional flexibility. By contrast, more specific provisions, particularly *riba* prohibitions, are associated with more equalizing outcomes. The counterfactual results therefore reflect the combined effect of these heterogeneous channels.

These findings suggest that the distributional impact of Islamic economic institutions depends critically on their design and implementation. Rather than reflecting inherent features of Islamic economic principles, the observed patterns are more consistent with differences in institutional specificity, enforcement, and political economy context.

5 Conclusion

This study shows that constitutionally embedded Islamic economic provisions do not generate uniform distributive outcomes. Instead, their effects are heterogeneous and depend on provision type, regional context, and temporal dynamics. In particular, following the Arab Spring, broad Islamic economy clauses and constitutional zakat/waqf provisions in Arab OIC countries are associated with higher top income shares and reduced income shares for middle- and lower-income groups, patterns consistent with elite capture in rent-dependent political economies. By contrast, explicit *riba* prohibitions are associated with lower inequality and improved outcomes for the bottom of the distribution, suggesting that more specific and enforceable provisions may constrain rent extraction. Outside the Arab world, similar provisions are linked to more egalitarian outcomes, highlighting the importance of institutional context.

The analysis makes four main contributions. First, it introduces granular constitutional measures that distinguish between broad Islamic economic declarations, redistributive provisions, and financial prohibitions, allowing for a more precise examination of institutional channels. Second, it integrates the Comparative Islamic Constitutions Database with distributional data from the World Inequality Database, expanding coverage to include under-studied OIC economies. Third, by examining income shares across the distribution, the paper uncovers tail-specific dynamics that are not visible in aggregate measures such as the Gini coefficient. Fourth, structural break analysis shows that the effects of Islamic economic provisions emerge primarily after 2011 and remain robust across a range of specifications.

These findings carry important theoretical and policy implications. Theoretically,

they support the view that constitutional provisions function as independent institutional mechanisms rather than simply reflecting underlying social preferences. Their effects depend critically on textual specificity and political context. Broad, declaratory provisions may be more susceptible to selective implementation, while more concrete rules, such as *riba* prohibitions, can impose binding constraints on economic behavior. This helps reconcile the apparent disconnect between egalitarian norms in Islamic economic thought and observed inequality outcomes.

From a policy perspective, the results suggest that the effectiveness of Islamic economic institutions depends on their design and integration into broader governance frameworks. Redistributive mechanisms such as *zakat* and *waqf* may fail to achieve their intended effects if they operate outside transparent, rule-based systems. In contrast, provisions that directly regulate economic transactions appear more consistently aligned with distributional improvements. Strengthening institutional capacity, ensuring accountability, and integrating religiously grounded mechanisms into formal fiscal systems are therefore critical for achieving equitable outcomes.

The counterfactual simulations, presented in Figure 7, illustrate the magnitude of these institutional effects. On average, configurations characterized by broad and weakly enforced provisions are associated with higher predicted inequality, whereas more constrained institutional arrangements yield more favorable distributional outcomes.

Several limitations remain. The time-invariant nature of constitutional provisions limits within-country identification, and the analysis relies primarily on cross-country and post-2011 variation. Reverse causality cannot be fully ruled out, as high-inequality regimes may adopt symbolic provisions for legitimacy. In addition, data constraints limit the inclusion of variables such as unionization or sectarian fragmentation.

Future research could strengthen causal identification by exploiting historical instruments or natural experiments and by linking macro-level institutional variation to micro-level attitudes and behaviors. Extending the analysis to wealth inequality or subnational variation, as well as comparative work across religious traditions, would further enhance our understanding of how constitutional design shapes distributional outcomes.

Ultimately, this paper demonstrates that religious constitutionalism influences economic distribution not through doctrinal content alone, but through institutional design and political embedding. Egalitarian norms require enforceable mechanisms to translate into equitable outcomes.

Tables and Figures

Tables

Table 1: Descriptive Statistics (Full Panel Period 1980–2019)

Variable	**Source**	**Mean**	**SD**	**Median**	**Min**
Gini Coefficient (post-tax)	WID.world	57.68	6.46	57.73	41.00
Bottom 50% Share (post-tax)	WID.world	14.68	3.01	14.36	8.09
Top 10% Share (post-tax)	WID.world	47.76	6.53	47.56	29.42
Top 1% Share (post-tax)	WID.world	16.77	4.41	16.18	6.84
Middle 40% Share (post-tax)	WID.world	37.56	3.99	37.84	24.74
Log GDP per Capita	Maddison	8.37	1.14	8.28	6.06
Log Population	Maddison	9.13	1.48	9.17	5.47
Liberal Democracy Index	V-Dem	0.76	0.64	1.00	0.00
Trade Openness (% of GDP)	WID.world	65.80	35.55	59.82	5.40
Social Protection Index	ADB	2.52	2.94	1.22	0.00
Oil Rents (% of GDP)	World Bank	9.26	13.91	1.08	0.00
Respect for Constitution (V-Dem)	V-Dem	-0.45	0.84	-0.46	-2.36
Islamic Economy Provision	Moamen Gouda	0.09		0.00	0.00
Islamic Riba Provision	Moamen Gouda	0.05		0.00	0.00
Islamic Alms/Zakat Provision	Moamen Gouda	0.21		0.00	0.00

Notes: Descriptive statistics are computed over the full panel period (1980–2019). The sample consists of 2,016 country-year observations with complete data on core variables. Interaction terms are constructed as Islamic constitutional dummy $\times$ exp(log GDP per capita). Middle 40% share is calculated as 100 − Bottom 50% − Top 10%. The three specific Islamic provisions (Economy, Riba, Alms/Zakat) are binary indicators (1 if the constitution explicitly mentions the respective Islamic principle, 0 otherwise). The overall Islamic Constitutional Provision is the Islamic Constitutions Index (ICI) score.

Table 2: Determinants of Income Inequality: Random Effects Estimates

	Dependent Variable				
	(1) Gini (Post-Tax)	(2) Bottom 50%	(3) Middle 40%	(4) Top 10%	(5) Top 1%
Islamic Economy Provision					
	1.302^{**}	-1.047^{***}	-1.022^{**}	2.055^{***}	1.558^{**}
	(0.637)	(0.315)	(0.459)	(0.737)	(0.745)
Islamic Alms/Zakat Provision					
	0.372	−0.116	-0.794^{**}	0.905^{**}	0.920^{*}
	(0.415)	(0.084)	(0.346)	(0.365)	(0.543)
Islamic Riba Provision					
	-1.388^{*}	0.394	0.719	−1.081	−0.301
	(0.840)	(0.428)	(0.752)	(1.034)	(1.336)
Log GDP per capita					
	0.376	0.085	-0.235^{**}	0.148	0.177
	(0.231)	(0.104)	(0.093)	(0.175)	(0.131)
Log population					
	-2.059^{***}	0.932^{***}	1.467^{***}	-2.409^{***}	-1.679^{***}
	(0.238)	(0.138)	(0.197)	(0.333)	(0.282)
Democracy index					
	-1.761^{***}	0.426^{***}	0.531^{***}	-0.952^{***}	-0.659^{**}
	(0.265)	(0.108)	(0.203)	(0.270)	(0.259)
Social protection					
	-0.636^{***}	0.281^{***}	0.062	-0.340^{***}	−0.003
	(0.076)	(0.025)	(0.050)	(0.064)	(0.105)
Oil production					
	−0.004	−0.000	0.008	−0.008	−0.010
	(0.010)	(0.007)	(0.008)	(0.014)	(0.011)
Trade (% of GDP)					
	-0.016^{***}	0.004^{**}	0.006^{**}	-0.010^{**}	-0.008^{***}
	(0.004)	(0.002)	(0.003)	(0.004)	(0.003)
Respect for Constitution					
	−0.186	0.200^{***}	0.066	−0.270	0.111
	(0.180)	(0.068)	(0.142)	(0.193)	(0.239)
Model Statistics					
Obs.	1,780	1,780	1,780	1,780	1,780
R^2	0.267	0.261	0.147	0.192	0.096
RMSE	2.55	1.12	1.60	2.46	2.11

Notes: Driscoll-Kraay standard errors in parentheses (robust to cross-sectional and serial correlation). *p<0.10; **p<0.05; ***p<0.01. All estimates are from Random Effects models. Time-invariant Islamic finance variables (Islamic Economy, Alms/Zakat, Riba/Interest) are identified through between-country variation. Multicollinearity checks (VIF) revealed no issues.

Table 3: Islamic Economic Constitutional Variables and Inequality: Pre-2011 vs. Post-2011 (Random Effects)

	Gini (RE)		Bottom 50% (RE)		Middle 40% (RE)		Top 10% (RE)		Top 1% (RE)	
	Pre-11	Post-11	Pre-11	Post-11	Pre-11	Post-11	Pre-11	Post-11	Pre-11	Post-11
Islamic Economy Provision	0.720	5.459*	-0.401	-2.517*	-0.299	-4.767***	0.655	7.283***	0.477	6.367***
	(0.747)	(2.954)	(0.301)	(1.301)	(0.425)	(1.698)	(0.661)	(2.813)	(0.555)	(1.889)
Islamic Riba Provision	-1.378	-7.157**	0.335	2.976**	1.356*	5.425***	-1.596	-8.423***	-1.648*	-7.673***
	(1.323)	(3.031)	(0.538)	(1.349)	(0.767)	(1.777)	(1.191)	(2.926)	(0.994)	(2.056)
Islamic Alms/Zakat Provision	-0.059	1.234	-0.149	-0.392	-0.717***	-1.100	0.843**	1.468	0.902**	2.019**
	(0.480)	(1.135)	(0.193)	(0.546)	(0.271)	(0.758)	(0.422)	(1.206)	(0.356)	(0.994)
Controls										
Log GDP per capita	0.888***	0.559	-0.205**	-0.097	-0.322**	-0.149	0.509**	0.279	0.341*	0.527
	(0.237)	(0.504)	(0.096)	(0.236)	(0.136)	(0.320)	(0.212)	(0.517)	(0.177)	(0.399)
Log Population	-1.308***	-0.831*	0.337***	0.572**	0.631***	-0.053	-0.930***	-0.498	-0.581***	0.234
	(0.271)	(0.499)	(0.113)	(0.226)	(0.168)	(0.300)	(0.259)	(0.491)	(0.210)	(0.347)
Democracy Index	-1.462***	-0.813***	0.357***	0.019	0.362***	0.067	-0.723***	-0.121	-0.402***	0.227
	(0.187)	(0.247)	(0.075)	(0.124)	(0.105)	(0.178)	(0.163)	(0.295)	(0.138)	(0.274)
Social Protection	-0.603***	-0.409***	0.291***	0.286***	0.128***	-0.194**	-0.412***	-0.090	-0.250***	0.376***
	(0.077)	(0.113)	(0.031)	(0.055)	(0.043)	(0.078)	(0.068)	(0.123)	(0.057)	(0.108)
Oil Production	-0.003	0.028**	0.001	-0.022***	-0.006	-0.020**	0.004	0.042***	0.008	0.024
	(0.011)	(0.014)	(0.004)	(0.007)	(0.006)	(0.010)	(0.009)	(0.016)	(0.008)	(0.015)
Trade (% GDP)	-0.023***	-0.006*	0.007***	0.004**	0.012***	0.006**	-0.019***	-0.010**	-0.015***	-0.008*
	(0.005)	(0.004)	(0.002)	(0.002)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)
Respect for Const.	-0.218	0.124	0.293***	-0.030	0.216**	-0.442**	-0.513***	0.473	-0.335**	0.442
	(0.179)	(0.283)	(0.072)	(0.142)	(0.101)	(0.204)	(0.157)	(0.316)	(0.132)	(0.306)
Num. Obs.	1324	456	1324	456	1324	456	1324	456	1324	456
R^2	0.209	0.094	0.190	0.111	0.139	0.065	0.134	0.070	0.076	0.117
RMSE	2.28	1.24	0.91	0.63	1.27	0.91	1.97	1.40	1.68	1.44

Notes: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Standard errors in parentheses are Driscoll-Kraay robust to serial and cross-sectional correlation.

This table reports Random Effects (RE) estimates comparing the Pre-2011 and Post-2011 periods.

Table 4: 2011 Crisis: Post-2011 and Arab Post-2011 Effects Conditional on Alms (Zakat)

	Gini (post-tax)	Bottom 50% (post-tax)	Middle 40% (post-tax)	Top 10% (post-tax)	Top 1% (post-tax)
	RE	RE	RE	RE	RE
Post-2011 Period	-1.507***	0.338***	0.396***	-1.345***	-1.022***
	(0.212)	(0.093)	(0.133)	(0.204)	(0.174)
Arab × Post-2011	0.021	0.076	-0.403***	0.472**	0.781***
	(0.222)	(0.097)	(0.139)	(0.213)	(0.182)
Islamic Alms/Zakat Provision	-2.116	0.658	1.220	-1.871	1.561
	(3.614)	(1.586)	(2.496)	(3.902)	(2.867)
Arab × Islamic Alms Provision	1.844	-0.764	-1.310	2.065	-1.482
	(3.631)	(1.593)	(2.505)	(3.916)	(2.881)
Post-2011 × Alms	-1.657**	0.881***	0.263	-1.146*	-0.326
	(0.712)	(0.310)	(0.444)	(0.686)	(0.587)
Arab × Post-2011 × Alms	2.140**	-0.063	-2.206***	2.270***	2.655***
	(0.844)	(0.367)	(0.527)	(0.813)	(0.695)
Controls					
Log GDP per capita	0.822***	-0.035	-0.369***	0.452***	0.473***
	(0.172)	(0.075)	(0.108)	(0.166)	(0.141)
Log Population	-1.285***	0.300***	0.241**	-0.911***	-0.881***
	(0.233)	(0.102)	(0.147)	(0.225)	(0.192)
Democracy Index	-1.430***	0.385***	0.468***	-1.362***	-1.051***
	(0.136)	(0.060)	(0.086)	(0.132)	(0.112)
Social Protection	-0.582***	0.209***	0.078**	-0.525***	-0.419***
	(0.066)	(0.029)	(0.042)	(0.064)	(0.055)
Oil Production	-0.015	-0.001	-0.004	-0.015	-0.015*
	(0.009)	(0.004)	(0.006)	(0.009)	(0.008)
Trade (% GDP)	-0.015***	0.001	0.006***	-0.014***	-0.014***
	(0.003)	(0.001)	(0.002)	(0.003)	(0.002)
Respect for Constitution	-0.347**	-0.063	0.196	0.148	0.126
	(0.152)	(0.066)	(0.095)	(0.146)	(0.125)
Num. Obs.	1780	1780	1780	1780	1780
R^2	0.296	0.301	0.193	0.231	0.140
RMSE	2.49	1.08	1.55	2.40	2.05

Notes: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Standard errors in parentheses are Driscoll–Kraay robust to serial and cross-sectional correlation.

RE = random effects.

Key parameters: Post-2011 × Alms; Arab × Post-2011 × Alms.

Table 5: 2011 Crisis: Post-2011 and Arab Post-2011 Effects Conditional on Islamic Economy

	Gini (post-tax)	Bottom 50% (post-tax)	Middle 40% (post-tax)	Top 10% (post-tax)	Top 1% (post-tax)
	RE	RE	RE	RE	RE
Post-2011 Period	-1.644***	0.484***	0.299**	-1.780***	-1.437***
	(0.221)	(0.097)	(0.139)	(0.213)	(0.182)
Arab × Post-2011	0.673**	0.021	-0.353**	0.560**	0.879***
	(0.308)	(0.135)	(0.194)	(0.297)	(0.254)
Islamic Economy Provision	0.299	-0.620	-0.477	1.039	1.103
	(1.746)	(0.764)	(1.107)	(1.701)	(1.431)
Arab × Islamic Economy Provision	-0.483	0.067	0.415	-0.429	-0.675
	(1.881)	(0.823)	(1.192)	(1.831)	(1.543)
Post-2011 × Islamic Economy	-3.584***	1.278***	0.334	-1.627*	-1.419*
	(0.975)	(0.427)	(0.616)	(0.941)	(0.807)
Arab × Post-2011 × Is. Economy	5.864***	-1.903***	-2.389***	4.308***	4.298***
	(1.128)	(0.494)	(0.712)	(1.089)	(0.934)
Controls					
Log GDP per capita	0.815***	-0.034	-0.368***	0.452***	0.473***
	(0.173)	(0.076)	(0.109)	(0.167)	(0.142)
Log Population	-1.281***	0.300***	0.241**	-0.911***	-0.881***
	(0.233)	(0.102)	(0.147)	(0.225)	(0.192)
Democracy Index	-1.432***	0.385***	0.468***	-1.362***	-1.051***
	(0.136)	(0.060)	(0.086)	(0.132)	(0.112)
Social Protection	-0.583***	0.209***	0.078**	-0.525***	-0.419***
	(0.066)	(0.029)	(0.042)	(0.064)	(0.055)
Oil Production	-0.016	-0.001	-0.004	-0.015	-0.015*
	(0.009)	(0.004)	(0.006)	(0.009)	(0.008)
Trade (% GDP)	-0.015***	0.001	0.006***	-0.014***	-0.014***
	(0.003)	(0.001)	(0.002)	(0.003)	(0.002)
Respect for Constitution	-0.347**	-0.063	0.196	0.148	0.126
	(0.151)	(0.066)	(0.095)	(0.146)	(0.125)
Num. Obs.	1780	1780	1780	1780	1780
R^2	0.305	0.301	0.192	0.240	0.143
RMSE	2.48	1.08	1.56	2.39	2.05

Notes: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Standard errors in parentheses are Driscoll–Kraay robust to serial and cross-sectional correlation.

RE = random effects.

Key parameters: Post-2011 × Islamic Economy; Arab × Post-2011 × Islamic Economy.

Table 6: 2011 Crisis: Post-2011 and Arab Post-2011 Effects Conditional on Alms (Zakat)

	Gini (post-tax)	Bottom 50% (post-tax)	Middle 40% (post-tax)	Top 10% (post-tax)	Top 1% (post-tax)
	RE	RE	RE	RE	RE
Post-2011 Period	-1.507***	0.338***	0.396***	-1.345***	-1.022***
	(0.212)	(0.093)	(0.133)	(0.204)	(0.174)
Arab × Post-2011	0.021	0.076	-0.403***	0.472**	0.781***
	(0.222)	(0.097)	(0.139)	(0.213)	(0.182)
Islamic Alms/Zakat Provision	-2.116	0.658	1.220	-1.871	1.561
	(3.614)	(1.586)	(2.496)	(3.902)	(2.867)
Arab × Islamic Alms Provision	1.844	-0.764	-1.310	2.065	-1.482
	(3.631)	(1.593)	(2.505)	(3.916)	(2.881)
Post-2011 × Alms	-1.657**	0.881***	0.263	-1.146*	-0.326
	(0.712)	(0.310)	(0.444)	(0.686)	(0.587)
Arab × Post-2011 × Alms	2.140**	-0.063	-2.206***	2.270***	2.655***
	(0.844)	(0.367)	(0.527)	(0.813)	(0.695)
Controls					
Log GDP per capita	0.822***	-0.035	-0.369***	0.452***	0.473***
	(0.172)	(0.075)	(0.108)	(0.166)	(0.141)
Log Population	-1.285***	0.300***	0.241**	-0.911***	-0.881***
	(0.233)	(0.102)	(0.147)	(0.225)	(0.192)
Democracy Index	-1.430***	0.385***	0.468***	-1.362***	-1.051***
	(0.136)	(0.060)	(0.086)	(0.132)	(0.112)
Social Protection	-0.582***	0.209***	0.078**	-0.525***	-0.419***
	(0.066)	(0.029)	(0.042)	(0.064)	(0.055)
Oil Production	-0.015	-0.001	-0.004	-0.015	-0.015*
	(0.009)	(0.004)	(0.006)	(0.009)	(0.008)
Trade (% GDP)	-0.015***	0.001	0.006***	-0.014***	-0.014***
	(0.003)	(0.001)	(0.002)	(0.003)	(0.002)
Respect for Constitution	-0.347**	-0.063	0.196	0.148	0.126
	(0.152)	(0.066)	(0.095)	(0.146)	(0.125)
Num. Obs.	1780	1780	1780	1780	1780
R^2	0.296	0.301	0.193	0.231	0.140
RMSE	2.49	1.08	1.55	2.40	2.05

Notes: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Standard errors in parentheses are Driscoll–Kraay robust to serial and cross-sectional correlation.

RE = random effects.

Key parameters: Post-2011 × Alms; Arab × Post-2011 × Alms.

Table 7: 2011 Crisis: Post-2011 and Arab Post-2011 Effects Conditional on Islamic Economy

	Gini (post-tax)	Bottom 50% (post-tax)	Middle 40% (post-tax)	Top 10% (post-tax)	Top 1% (post-tax)
	RE	RE	RE	RE	RE
Post-2011 Period	-1.644***	0.484***	0.299**	-1.780***	-1.437***
	(0.221)	(0.097)	(0.139)	(0.213)	(0.182)
Arab × Post-2011	0.673**	0.021	-0.353**	0.560**	0.879***
	(0.308)	(0.135)	(0.194)	(0.297)	(0.254)
Islamic Economy Provision	0.299	-0.620	-0.477	1.039	1.103
	(1.746)	(0.764)	(1.107)	(1.701)	(1.431)
Arab × Islamic Economy Provision	-0.483	0.067	0.415	-0.429	-0.675
	(1.881)	(0.823)	(1.192)	(1.831)	(1.543)
Post-2011 × Islamic Economy	-3.584***	1.278***	0.334	-1.627*	-1.419*
	(0.975)	(0.427)	(0.616)	(0.941)	(0.807)
Arab × Post-2011 × Is. Economy	5.864***	-1.903***	-2.389***	4.308***	4.298***
	(1.128)	(0.494)	(0.712)	(1.089)	(0.934)
Controls					
Log GDP per capita	0.815***	-0.034	-0.368***	0.452***	0.473***
	(0.173)	(0.076)	(0.109)	(0.167)	(0.142)
Log Population	-1.281***	0.300***	0.241**	-0.911***	-0.881***
	(0.233)	(0.102)	(0.147)	(0.225)	(0.192)
Democracy Index	-1.432***	0.385***	0.468***	-1.362***	-1.051***
	(0.136)	(0.060)	(0.086)	(0.132)	(0.112)
Social Protection	-0.583***	0.209***	0.078**	-0.525***	-0.419***
	(0.066)	(0.029)	(0.042)	(0.064)	(0.055)
Oil Production	-0.016	-0.001	-0.004	-0.015	-0.015*
	(0.009)	(0.004)	(0.006)	(0.009)	(0.008)
Trade (% GDP)	-0.015***	0.001	0.006***	-0.014***	-0.014***
	(0.003)	(0.001)	(0.002)	(0.003)	(0.002)
Respect for Constitution	-0.347**	-0.063	0.196	0.148	0.126
	(0.151)	(0.066)	(0.095)	(0.146)	(0.125)
Num. Obs.	1780	1780	1780	1780	1780
R^2	0.305	0.301	0.192	0.240	0.143
RMSE	2.48	1.08	1.56	2.39	2.05

Notes: * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Standard errors in parentheses are Driscoll–Kraay robust to serial and cross-sectional correlation.

RE = random effects.

Key parameters: Post-2011 × Islamic Economy; Arab × Post-2011 × Islamic Economy.

Figures

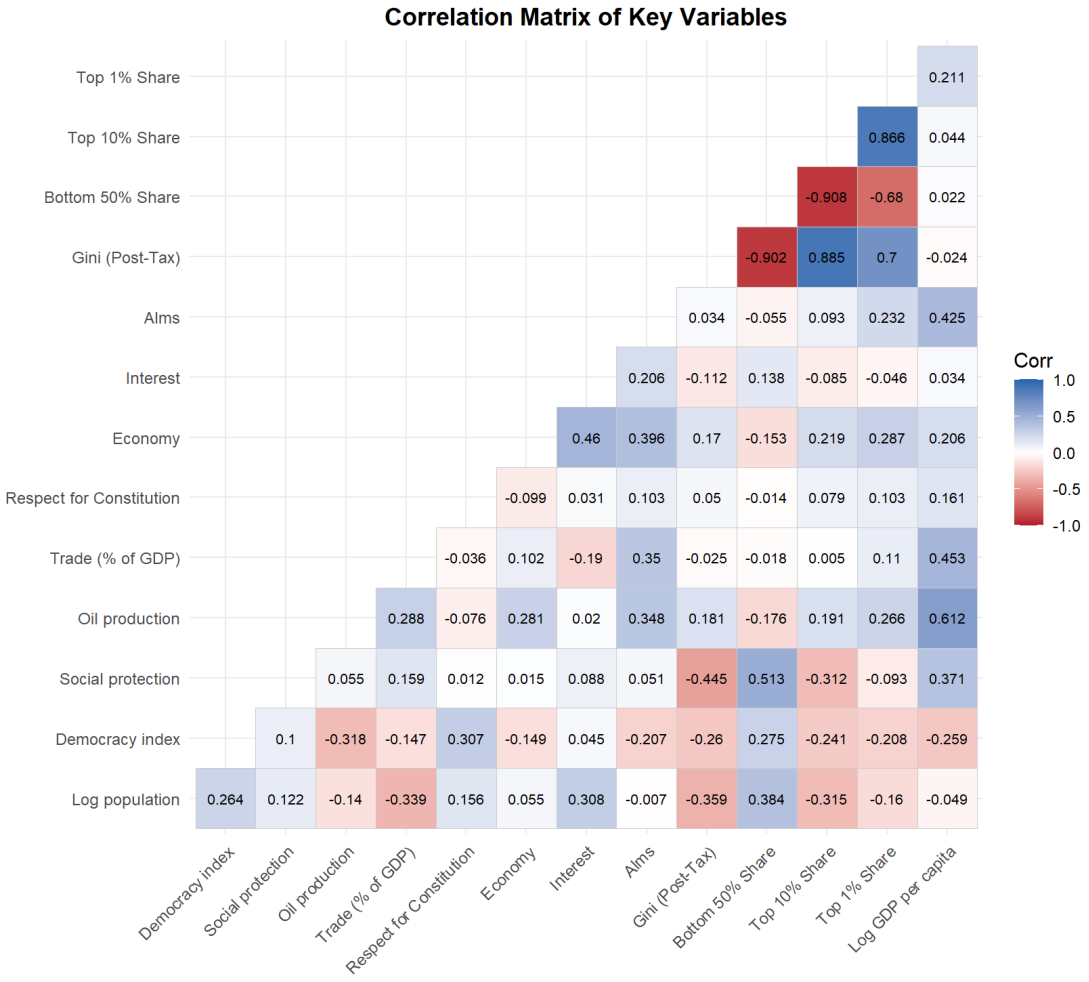


Figure 1: Correlation Matrix

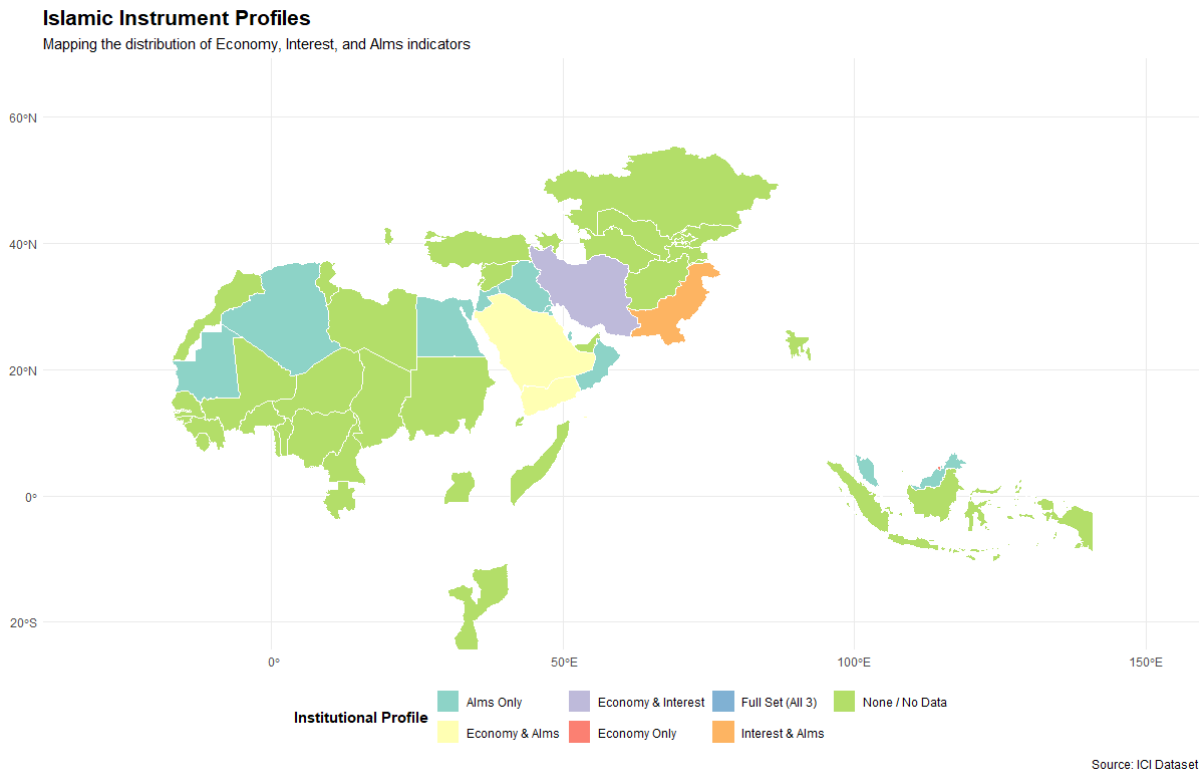


Figure 2: Islamic Instrument Profile of Countries

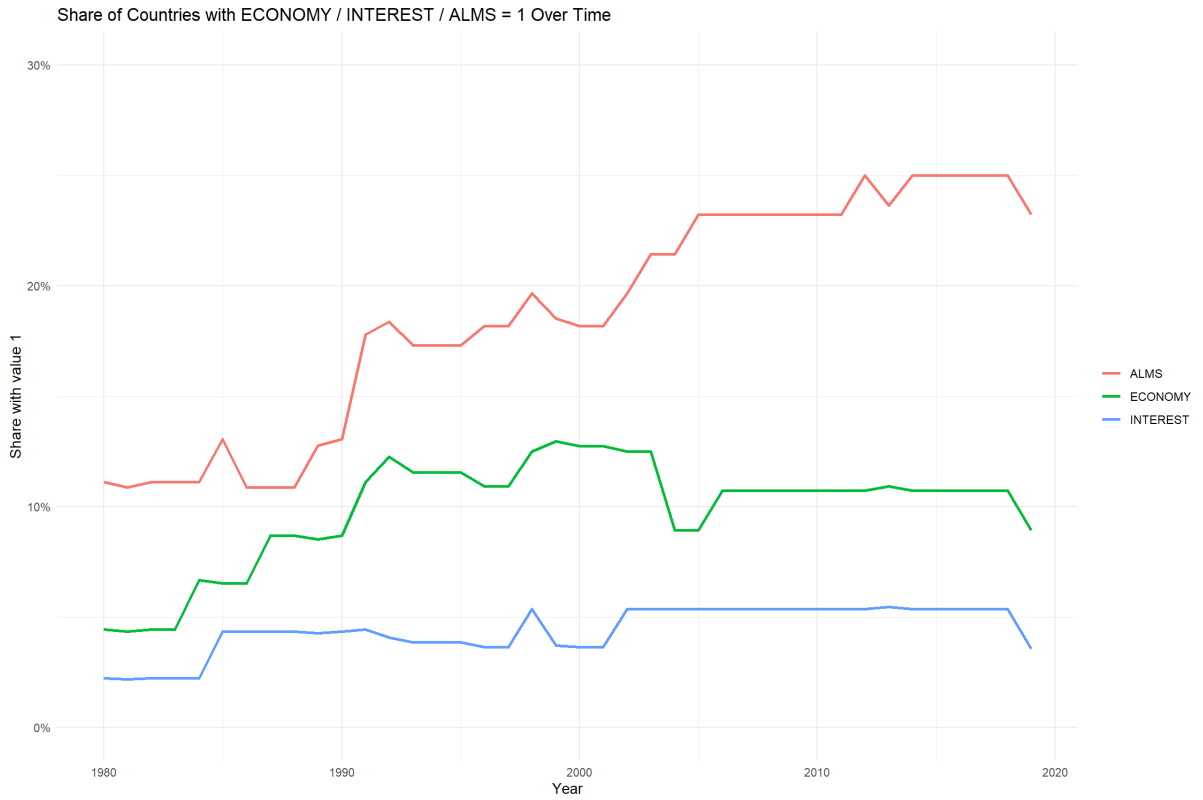


Figure 3: Islamic Economy Provision, Islamic Alms/Zakat Provision and Riba Over Time

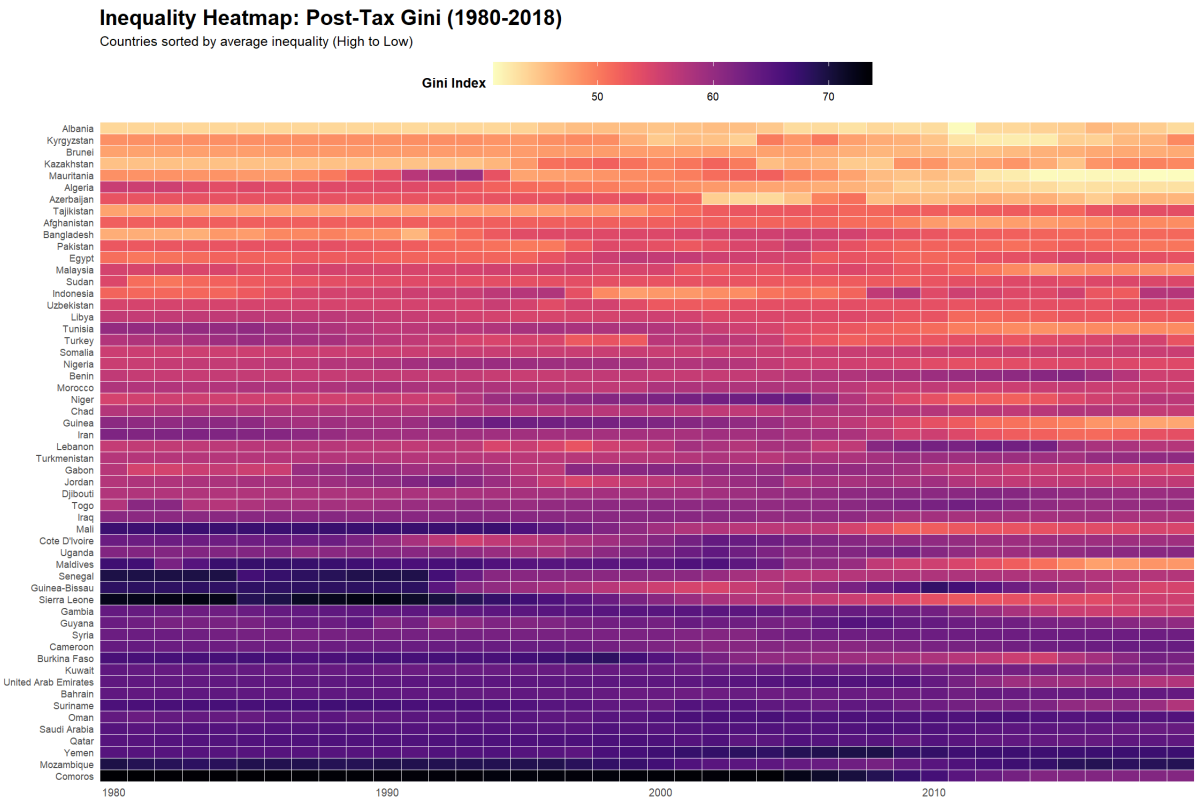


Figure 4: Inequality in Islamic Countries, 1980-2018



Figure 5: Income Groups

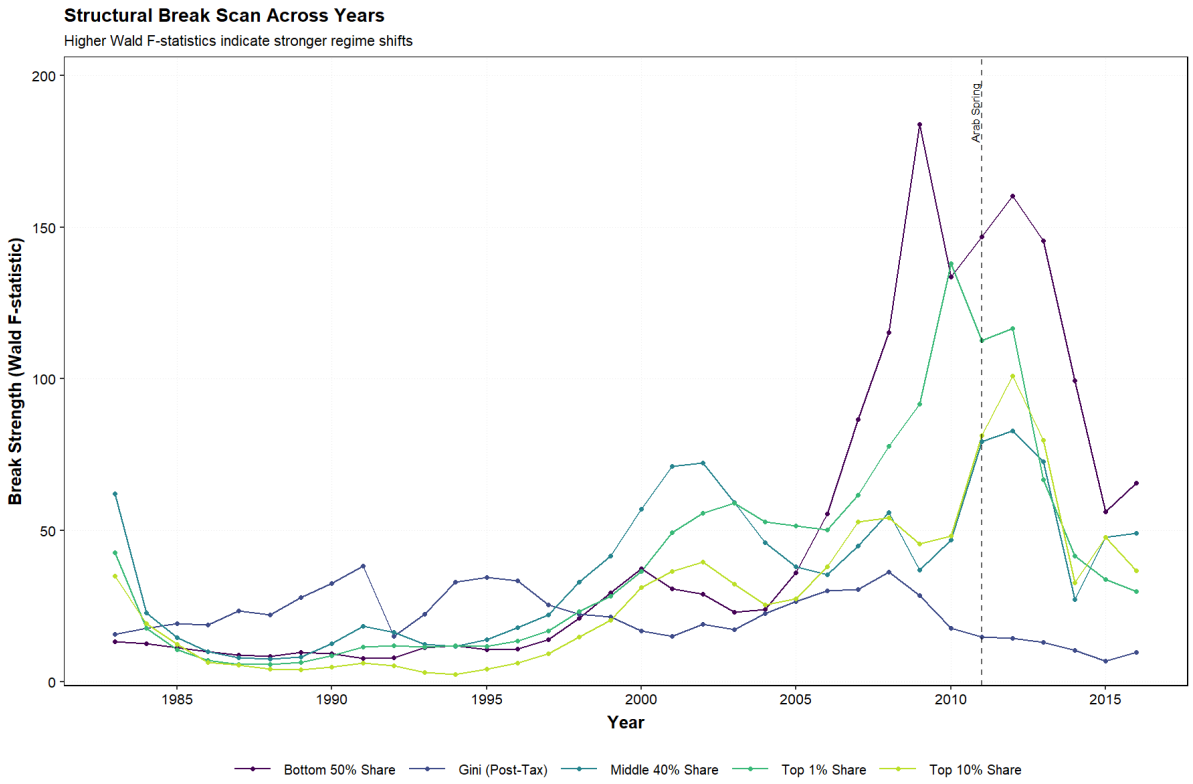


Figure 6: Structural Break Result

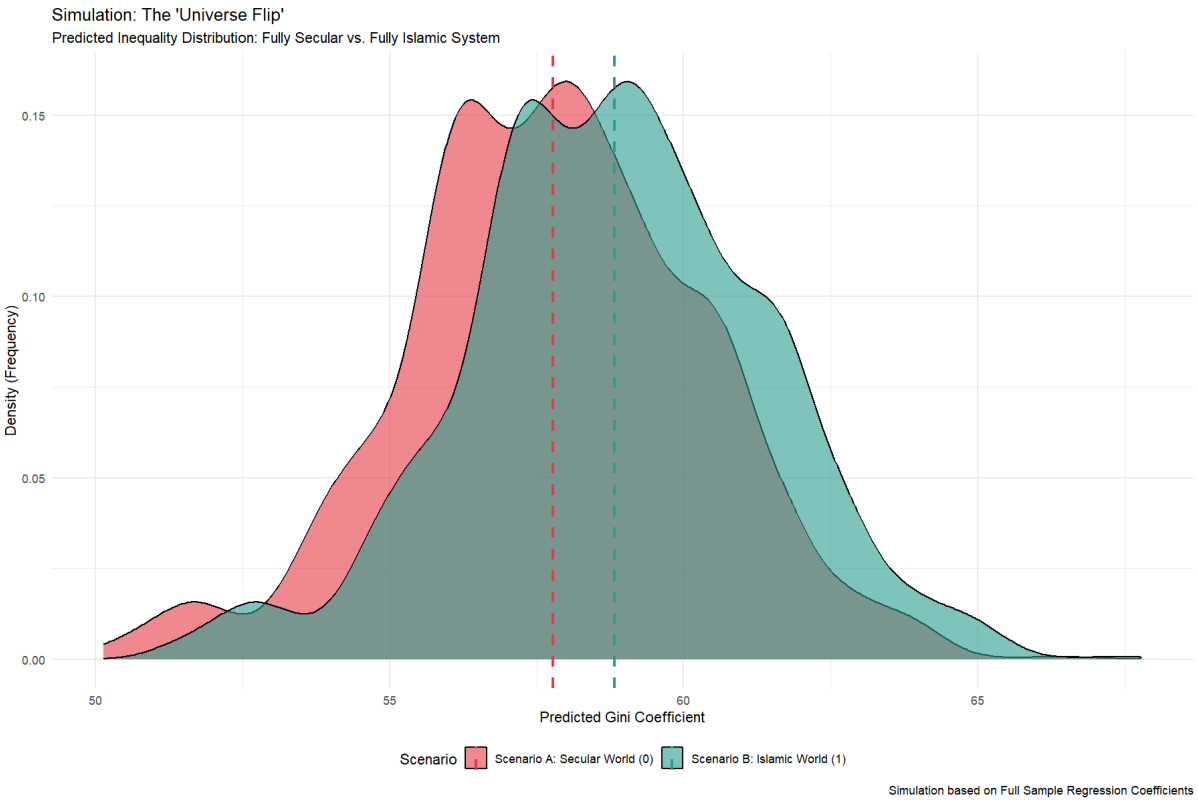


Figure 7: Counterfactual Simulation: Adoption of Islamic Economic Institutions shifts the Gini distribution to the right (Higher Inequality)

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A Appendix

A.1 Supplementary Tables and Robustness Results

Extra Figures

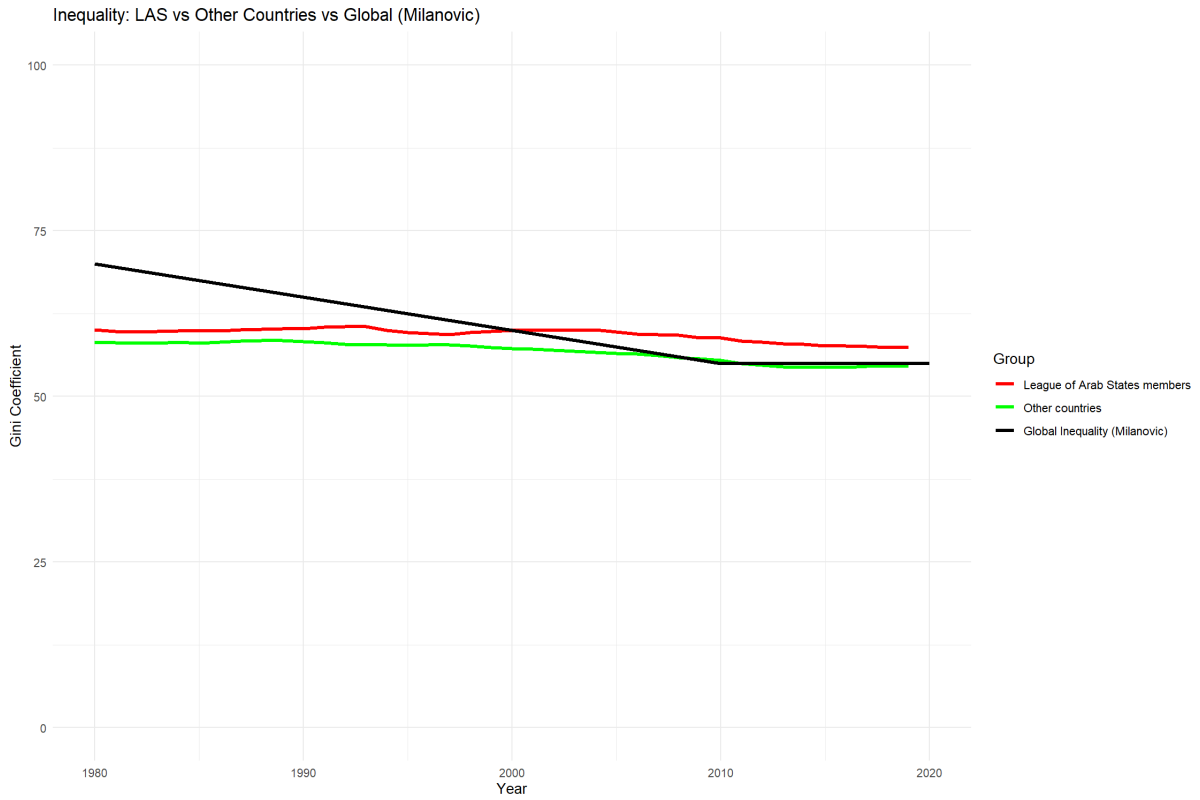


Figure A1: Inequality Trends in Arab Countries, Non-Arab Countries, and the Global Economy (from Milanovic (Milanovic, 2013)]

In Figure A1, we observe that inequality in Islamic countriesboth Arab and non-Arabhas not declined significantly compared with the global reduction in inequality. Moreover, the level of inequality in these countries remains relatively high when compared with most developed and developing economies (Makhlouf, 2023). These patterns indicate that inequality continues to be a persistent and serious challenge across many Islamic countries.

Table A1: Regression Results: Impact of Islamic Provisions on Income Distribution (DK Standard Errors)

	Gini (FE)	Gini (RE)	Bottom 50% (FE)	Bottom 50% (RE)	Middle 40% (FE)	Middle 40% (RE)	Top 10% (FE)	Top 10% (RE)	Top 1% (FE)	Top 1% (RE)
Islamic Economy Provision		1.302**		-1.047***		-1.022**		2.055***		1.558**
		(0.637)		(0.315)		(0.459)		(0.737)		(0.745)
Prohibition of Riba		-1.388*		0.394		0.719		-1.081		-0.301
		(0.840)		(0.428)		(0.752)		(1.034)		(1.336)
Zakat Provision		0.372		-0.116		-0.794**		0.905**		0.920*
		(0.415)		(0.084)		(0.346)		(0.365)		(0.543)
Islamic Economy Provision Œ GDP per capita	0.756***		-0.500***		-0.332**		0.831***		0.568**	
	(0.207)		(0.164)		(0.164)		(0.320)		(0.273)	
Prohibition of Riba Œ GDP per capita	-2.323***		1.112***		1.359***		-2.471***		-1.907***	
	(0.655)		(0.331)		(0.388)		(0.584)		(0.559)	
Zakat Provision Œ GDP per capita	0.083		0.007		-0.575***		0.568***		0.560***	
	(0.270)		(0.086)		(0.148)		(0.217)		(0.212)	
Log GDP per capita	0.507*	0.376	0.081	0.085	-0.210***	-0.235**	0.130	0.148	0.221*	0.177
	(0.260)	(0.231)	(0.122)	(0.104)	(0.076)	(0.093)	(0.186)	(0.175)	(0.123)	(0.131)
Log Population	-2.393***	-2.059***	0.990***	0.932***	1.776***	1.467***	-2.766***	-2.409***	-2.143***	-1.679***
	(0.397)	(0.238)	(0.276)	(0.138)	(0.386)	(0.197)	(0.644)	(0.333)	(0.552)	(0.282)
Democracy Index	-1.692***	-1.761***	0.384***	0.426***	0.416**	0.531***	-0.800***	-0.952***	-0.495**	-0.659**
	(0.250)	(0.265)	(0.102)	(0.108)	(0.169)	(0.203)	(0.227)	(0.270)	(0.213)	(0.259)
Social Protection	-0.600***	-0.636***	0.264***	0.281***	0.061*	0.062	-0.325***	-0.340***	0.002	-0.003
	(0.067)	(0.076)	(0.023)	(0.025)	(0.036)	(0.050)	(0.049)	(0.064)	(0.092)	(0.105)
Oil Production	-0.005	-0.004	-0.000	-0.000	0.007	0.008	-0.006	-0.008	-0.010	-0.010
	(0.011)	(0.010)	(0.007)	(0.007)	(0.008)	(0.008)	(0.014)	(0.014)	(0.012)	(0.011)
Trade (% of GDP)	-0.015***	-0.016***	0.004**	0.004**	0.004*	0.006**	-0.008**	-0.010**	-0.007***	-0.008***
	(0.004)	(0.004)	(0.002)	(0.002)	(0.002)	(0.003)	(0.004)	(0.004)	(0.003)	(0.003)
Respect for Constitution	-0.236	-0.186	0.253***	0.200***	0.086	0.066	-0.339*	-0.270	0.062	0.111
	(0.179)	(0.180)	(0.057)	(0.068)	(0.141)	(0.142)	(0.181)	(0.193)	(0.228)	(0.239)
Observations	1780	1780	1780	1780	1780	1780	1780	1780	1780	1780
Rš	0.264	0.267	0.248	0.261	0.132	0.147	0.197	0.192	0.104	0.096
Adjusted Rš	0.238	0.263	0.222	0.257	0.101	0.143	0.169	0.188	0.073	0.091
AIC	8337.7	8408.4	5403.3	5471.8	6669.6	6745.9	8213.4	8285.7	7658.0	7732.0
BIC	8398.0	8474.3	5463.6	5537.6	6729.9	6811.7	8273.7	8351.5	7718.3	7797.8
RMSE	2.50	2.55	1.10	1.12	1.57	1.60	2.42	2.46	2.07	2.11

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

FE = Fixed Effects model (with interactions capturing dynamic effects of Islamic provisions)

RE = Random Effects model (optimal blend of between- and within-variation)

All models employ Driscoll-Kraay standard errors (robust to serial correlation and cross-sectional dependence).

Table A2: Regression Results: Impact of Islamic Provisions on Income Distribution Pre-2011 Subsample (DK Standard Errors)

	Gini (FE)	Gini (RE)	Bottom 50% (FE)	Bottom 50% (RE)	Middle 40% (FE)	Middle 40% (RE)	Top 10% (FE)	Top 10% (RE)	Top 1% (FE)	Top 1% (RE)
Islamic Economy Clause		0.720		-0.401		-0.299		0.655		0.477
		(0.747)		(0.301)		(0.425)		(0.661)		(0.555)
Prohibition of Riba		-1.378		0.335		1.356*		-1.596		-1.648*
		(1.323)		(0.538)		(0.767)		(1.191)		(0.994)
Zakat Provision		-0.059		-0.149		-0.717***		0.843**		0.902**
		(0.480)		(0.193)		(0.271)		(0.422)		(0.356)
Islamic Economy Clause Œ GDP per capita	0.147		-0.013		0.109		-0.096		-0.171	
	(0.377)		(0.150)		(0.209)		(0.326)		(0.278)	
Prohibition of Riba Œ GDP per capita	-0.354		0.236		1.429***		-1.665**		-0.688	
	(0.958)		(0.382)		(0.533)		(0.830)		(0.707)	
Zakat Provision Œ GDP per capita	-0.665**		0.139		-0.168		0.028		0.044	
	(0.277)		(0.110)		(0.154)		(0.240)		(0.205)	
Log GDP per capita	1.159***	0.888***	-0.200*	-0.205**	-0.341**	-0.322**	0.541**	0.509**	0.385*	0.341*
	(0.281)	(0.237)	(0.112)	(0.096)	(0.156)	(0.136)	(0.243)	(0.212)	(0.207)	(0.177)
Log Population	-1.170***	-1.308***	0.100	0.337***	0.596***	0.631***	-0.695**	-0.930***	-0.467*	-0.581***
	(0.344)	(0.271)	(0.137)	(0.113)	(0.192)	(0.168)	(0.298)	(0.259)	(0.254)	(0.210)
Democracy Index	-1.535***	-1.462***	0.381***	0.357***	0.355***	0.362***	-0.736***	-0.723***	-0.388***	-0.402***
	(0.191)	(0.187)	(0.076)	(0.075)	(0.106)	(0.105)	(0.165)	(0.163)	(0.141)	(0.138)
Social Protection	-0.541***	-0.603***	0.266***	0.291***	0.103**	0.128***	-0.369***	-0.412***	-0.235***	-0.250***
	(0.079)	(0.077)	(0.032)	(0.031)	(0.044)	(0.043)	(0.069)	(0.068)	(0.059)	(0.057)
Oil Production	-0.006	-0.003	0.002	0.001	-0.007	-0.006	0.005	0.004	0.008	0.008
	(0.011)	(0.011)	(0.004)	(0.004)	(0.006)	(0.006)	(0.010)	(0.009)	(0.008)	(0.008)
Trade (% of GDP)	-0.024***	-0.023***	0.007***	0.007***	0.012***	0.012***	-0.020***	-0.019***	-0.016***	-0.015***
	(0.005)	(0.005)	(0.002)	(0.002)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)
Respect for Constitution	-0.253	-0.218	0.325***	0.293***	0.174*	0.216**	-0.499***	-0.513***	-0.315**	-0.335**
	(0.178)	(0.179)	(0.071)	(0.072)	(0.099)	(0.101)	(0.154)	(0.157)	(0.131)	(0.132)
Observations	1324	1324	1324	1324	1324	1324	1324	1324	1324	1324
Rš	0.176	0.209	0.152	0.190	0.078	0.139	0.119	0.134	0.069	0.076
Adjusted Rš	0.136	0.203	0.112	0.184	0.035	0.132	0.077	0.127	0.025	0.069
AIC	5902.7	5967.5	3466.6	3532.1	4348.6	4404.8	5523.1	5581.0	5099.9	5149.6
BIC	5959.8	6029.8	3523.6	3594.3	4405.6	4467.1	5580.2	5643.3	5157.0	5211.9
RMSE	2.23	2.28	0.89	0.91	1.24	1.27	1.93	1.97	1.65	1.68

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

FE = Fixed Effects model (with interactions capturing dynamic effects of Islamic provisions)

RE = Random Effects model (optimal blend of between- and within-variation)

All models employ Driscoll-Kraay standard errors (robust to serial correlation and cross-sectional dependence).

Table A3: Regression Results: Impact of Islamic Provisions on Income Distribution Post-2011 Subsample (DK Standard Errors)

	Gini (FE)	Gini (RE)	Bottom 50% (FE)	Bottom 50% (RE)	Middle 40% (FE)	Middle 40% (RE)	Top 10% (FE)	Top 10% (RE)	Top 1% (FE)	Top 1% (RE)
Islamic Economy Provision		5.459*		-2.517*		-4.767***		7.283***		6.367***
		(2.954)		(1.301)		(1.698)		(2.813)		(1.889)
Prohibition of Riba		-7.157**		2.976**		5.425***		-8.423***		-7.673***
		(3.031)		(1.349)		(1.777)		(2.926)		(2.056)
Zakat Provision		1.234		-0.392		-1.100		1.468		2.019**
		(1.135)		(0.546)		(0.758)		(1.206)		(0.994)
Islamic Economy Provision Œ GDP per capita	1.573		0.317		-7.589***		7.272***		18.970***	
	(2.374)		(1.198)		(1.675)		(2.659)		(2.467)	
Prohibition of Riba Œ GDP per capita	-0.908		-1.296		8.015***		-6.718**		-19.051***	
	(2.561)		(1.293)		(1.808)		(2.869)		(2.662)	
Zakat Provision Œ GDP per capita	0.327		0.483		-0.732		0.248		0.889	
	(1.723)		(0.870)		(1.216)		(1.930)		(1.791)	
Log GDP per capita	1.763**	0.559	-0.670	-0.097	0.371	-0.149	0.300	0.279	-0.194	0.527
	(0.892)	(0.504)	(0.450)	(0.236)	(0.630)	(0.320)	(1.000)	(0.517)	(0.927)	(0.399)
Log Population	-2.173**	-0.831*	1.679***	0.572**	-0.765	-0.053	-0.914	-0.498	1.099	0.234
	(1.075)	(0.499)	(0.543)	(0.226)	(0.759)	(0.300)	(1.204)	(0.491)	(1.117)	(0.347)
Democracy Index	-0.855***	-0.813***	-0.056	0.019	0.177	0.067	-0.121	-0.081	-0.083	0.227
	(0.264)	(0.247)	(0.133)	(0.124)	(0.186)	(0.178)	(0.295)	(0.276)	(0.274)	(0.274)
Social Protection	-0.436***	-0.409***	0.270***	0.286***	-0.033	-0.194**	-0.237	-0.090	0.098	0.376***
	(0.138)	(0.113)	(0.070)	(0.055)	(0.097)	(0.078)	(0.155)	(0.123)	(0.143)	(0.108)
Oil Production	0.015	0.028**	-0.013	-0.022***	-0.023**	-0.020**	0.037**	0.042***	0.026	0.024
	(0.016)	(0.014)	(0.008)	(0.007)	(0.011)	(0.010)	(0.018)	(0.016)	(0.017)	(0.015)
Trade (% of GDP)	-0.007*	-0.006*	0.004**	0.004**	0.007***	0.006**	-0.011***	-0.010**	-0.010***	-0.008*
	(0.004)	(0.004)	(0.002)	(0.002)	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)	(0.004)
Respect for Constitution	0.098	0.124	0.034	-0.030	-0.340	-0.442**	0.306	0.473	0.315	0.442
	(0.293)	(0.283)	(0.148)	(0.142)	(0.207)	(0.204)	(0.328)	(0.316)	(0.305)	(0.306)
Observations	456	456	456	456	456	456	456	456	456	456
Rš	0.067	0.094	0.086	0.111	0.133	0.065	0.067	0.070	0.272	0.117
Adjusted Rš	-0.075	0.074	-0.053	0.091	0.001	0.044	-0.074	0.049	0.161	0.097
AIC	1454.0	1511.7	830.3	889.7	1136.2	1231.6	1557.6	1625.4	1489.2	1652.4
BIC	1499.3	1561.1	875.7	939.2	1181.5	1281.1	1602.9	1674.9	1534.5	1701.9
RMSE	1.16	1.24	0.59	0.63	0.82	0.91	1.30	1.40	1.21	1.44

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

FE = Fixed Effects model (with interactions capturing dynamic effects of Islamic provisions)

RE = Random Effects model (optimal blend of between- and within-variation)

All models employ Driscoll-Kraay standard errors (robust to serial correlation and cross-sectional dependence).

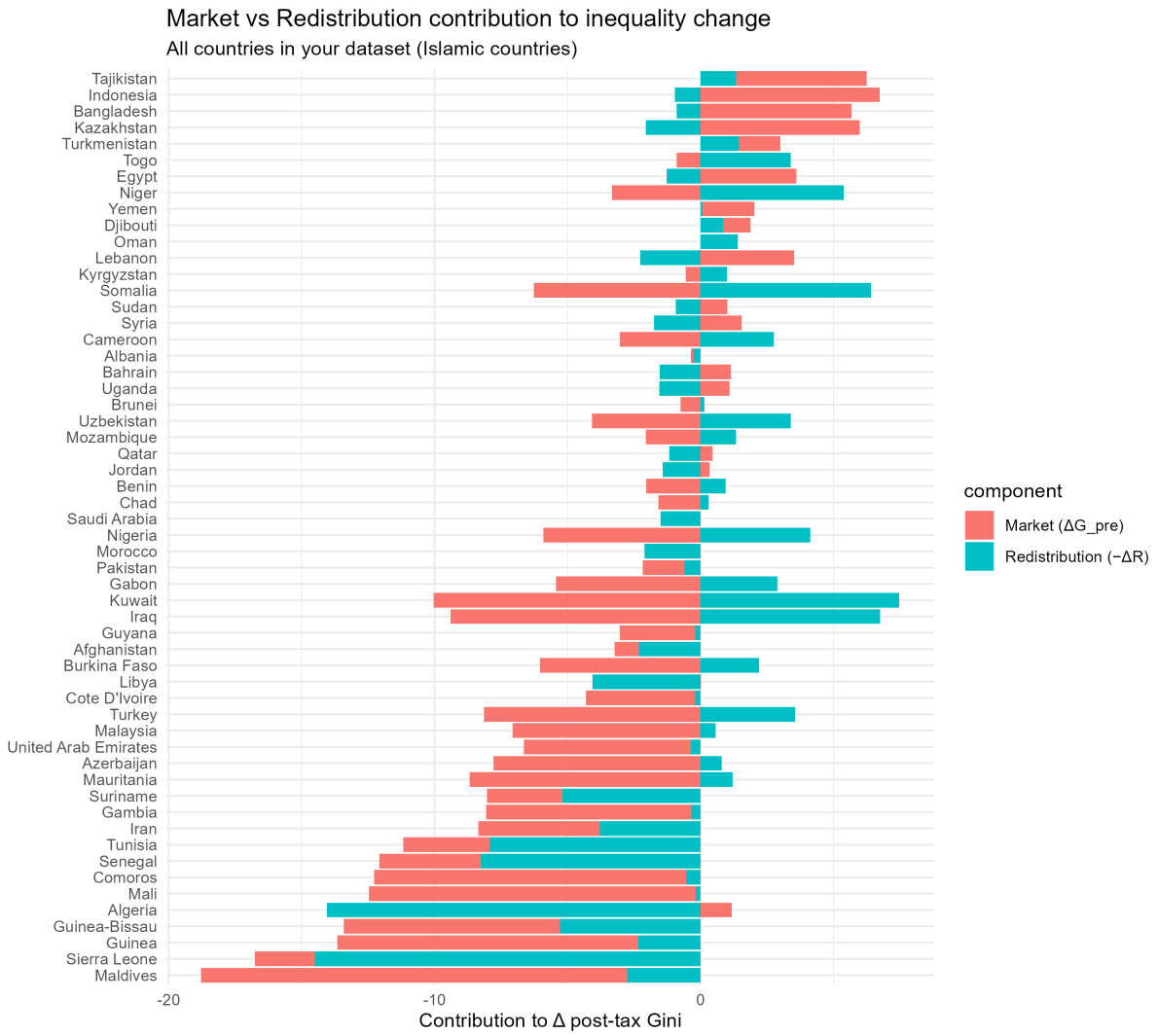


Figure A2: Market Inequality and Impact of Redistribution

Figure A2 illustrates the impact of redistribution policies on aggregate inequality in Islamic countries. To assess this, we first calculate the difference between the market Gini ($Gini_{\text{market}}$) and the disposable Gini ($Gini_{\text{disposable}}$) for each year from 1980 to 2019. We then examine the aggregate changes over time, denoted as $\Delta Gini_{\text{market}}$ and $\Delta Gini_{\text{disposable}}$.

This relationship is formalized by the following equation:

$$G_{post} = G_{pre} - R \tag{4}$$

where R represents the extent of inequality mitigation (or exacerbation) by the government, and G_{pre} denotes the inequality generated by market forces. For instance, if the gap between wages and profits narrows, the market Gini will decline. Conversely, G_{post} represents the residual inequality after accounting for market forces and redistribution policies. Consequently, Figure A2 decomposes the total change in inequality to identify the driving forces.

We observe that in numerous jurisdictions, redistribution policies (R) appear counter-

productive, with fiscal interventions correlating with an aggregate increase in inequality. This implies a regressive economic structure that disproportionately favors high-income cohorts. Conversely, pre-tax inequality ($\Delta Gini_{\text{market}}$) exhibits a narrowing trend, signaling a more equitable distribution of market income. This compression suggests that the growth rate of labor compensation (wages) has outpaced that of capital returns (profits).

Table A4: 2011 Crisis: Post-2011 and Arab Post-2011 Effects Conditional on Zakat Provision

	Gini (post-tax)		Bottom 50%		Middle 40%		Top 10%		Top 1%	
	FE	RE	FE	RE	FE	RE	FE	RE	FE	RE
Post-2011	−1.516***	−1.507***	0.341***	0.338***	0.398***	0.396***	−1.350***	−1.345***	−1.027***	−1.022***
	(0.212)	(0.212)	(0.092)	(0.093)	(0.132)	(0.133)	(0.204)	(0.204)	(0.174)	(0.174)
Arab × Post-2011	0.017	0.021	0.074	0.076	−0.405***	−0.403***	0.470**	0.472**	0.780***	0.781***
	(0.222)	(0.222)	(0.096)	(0.097)	(0.139)	(0.139)	(0.213)	(0.213)	(0.182)	(0.182)
Log GDP pc	0.984***	0.822***	0.038	−0.035	−0.229*	−0.369***	0.605***	0.452***	0.628***	0.473***
	(0.212)	(0.172)	(0.092)	(0.075)	(0.133)	(0.108)	(0.204)	(0.166)	(0.174)	(0.141)
Log Population	−1.464***	−1.285***	0.378***	0.300***	0.341**	0.241**	−1.089***	−0.911***	−1.058***	−0.881***
	(0.294)	(0.233)	(0.128)	(0.102)	(0.184)	(0.147)	(0.283)	(0.225)	(0.242)	(0.192)
Democracy Index	−1.705***	−1.430***	0.498***	0.385***	0.630***	0.468***	−1.629***	−1.362***	−1.315***	−1.051***
	(0.176)	(0.136)	(0.077)	(0.060)	(0.110)	(0.086)	(0.170)	(0.132)	(0.145)	(0.112)
Social Protection	−0.580***	−0.582***	0.208***	0.209***	0.077**	0.078**	−0.523***	−0.525***	−0.418***	−0.419***
	(0.067)	(0.066)	(0.029)	(0.029)	(0.042)	(0.042)	(0.065)	(0.064)	(0.055)	(0.055)
Oil Production	−0.012	−0.015	−0.003	−0.001	−0.006	−0.004	−0.011	−0.015	−0.012	−0.015*
	(0.010)	(0.009)	(0.004)	(0.004)	(0.006)	(0.006)	(0.009)	(0.009)	(0.008)	(0.008)
Trade (% GDP)	−0.015***	−0.015***	0.001	0.001	0.006***	0.006***	−0.014***	−0.014***	−0.014***	−0.014***
	(0.003)	(0.003)	(0.001)	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.002)	(0.002)
Respect Const.	−0.348**	−0.347**	−0.064	−0.063	0.196	0.196	0.148	0.148	0.126	0.126
	(0.153)	(0.152)	(0.067)	(0.066)	(0.095)	(0.095)	(0.148)	(0.146)	(0.126)	(0.125)
Zakat Provision	−0.297	−2.116	−0.088	0.658	−0.137	1.220	0.225	−1.871	0.126	1.561
	(0.433)	(3.614)	(0.188)	(1.586)	(0.270)	(2.496)	(0.417)	(3.902)	(0.356)	(2.867)
Arab × Zakat Provision		1.844		−0.764		−1.310		2.065		−1.482
		(3.631)		(1.593)		(2.505)		(3.916)		(2.881)
Post-2011 × Zakat Provision	−1.671**	−1.657**	0.890***	0.881***	0.259	0.263	−1.149*	−1.146*	−0.312	−0.326
	(0.712)	(0.712)	(0.309)	(0.310)	(0.444)	(0.444)	(0.686)	(0.686)	(0.586)	(0.587)
Arab × Post-2011 × Zakat Provision	2.148**	2.140**	−0.066	−0.063	−2.214***	−2.206***	2.281***	2.270***	2.661***	2.655***
	(0.844)	(0.844)	(0.366)	(0.367)	(0.526)	(0.527)	(0.813)	(0.813)	(0.694)	(0.695)
Num.Obs.	1780	1780	1780	1780	1780	1780	1780	1780	1780	1780
R^2	0.290	0.296	0.288	0.301	0.170	0.193	0.229	0.231	0.143	0.140
R^2 Adj.	0.264	0.290	0.262	0.296	0.140	0.186	0.201	0.225	0.112	0.133
AIC	8277.6	8334.4	5309.5	5367.3	6592.4	6654.8	8144.7	8202.4	7583.5	7642.9
BIC	8348.9	8422.2	5380.8	5455.0	6663.7	6742.5	8216.0	8290.1	7654.8	7730.6
RMSE	2.46	2.49	1.07	1.08	1.53	1.55	2.37	2.40	2.02	2.05

***p<0.01, **p<0.05, *p<0.1

FE = Fixed Effects; RE = Random Effects.

Standard errors: Driscoll–Kraay (robust to spatial/temporal dependence).

Model includes full interaction set: Arab × Post-2011 × Zakat Provision.

Table A5: 2011 Crisis: Post-2011 and Arab Post-2011 Effects Conditional on Islamic economic provisions

	Gini (post-tax)		Bottom 50%		Middle 40%		Top 10%		Top 1%	
	FE	RE	FE	RE	FE	RE	FE	RE	FE	RE
Post-2011	−1.647***	−1.644***	0.486***	0.484***	0.301**	0.299**	−1.784***	−1.780***	−1.440***	−1.437***
	(0.221)	(0.221)	(0.097)	(0.097)	(0.139)	(0.139)	(0.213)	(0.213)	(0.182)	(0.182)
Arab × Post-2011	0.672**	0.673**	0.020	0.021	−0.354**	−0.353**	0.559**	0.560**	0.879***	0.879***
	(0.308)	(0.308)	(0.135)	(0.135)	(0.194)	(0.194)	(0.297)	(0.297)	(0.254)	(0.254)
Log GDP pc	0.976***	0.815***	0.038	−0.034	−0.229*	−0.368***	0.605***	0.452***	0.628***	0.473***
	(0.213)	(0.173)	(0.093)	(0.076)	(0.134)	(0.109)	(0.205)	(0.167)	(0.175)	(0.142)
Log Population	−1.460***	−1.281***	0.378***	0.300***	0.341**	0.241**	−1.089***	−0.911***	−1.058***	−0.881***
	(0.294)	(0.233)	(0.129)	(0.102)	(0.185)	(0.147)	(0.283)	(0.225)	(0.242)	(0.192)
Democracy Index	−1.708***	−1.432***	0.498***	0.385***	0.630***	0.468***	−1.629***	−1.362***	−1.315***	−1.051***
	(0.176)	(0.136)	(0.077)	(0.060)	(0.110)	(0.086)	(0.170)	(0.132)	(0.145)	(0.112)
Social Protection	−0.581***	−0.583***	0.208***	0.209***	0.077**	0.078**	−0.523***	−0.525***	−0.418***	−0.419***
	(0.067)	(0.066)	(0.029)	(0.029)	(0.042)	(0.042)	(0.065)	(0.064)	(0.055)	(0.055)
Oil Production	−0.013	−0.016	−0.003	−0.001	−0.006	−0.004	−0.011	−0.015	−0.012	−0.015*
	(0.010)	(0.009)	(0.004)	(0.004)	(0.006)	(0.006)	(0.009)	(0.009)	(0.008)	(0.008)
Trade (% GDP)	−0.015***	−0.015***	0.001	0.001	0.006***	0.006***	−0.014***	−0.014***	−0.014***	−0.014***
	(0.003)	(0.003)	(0.001)	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.002)	(0.002)
Respect Const.	−0.348**	−0.347**	−0.064	−0.063	0.196	0.196	0.148	0.148	0.126	0.126
	(0.152)	(0.151)	(0.067)	(0.066)	(0.096)	(0.095)	(0.147)	(0.146)	(0.126)	(0.125)
Islamic economic provisions	−0.292	0.299	−0.484	−0.620	0.120	−0.477	0.364	1.039	0.718	1.103
	(1.869)	(1.746)	(0.818)	(0.764)	(1.177)	(1.107)	(1.802)	(1.701)	(1.546)	(1.431)
Arab × Islamic economic provisions	−0.033	−0.483	−0.045	0.067	−0.188	0.415	0.233	−0.429	−0.338	−0.675
	(2.005)	(1.881)	(0.878)	(0.823)	(1.262)	(1.192)	(1.933)	(1.831)	(1.658)	(1.543)
Post-2011 × Islamic economic provisions	−3.725***	−3.584***	1.335***	1.278***	0.447	0.334	−1.782*	−1.627*	−1.541*	−1.419*
	(0.975)	(0.975)	(0.427)	(0.427)	(0.613)	(0.616)	(0.940)	(0.941)	(0.806)	(0.807)
Arab × Post-2011 × Islamic economic provisions	6.009***	5.864***	−1.958***	−1.903***	−2.518***	−2.389***	4.476***	4.308***	4.427***	4.298***
	(1.127)	(1.128)	(0.493)	(0.494)	(0.710)	(0.712)	(1.087)	(1.089)	(0.932)	(0.934)
Num.Obs.	1780	1780	1780	1780	1780	1780	1780	1780	1780	1780
R^2	0.300	0.305	0.287	0.301	0.165	0.192	0.239	0.240	0.146	0.143
R^2 Adj.	0.274	0.300	0.261	0.296	0.134	0.185	0.211	0.234	0.114	0.136
AIC	8254.8	8314.6	5313.6	5373.0	6606.8	6677.7	8124.6	8188.6	7579.2	7642.6
BIC	8331.6	8402.4	5390.4	5460.8	6683.6	6765.4	8201.4	8276.4	7656.0	7730.4
RMSE	2.44	2.48	1.07	1.08	1.54	1.56	2.35	2.39	2.02	2.05

***p<0.01, **p<0.05, *p<0.1

FE = Fixed Effects; RE = Random Effects.

Standard errors: Driscoll–Kraay (robust to spatial/temporal dependence).

Model includes full interaction set: Arab × Post-2011 × Islamic economic provisions.

Table A6: Pre-2011 Robustness: Gini Coefficient

	Standard RE	Winsorized	Log(1 + Gini)	GDP Weighted	Lagged Variables
(Intercept)	75.944***	71.206***	4.349***	79.411***	78.231***
	(4.112)	(3.861)	(0.070)	(2.100)	(4.288)
Islamic economic provisions	0.720	0.646	0.012	2.889***	0.820
	(0.747)	(0.686)	(0.013)	(0.375)	(0.764)
prohibition of riba	-1.378	-1.773	-0.021	-0.366	-0.912
	(1.323)	(1.211)	(0.023)	(0.666)	(1.363)
Zakat provision	-0.059	0.231	-0.004	1.690***	-0.076
	(0.480)	(0.433)	(0.008)	(0.270)	(0.490)
Log GDP per capita	0.888***	0.785***	0.014***	0.789***	
	(0.237)	(0.238)	(0.004)	(0.138)	
Log Population	-1.308***	-0.983***	-0.020***	-1.496***	-1.403***
	(0.271)	(0.240)	(0.005)	(0.092)	(0.280)
Democracy	-1.462***	-1.401***	-0.024***	-0.865***	
	(0.187)	(0.172)	(0.003)	(0.249)	
Social Protection	-0.603***	-0.568***	-0.011***	-0.472***	
	(0.077)	(0.070)	(0.001)	(0.040)	
Oil Production	-0.003	0.001	-0.000	0.039***	
	(0.011)	(0.010)	(0.000)	(0.009)	
Trade (% GDP)	-0.023***	-0.020***	-0.000***	-0.040***	
	(0.005)	(0.005)	(0.000)	(0.004)	
Respect for Constitution	-0.218	-0.254	-0.004	1.374***	
	(0.179)	(0.166)	(0.003)	(0.134)	
Lagged Log GDP per capita					0.786***
					(0.248)
Lagged Democracy					-1.663***
					(0.192)
Lagged Social Protection					-0.526***
					(0.079)
Lagged Oil Production					-0.008
					(0.011)
Lagged Trade (% GDP)					-0.021***
					(0.005)
Lagged Respect for Constitution					-0.024
					(0.183)
Num. Obs.	1324	1324	1324	1324	1273
R^2	0.209	0.218	0.575	0.581	0.213
Adj. R^2	0.203	0.212	0.572	0.578	0.207
AIC	5967.5	5742.5	914107.3	8184.4	5740.9
BIC	6029.8	5804.7	914169.5	8246.6	5802.7
Log.Lik.				-4080.192	
RMSE	2.28	2.10	0.04	5.17	2.29

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Gini) = log(1 + Gini) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

Table A7: Post-2011 Robustness: Gini Coefficient

	Standard RE	Winsorized	Log(1 + Gini)	GDP Weighted	Lagged Variables
(Intercept)	66.475***	68.419***	4.197***	76.303***	58.397***
	(8.682)	(8.278)	(0.157)	(5.274)	(9.031)
Islamic economic provisions	5.459*	5.136*	0.092*	2.580***	7.145**
	(2.954)	(2.794)	(0.054)	(0.659)	(3.087)
prohibition of riba	-7.157**	-6.880**	-0.123**	-1.416	-6.291**
	(3.031)	(2.870)	(0.055)	(1.232)	(3.104)
Zakat provision	1.234	1.441	0.021	3.040***	-1.364
	(1.135)	(1.081)	(0.020)	(0.524)	(1.966)
Log GDP per capita	0.559	0.405	0.010	0.736***	
	(0.504)	(0.503)	(0.009)	(0.255)	
Log Population	-0.831*	-0.882*	-0.013	-1.486***	-0.546
	(0.499)	(0.474)	(0.009)	(0.230)	(0.519)
Democracy	-0.813***	-0.805***	-0.013***	-1.760***	
	(0.247)	(0.236)	(0.004)	(0.468)	
Social Protection	-0.409***	-0.326***	-0.007***	-0.423***	
	(0.113)	(0.109)	(0.002)	(0.066)	
Oil Production	0.028**	0.024*	0.000**	0.067***	
	(0.014)	(0.013)	(0.000)	(0.015)	
Trade (% GDP)	-0.006*	-0.006*	-0.000*	-0.028***	
	(0.004)	(0.003)	(0.000)	(0.009)	
Respect for Constitution	0.124	0.234	0.001	1.025***	
	(0.283)	(0.271)	(0.005)	(0.264)	
Lagged Log GDP per capita					0.986*
					(0.528)
Lagged Democracy					-0.839***
					(0.247)
Lagged Social Protection					-0.318***
					(0.113)
Lagged Oil Production					0.024*
					(0.013)
Lagged Trade (% GDP)					-0.008**
					(0.003)
Lagged Respect for Constitution					0.065
					(0.307)
Num. Obs.	456	456	456	456	405
R^2	0.094	0.091	0.138	0.630	0.094
Adj. R^2	0.074	0.070	0.118	0.622	0.071
AIC	1511.7	1471.3	1092239.9	2955.2	1282.8
BIC	1561.1	1520.8	1092289.4	3004.7	1330.8
Log.Lik.				-1465.611	
RMSE	1.24	1.18	0.02	5.99	1.14

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Gini) = log(1 + Gini) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

Table A8: Pre-2011 Robustness: Bottom 50 Income Share

	Standard RE	Winsorized	Log(1 + Bottom 50)	GDP Weighted	Lagged Variables
(Intercept)	9.442***	10.407***	2.353***	7.056***	8.167***
	(1.703)	(1.625)	(0.110)	(0.988)	(1.798)
Islamic economic provisions	-0.401	-0.378	-0.027	-0.704***	-0.441
	(0.301)	(0.282)	(0.019)	(0.176)	(0.312)
prohibition of riba	0.335	0.499	0.027	-0.516	-0.036
	(0.538)	(0.503)	(0.035)	(0.313)	(0.561)
Zakat provision	-0.149	-0.230	-0.009	-0.552***	-0.183
	(0.193)	(0.178)	(0.012)	(0.127)	(0.199)
Log GDP per capita	-0.205**	-0.265***	-0.014**	-0.680***	
	(0.096)	(0.098)	(0.006)	(0.065)	
Log Population	0.337***	0.310***	0.025***	0.688***	0.367***
	(0.113)	(0.102)	(0.007)	(0.043)	(0.119)
Democracy	0.357***	0.338***	0.027***	0.570***	
	(0.075)	(0.070)	(0.005)	(0.117)	
Social Protection	0.291***	0.283***	0.018***	0.405***	
	(0.031)	(0.029)	(0.002)	(0.019)	
Oil Production	0.001	0.001	-0.000	-0.001	
	(0.004)	(0.004)	(0.000)	(0.004)	
Trade (% GDP)	0.007***	0.007***	0.000***	0.011***	
	(0.002)	(0.002)	(0.000)	(0.002)	
Respect for Constitution	0.293***	0.343***	0.017***	-0.489***	
	(0.072)	(0.068)	(0.005)	(0.063)	
Lagged Log GDP per capita					-0.096
					(0.102)
Lagged Democracy					0.490***
					(0.078)
Lagged Social Protection					0.178***
					(0.032)
Lagged Oil Production					0.005
					(0.004)
Lagged Trade (% GDP)					0.007***
					(0.002)
Lagged Respect for Constitution					0.170**
					(0.074)
Num. Obs.	1324	1324	1324	1324	1273
R^2	0.190	0.206	0.306	0.667	0.172
Adj. R^2	0.184	0.200	0.301	0.664	0.165
AIC	3532.1	3361.6	220581.9	6188.9	3430.3
BIC	3594.3	3423.8	220644.1	6251.1	3492.1
Log.Lik.				-3082.432	
RMSE	0.91	0.85	0.06	2.26	0.92

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Bottom 50) = log(1 + bottom 50 income share) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

Table A9: Post-2011 Robustness: Bottom 50 Income Share

	Standard RE	Winsorized	Log(1 + Bottom 50)	GDP Weighted	Lagged Variables
(Intercept)	6.235	5.306	2.123***	5.972**	8.207**
	(3.992)	(3.849)	(0.242)	(2.455)	(4.157)
Islamic economic provisions	-2.517*	-2.701**	-0.160**	-1.191***	-3.212**
	(1.301)	(1.249)	(0.079)	(0.307)	(1.348)
prohibition of riba	2.976**	3.114**	0.184**	0.030	2.909**
	(1.349)	(1.295)	(0.082)	(0.574)	(1.376)
Zakat provision	-0.392	-0.429	-0.024	-0.881***	0.312
	(0.546)	(0.523)	(0.033)	(0.244)	(0.865)
Log GDP per capita	-0.097	0.079	-0.006	-0.629***	
	(0.236)	(0.237)	(0.014)	(0.119)	
Log Population	0.572**	0.546**	0.041***	0.738***	0.456*
	(0.226)	(0.217)	(0.014)	(0.107)	(0.233)
Democracy	0.019	0.006	0.002	0.949***	
	(0.124)	(0.119)	(0.007)	(0.218)	
Social Protection	0.286***	0.247***	0.018***	0.445***	
	(0.055)	(0.053)	(0.003)	(0.031)	
Oil Production	-0.022***	-0.018***	-0.001***	0.018**	
	(0.007)	(0.007)	(0.000)	(0.007)	
Trade (% GDP)	0.004**	0.003	0.000**	0.015***	
	(0.002)	(0.002)	(0.000)	(0.004)	
Respect for Constitution	-0.030	-0.047	-0.005	-0.897***	
	(0.142)	(0.136)	(0.009)	(0.123)	
Lagged Log GDP per capita					-0.086
					(0.248)
Lagged Democracy					0.109
					(0.128)
Lagged Social Protection					0.144**
					(0.057)
Lagged Oil Production					-0.017**
					(0.007)
Lagged Trade (% GDP)					0.004**
					(0.002)
Lagged Respect for Constitution					-0.048
					(0.158)
Num. Obs.	456	456	456	456	405
R^2	0.111	0.100	0.130	0.714	0.071
Adj. R^2	0.091	0.080	0.110	0.707	0.047
AIC	889.7	852.9	192272.7	2257.7	758.8
BIC	939.2	902.4	192322.2	2307.2	806.8
Log.Lik.				-1116.870	
RMSE	0.63	0.60	0.04	2.48	0.60

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Bottom 50) = log(1 + bottom 50 income share) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

Table A10: Pre-2011 Robustness: Middle 40 Income Share

	Standard RE	Winsorized	Log(1 + Middle 40)	GDP Weighted	Lagged Variables
(Intercept)	28.668***	29.809***	3.394***	29.330***	27.977***
	(2.499)	(2.283)	(0.068)	(1.556)	(2.613)
Islamic economic provisions	-0.299	-0.299	-0.008	-3.151***	-0.277
	(0.425)	(0.387)	(0.012)	(0.278)	(0.433)
prohibition of riba	1.356*	1.392**	0.035*	1.625***	1.289
	(0.767)	(0.695)	(0.021)	(0.493)	(0.788)
Zakat provision	-0.717***	-0.723***	-0.020***	-0.526***	-0.765***
	(0.271)	(0.244)	(0.007)	(0.200)	(0.276)
Log GDP per capita	-0.322**	-0.317**	-0.008**	-0.447***	
	(0.136)	(0.135)	(0.004)	(0.103)	
Log Population	0.631***	0.567***	0.018***	0.590***	0.638***
	(0.168)	(0.144)	(0.005)	(0.068)	(0.174)
Democracy	0.362***	0.308***	0.011***	0.318*	
	(0.105)	(0.095)	(0.003)	(0.184)	
Social Protection	0.128***	0.123***	0.004***	-0.014	
	(0.043)	(0.040)	(0.001)	(0.029)	
Oil Production	-0.006	-0.006	-0.000	-0.015**	
	(0.006)	(0.006)	(0.000)	(0.006)	
Trade (% GDP)	0.012***	0.011***	0.000***	0.030***	
	(0.003)	(0.003)	(0.000)	(0.003)	
Respect for Constitution	0.216**	0.214**	0.005*	-0.730***	
	(0.101)	(0.092)	(0.003)	(0.099)	
Lagged Log GDP per capita					-0.270*
					(0.143)
Lagged Democracy					0.497***
					(0.107)
Lagged Social Protection					0.114**
					(0.045)
Lagged Oil Production					-0.001
					(0.006)
Lagged Trade (% GDP)					0.013***
					(0.003)
Lagged Respect for Constitution					0.160
					(0.102)
Num. Obs.	1324	1324	1324	1324	1273
R^2	0.139	0.162	0.465	0.309	0.156
Adj. R^2	0.132	0.155	0.461	0.303	0.149
AIC	4404.8	4164.8	1196038.4	7390.6	4223.3
BIC	4467.1	4227.1	1196100.7	7452.8	4285.1
Log.Lik.				-3683.294	
RMSE	1.27	1.16	0.03	3.64	1.26

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Middle 40) = log(1 + middle 40 income share) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

Table A11: Post-2011 Robustness: Middle 40 Income Share

	Standard RE	Winsorized	Log(1 + Middle 40)	GDP Weighted	Lagged Variables
(Intercept)	41.116***	39.603***	3.731***	32.537***	43.449***
	(5.367)	(4.782)	(0.141)	(3.300)	(5.478)
Islamic economic provisions	-4.767***	-3.706**	-0.132***	-2.942***	-4.971***
	(1.698)	(1.532)	(0.044)	(0.412)	(1.750)
prohibition of riba	5.425***	4.516***	0.147***	0.610	5.392***
	(1.777)	(1.595)	(0.046)	(0.771)	(1.796)
Zakat provision	-1.100	-1.054	-0.030	-2.271***	-0.819
	(0.758)	(0.659)	(0.020)	(0.328)	(1.125)
Log GDP per capita	-0.149	-0.035	-0.003	-0.143	
	(0.320)	(0.297)	(0.008)	(0.159)	
Log Population	-0.053	-0.074	-0.001	0.368**	-0.171
	(0.300)	(0.268)	(0.008)	(0.144)	(0.306)
Democracy	0.067	0.216	0.001	1.668***	
	(0.178)	(0.152)	(0.005)	(0.293)	
Social Protection	-0.194**	0.049	-0.007***	-0.104**	
	(0.078)	(0.068)	(0.002)	(0.042)	
Oil Production	-0.020**	-0.016*	-0.001**	0.002	
	(0.010)	(0.009)	(0.000)	(0.010)	
Trade (% GDP)	0.006**	0.005**	0.000**	0.014**	
	(0.003)	(0.002)	(0.000)	(0.006)	
Respect for Constitution	-0.442**	-0.364**	-0.012**	-0.081	
	(0.204)	(0.174)	(0.006)	(0.165)	
Lagged Log GDP per capita					-0.195
					(0.329)
Lagged Democracy					0.088
					(0.175)
Lagged Social Protection					-0.204***
					(0.077)
Lagged Oil Production					-0.017*
					(0.009)
Lagged Trade (% GDP)					0.006**
					(0.002)
Lagged Respect for Constitution					-0.292
					(0.215)
Num. Obs.	456	456	456	456	405
R^2	0.065	0.048	0.101	0.467	0.068
Adj. R^2	0.044	0.027	0.080	0.455	0.044
AIC	1231.6	1080.3	571940.1	2527.6	1015.8
BIC	1281.1	1129.8	571989.6	2577.1	1063.9
Log.Lik.				-1251.825	
RMSE	0.91	0.77	0.03	3.28	0.82

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Middle 40) = log(1 + middle 40 income share) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

Table A12: Pre-2011 Robustness: Top 10 Income Share

	Standard RE	Winsorized	Log(1 + Top 10)	GDP Weighted	Lagged Variables
(Intercept)	61.408***	59.782***	4.129***	63.614***	63.258***
	(3.859)	(3.568)	(0.080)	(2.373)	(4.052)
Islamic economic provisions	0.655	0.667	0.013	3.855***	0.662
	(0.661)	(0.610)	(0.014)	(0.424)	(0.677)
prohibition of riba	-1.596	-1.798	-0.031	-1.109	-1.114
	(1.191)	(1.093)	(0.024)	(0.753)	(1.230)
Zakat provision	0.843**	0.886**	0.017**	1.079***	0.919**
	(0.422)	(0.385)	(0.009)	(0.305)	(0.432)
Log GDP per capita	0.509**	0.523**	0.010**	1.127***	
	(0.212)	(0.213)	(0.004)	(0.157)	
Log Population	-0.930***	-0.845***	-0.017***	-1.277***	-0.957***
	(0.259)	(0.225)	(0.005)	(0.104)	(0.270)
Democracy	-0.723***	-0.642***	-0.013***	-0.888***	
	(0.163)	(0.151)	(0.003)	(0.281)	
Social Protection	-0.412***	-0.422***	-0.008***	-0.391***	
	(0.068)	(0.063)	(0.001)	(0.045)	
Oil Production	0.004	0.005	0.000	0.016*	
	(0.009)	(0.009)	(0.000)	(0.010)	
Trade (% GDP)	-0.019***	-0.017***	-0.000***	-0.041***	
	(0.004)	(0.004)	(0.000)	(0.005)	
Respect for Constitution	-0.513***	-0.548***	-0.012***	1.218***	
	(0.157)	(0.146)	(0.003)	(0.152)	
Lagged Log GDP per capita					0.344
					(0.223)
Lagged Democracy					-0.991***
					(0.167)
Lagged Social Protection					-0.282***
					(0.070)
Lagged Oil Production					-0.004
					(0.010)
Lagged Trade (% GDP)					-0.020***
					(0.004)
Lagged Respect for Constitution					-0.334**
					(0.160)
Num. Obs.	1324	1324	1324	1324	1273
R^2	0.134	0.148	0.375	0.479	0.138
Adj. R^2	0.127	0.141	0.371	0.475	0.131
AIC	5581.0	5382.8	967225.2	8508.7	5370.7
BIC	5643.3	5445.1	967287.4	8570.9	5432.5
Log.Lik.				-4242.336	
RMSE	1.97	1.83	0.04	5.54	1.98

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Top 10) = log(1 + top 10 income share) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

Table A13: Post-2011 Robustness: Top 10 Income Share

	Standard RE	Winsorized	Log(1 + Top 10)	GDP Weighted	Lagged Variables
(Intercept)	52.005***	55.069***	3.938***	61.491***	47.760***
	(8.720)	(8.186)	(0.189)	(5.358)	(8.932)
Islamic economic provisions	7.283***	6.353**	0.145**	4.134***	8.187***
	(2.813)	(2.636)	(0.062)	(0.670)	(2.905)
prohibition of riba	-8.423***	-7.567***	-0.172***	-0.640	-8.314***
	(2.926)	(2.739)	(0.064)	(1.252)	(2.963)
Zakat provision	1.468	1.462	0.030	3.152***	0.469
	(1.206)	(1.122)	(0.026)	(0.532)	(1.863)
Log GDP per capita	0.279	0.082	0.006	0.772***	
	(0.517)	(0.507)	(0.011)	(0.259)	
Log Population	-0.498	-0.539	-0.009	-1.106***	-0.267
	(0.491)	(0.460)	(0.011)	(0.234)	(0.502)
Democracy	-0.081	-0.187	-0.002	-2.616***	
	(0.276)	(0.257)	(0.006)	(0.475)	
Social Protection	-0.090	-0.271**	-0.003	-0.341***	
	(0.123)	(0.115)	(0.003)	(0.067)	
Oil Production	0.042***	0.038**	0.001***	-0.020	
	(0.016)	(0.015)	(0.000)	(0.016)	
Trade (% GDP)	-0.010**	-0.009**	-0.000**	-0.029***	
	(0.004)	(0.004)	(0.000)	(0.009)	
Respect for Constitution	0.473	0.435	0.009	0.978***	
	(0.316)	(0.294)	(0.007)	(0.268)	
Lagged Log GDP per capita					0.310
					(0.532)
Lagged Democracy					-0.192
					(0.273)
Lagged Social Protection					0.067
					(0.121)
Lagged Oil Production					0.034**
					(0.015)
Lagged Trade (% GDP)					-0.010***
					(0.004)
Lagged Respect for Constitution					0.334
					(0.337)
Num. Obs.	456	456	456	456	405
R^2	0.070	0.075	0.110	0.588	0.072
Adj. R^2	0.049	0.054	0.090	0.579	0.048
AIC	1625.4	1558.7	521166.3	2969.7	1371.3
BIC	1674.9	1608.2	521215.7	3019.1	1419.3
Log.Lik.				-1472.835	
RMSE	1.40	1.30	0.03	5.43	1.28

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Top 10) = log(1 + top 10 income share) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

Table A14: Pre-2011 Robustness: Top 1 Income Share

	Standard RE	Winsorized	Log(1 + Top 1)	GDP Weighted	Lagged Variables
(Intercept)	25.160***	25.642***	3.280***	16.634***	26.688***
	(3.152)	(2.844)	(0.180)	(1.747)	(3.294)
Islamic economic provisions	0.477	0.401	0.023	3.327***	0.502
	(0.555)	(0.489)	(0.032)	(0.312)	(0.567)
prohibition of riba	-1.648*	-1.748**	-0.083	-2.552***	-1.448
	(0.994)	(0.875)	(0.057)	(0.554)	(1.022)
Zakat provision	0.902**	0.987***	0.050**	1.506***	0.962***
	(0.356)	(0.308)	(0.020)	(0.225)	(0.363)
Log GDP per capita	0.341*	0.460***	0.022**	0.708***	
	(0.177)	(0.171)	(0.010)	(0.115)	
Log Population	-0.581***	-0.673***	-0.032***	-0.265***	-0.613***
	(0.210)	(0.179)	(0.012)	(0.077)	(0.218)
Democracy	-0.402***	-0.412***	-0.016**	-0.085	
	(0.138)	(0.121)	(0.008)	(0.207)	
Social Protection	-0.250***	-0.260***	-0.013***	-0.228***	
	(0.057)	(0.050)	(0.003)	(0.033)	
Oil Production	0.008	0.008	0.000	0.027***	
	(0.008)	(0.007)	(0.000)	(0.007)	
Trade (% GDP)	-0.015***	-0.014***	-0.001***	-0.016***	
	(0.004)	(0.003)	(0.000)	(0.003)	
Respect for Constitution	-0.335**	-0.306***	-0.021***	0.172	
	(0.132)	(0.117)	(0.008)	(0.112)	
Lagged Log GDP per capita					0.231
					(0.186)
Lagged Democracy					-0.599***
					(0.141)
Lagged Social Protection					-0.183***
					(0.059)
Lagged Oil Production					0.005
					(0.008)
Lagged Trade (% GDP)					-0.016***
					(0.004)
Lagged Respect for Constitution					-0.229*
					(0.135)
Num. Obs.	1324	1324	1324	1324	1273
R^2	0.076	0.098	0.117	0.365	0.083
Adj. R^2	0.069	0.091	0.111	0.360	0.076
AIC	5149.6	4804.3	94134.3	7697.2	4946.8
BIC	5211.9	4866.6	94196.6	7759.5	5008.6
Log.Lik.				-3836.611	
RMSE	1.68	1.47	0.10	4.07	1.67

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Top 1) = log(1 + top 1 income share) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

Table A15: Post-2011 Robustness: Top 1 Income Share

	Standard RE	Winsorized	Log(1 + Top 1)	GDP Weighted	Lagged Variables
(Intercept)	5.748	6.593	2.155***	8.367**	4.684
	(6.464)	(5.636)	(0.372)	(3.340)	(6.440)
Islamic economic provisions	6.367***	4.677***	0.289**	5.181***	6.444***
	(1.889)	(1.709)	(0.113)	(0.417)	(1.895)
prohibition of riba	-7.673***	-6.420***	-0.379***	-4.591***	-7.425***
	(2.056)	(1.818)	(0.120)	(0.780)	(2.026)
Zakat provision	2.019**	2.035**	0.109**	3.211***	1.680
	(0.994)	(0.825)	(0.055)	(0.332)	(1.232)
Log GDP per capita	0.527	0.551	0.035	1.042***	
	(0.399)	(0.359)	(0.023)	(0.161)	
Log Population	0.234	0.275	0.018	-0.033	0.361
	(0.347)	(0.308)	(0.020)	(0.146)	(0.345)
Democracy	0.227	-0.162	0.003	-0.954***	
	(0.274)	(0.207)	(0.014)	(0.296)	
Social Protection	0.376***	-0.014	0.013**	-0.051	
	(0.108)	(0.088)	(0.006)	(0.042)	
Oil Production	0.024	0.005	0.001	-0.039***	
	(0.015)	(0.012)	(0.001)	(0.010)	
Trade (% GDP)	-0.008*	-0.008**	-0.001**	-0.018***	
	(0.004)	(0.003)	(0.000)	(0.006)	
Respect for Constitution	0.442	0.402*	0.024	-0.429**	
	(0.306)	(0.235)	(0.016)	(0.167)	
Lagged Log GDP per capita					0.431
					(0.398)
Lagged Democracy					0.054
					(0.265)
Lagged Social Protection					0.361***
					(0.105)
Lagged Oil Production					0.028*
					(0.014)
Lagged Trade (% GDP)					-0.007*
					(0.004)
Lagged Respect for Constitution					0.377
					(0.316)
Num. Obs.	456	456	456	456	405
R^2	0.117	0.080	0.101	0.650	0.124
Adj. R^2	0.097	0.060	0.080	0.642	0.102
AIC	1652.4	1380.8	40797.3	2538.5	1375.9
BIC	1701.9	1430.2	40846.8	2587.9	1423.9
Log.Lik.				-1257.236	
RMSE	1.44	1.07	0.07	3.63	1.28

Notes: Robust standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Specification definitions: Standard RE = standard random effects; Winsorized = winsorized variables; Log(1 + Top 1) = log(1 + top 1 income share) transformation of the dependent variable; GDP Weighted = observations weighted by GDP; Lagged Variables = one-period lagged controls.

B Appendix B

B.1 Mundlak / Correlated Random Effects (CRE) Estimates

Table B1: Determinants of Income Inequality: Mundlak / Correlated Random Effects (CRE) Estimates

	Dependent Variable				
	(1) Gini (Post-Tax)	(2) Bottom 50%	(3) Middle 40%	(4) Top 10%	(5) Top 1%
Islamic economy					
	1.603***	-1.136***	-1.245***	2.359***	1.833**
	(0.510)	(0.354)	(0.476)	(0.784)	(0.731)
Prohibition of Riba					
	-1.951**	0.551	1.193*	-1.697*	-0.877
	(0.758)	(0.488)	(0.673)	(0.975)	(1.229)
Zakat Required					
	0.438	-0.119	-0.866***	0.982***	0.999*
	(0.400)	(0.077)	(0.324)	(0.318)	(0.528)
Log GDP per capita (within)					
	0.529**	0.075	-0.356***	0.282*	0.345***
	(0.229)	(0.110)	(0.081)	(0.168)	(0.120)
Democracy index (within)					
	-1.706***	0.394***	0.488**	-0.883***	-0.577**
	(0.261)	(0.101)	(0.203)	(0.259)	(0.250)
Social protection (within)					
	-0.616***	0.264***	0.058	-0.323***	0.009
	(0.079)	(0.023)	(0.047)	(0.062)	(0.105)
Oil rents (within)					
	-0.007	0.001	0.011	-0.012	-0.015
	(0.010)	(0.007)	(0.008)	(0.014)	(0.012)
Avg Log GDP per capita (context / between)					
	-1.136	-0.260	1.062	-0.805	-0.752
	(1.255)	(1.311)	(0.937)	(2.258)	(1.543)
Avg Democracy index (context / between)					
	1.087	-0.179	0.377	-0.197	-0.096
	(1.662)	(0.569)	(1.318)	(1.436)	(1.637)
Model Statistics					
Obs.	1,780	1,780	1,780	1,780	1,780
R^2	0.276	0.271	0.159	0.202	0.108
RMSE	2.55	1.12	1.60	2.46	2.11

Notes: Standard errors in parentheses (likely cluster-robust or Driscoll-Kraay check model specification). *p<0.10; **p<0.05; ***p<0.01. Estimates are from Mundlak / Correlated Random Effects (CRE) models. Time-invariant Islamic finance variables (Islamic Economy, Prohibition of Riba, Zakat Required) are mainly identified via between-country variation. Within-country (time-varying) and between-country (contextual / country-mean) terms are included to control for correlated random effects and allow consistent estimation under correlation between unobserved heterogeneity and regressors.

Table B2: Islamic Finance and Inequality: Pre-2011 vs. Post-2011
Mundlak / Correlated Random Effects (CRE) Estimates

	Gini		Bottom 50%		Middle 40%		Top 10%		Top 1%	
	Pre-2011	Post-2011	Pre-2011	Post-2011	Pre-2011	Post-2011	Pre-2011	Post-2011	Pre-2011	Post-2011
Islamic economic provisions	0.790*	5.866***	-0.320*	-3.191	-0.355	-4.670***	0.648	7.865**	0.473	6.090***
	(0.451)	(1.183)	(0.166)	(3.031)	(0.284)	(1.567)	(0.436)	(3.876)	(0.476)	(2.001)
Prohibition of Riba	-1.462**	-7.694***	0.159	3.806	1.463***	5.064***	-1.569**	-8.895***	-1.663**	-7.110***
	(0.744)	(0.873)	(0.327)	(2.496)	(0.467)	(1.478)	(0.707)	(2.779)	(0.821)	(2.241)
Zakat provision	-0.081	1.113	-0.081	-0.367	-0.709**	-1.032**	0.783**	1.377	0.856*	1.962***
	(0.578)	(1.174)	(0.116)	(0.423)	(0.321)	(0.521)	(0.352)	(0.923)	(0.472)	(0.679)
Within variation										
Log GDP pc (Within)	0.939***	1.267**	-0.134	-0.118	-0.335***	-0.059	0.468***	0.217	0.319***	1.123***
	(0.230)	(0.538)	(0.102)	(0.203)	(0.089)	(0.314)	(0.161)	(0.394)	(0.083)	(0.345)
Democracy (Within)	-1.438***	-0.862***	0.361***	-0.022	0.343	0.101	-0.705**	-0.076	-0.369	0.138
	(0.375)	(0.211)	(0.119)	(0.096)	(0.233)	(0.088)	(0.318)	(0.181)	(0.268)	(0.235)
Social Protection (Within)	-0.567***	-0.352***	0.269***	0.259***	0.125***	-0.305***	-0.393***	0.041	-0.249***	0.665***
	(0.108)	(0.109)	(0.044)	(0.026)	(0.036)	(0.081)	(0.073)	(0.081)	(0.046)	(0.196)
Oil Rents (Within)	-0.004	0.020**	0.002	-0.017***	-0.005	-0.025***	0.003	0.043***	0.006	0.028***
	(0.007)	(0.009)	(0.004)	(0.004)	(0.004)	(0.006)	(0.006)	(0.008)	(0.006)	(0.007)
Contextual (between) means										
Avg GDP pc (Context)	-1.628	-1.153	0.175	-0.960**	1.158*	-0.028	-1.335	0.943	-0.944	-0.436
	(1.288)	(1.787)	(0.909)	(0.444)	(0.657)	(0.771)	(1.422)	(1.180)	(1.281)	(1.091)
Avg Democracy (Context)	0.830	0.349	-0.085	0.068	0.433	0.847	-0.348	-0.925	-0.218	-0.840
	(2.105)	(1.331)	(0.652)	(0.883)	(1.277)	(1.320)	(1.617)	(2.225)	(1.809)	(1.200)
Num. Obs.	1324	456	1324	456	1324	456	1324	456	1324	456
R^2	0.220	0.122	0.208	0.144	0.158	0.084	0.145	0.094	0.082	0.147

Notes: Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Estimates from Mundlak / Correlated Random Effects (CRE) models, split sample: Pre-2011 and Post-2011 periods.
Time-invariant Islamic finance variables are mainly identified via between-country variation.
Within-country (time-varying) and between-country (contextual mean) terms are included to control for correlated random effects.

Table B3: Islamic Finance and Inequality: Arab vs. Non-Arab Countries
Mundlak / Correlated Random Effects (CRE) Estimates

	Gini		Bottom 50%		Middle 40%		Top 10%		Top 1%	
	Arab	Non-Arab	Arab	Non-Arab	Arab	Non-Arab	Arab	Non-Arab	Arab	Non-Arab
Islamic economic provisions	1.875**	1.079	-1.282***	-0.774**	-1.263**	-1.057**	2.530***	1.827***	1.960**	1.481**
	(0.819)	(0.670)	(0.455)	(0.362)	(0.629)	(0.513)	(0.968)	(0.694)	(0.934)	(0.669)
Prohibition of Riba	-3.358***	-0.515	1.325***	0.041	2.389***	-0.039	-3.709***	-0.003	-3.097***	0.809
	(0.974)	(1.328)	(0.502)	(0.668)	(0.737)	(1.016)	(1.170)	(1.560)	(1.061)	(1.554)
Zakat provision	0.513	0.073	-0.100	-0.126	-1.042***	-0.403	1.139***	0.525	1.154**	0.538
	(0.407)	(0.594)	(0.084)	(0.096)	(0.331)	(0.462)	(0.337)	(0.450)	(0.545)	(0.719)
Within variation										
Log GDP pc (Within)	0.538**	0.523**	0.071	0.078	-0.354***	-0.358***	0.284*	0.281	0.345***	0.345***
	(0.228)	(0.230)	(0.110)	(0.110)	(0.080)	(0.082)	(0.166)	(0.170)	(0.120)	(0.121)
Democracy (Within)	-1.747***	-1.671***	0.415***	0.375***	0.514**	0.464**	-0.928***	-0.838***	-0.616**	-0.540**
	(0.260)	(0.263)	(0.102)	(0.101)	(0.203)	(0.203)	(0.260)	(0.258)	(0.250)	(0.251)
Social Protection (Within)	-0.586***	-0.878***	0.241***	0.414***	-0.011	0.368***	-0.229***	-0.781***	0.169	-0.659***
	(0.084)	(0.179)	(0.031)	(0.065)	(0.047)	(0.107)	(0.065)	(0.160)	(0.122)	(0.140)
Oil Rents (Within)	-0.007	0.025	0.004	-0.013	0.011	-0.014*	-0.016	0.028*	-0.022*	0.022**
	(0.010)	(0.021)	(0.007)	(0.011)	(0.008)	(0.008)	(0.014)	(0.015)	(0.012)	(0.011)
Contextual (between) means										
Avg GDP pc (Context)	-0.139	-0.859	-0.865	0.210	0.638	0.861	0.226	-1.071	-0.560	-0.198
	(3.495)	(2.476)	(1.982)	(1.904)	(2.336)	(1.056)	(4.533)	(2.564)	(6.153)	(1.200)
Avg Democracy (Context)	5.691	-2.348	-2.587	0.894	-2.755	2.849*	5.344	-3.739	4.298	-4.280**
	(11.895)	(3.806)	(3.111)	(1.352)	(2.674)	(1.643)	(5.895)	(2.748)	(5.524)	(1.839)
Num. Obs.	721	1059	721	1059	721	1059	721	1059	721	1059
R^2	0.349	0.302	0.352	0.299	0.081	0.314	0.165	0.302	0.045	0.255

Notes: Standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.
Estimates from Mundlak / Correlated Random Effects (CRE) models subsample split: Arab vs. Non-Arab countries.
Time-invariant Islamic finance variables mainly identified via between-country variation.
Within-country (time-varying) and between-country (country-mean / contextual) terms included to control for correlated random effects.