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CHALLENGES AND OPPORTUNITIES TOWARDS AN ISLAMIC ECONOMIC SYSTEM OF PAKISTAN

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Abstract
An Islamic economic system has been the aspiration of Pakistan since the inception of the country till today and it has been only adopted in the financial arena without any significant change in the economy. The paper will discuss theoretical and institutional challenges and opportunities with respect to transition to Islamic economic system in Pakistan. The study contemplates the rationale behind the failure to well institutionalize the Islamic economic principles in the face of constitutional and policy compliance in accordance with the economic theory of risk-sharing, distributive justice and real-sector connection. The research design is a qualitative type, two supplementary sources of data. First, documented textual data was extensively studied such as the Islamic guidelines in Quran verses, relevant Hadith (Prophet of Islam Teachings), and classic and modern Islamic scholars' writings on Islamic principles. Secondly, semi-structured interviews were carried out with economical academicians and practitioners such as members of the State Bank of Pakistan and members of Shariah Advisory Board of the Islamic financial institutions. The findings show that upholding interest-based instruments of monetary and fiscal policy, as well as the presence of path dependence in systemic institutional change. The analysis also uncovers the socio-cultural paradox commanding by youth-driven optimism parallel with the deep-rooted investor risk aversion and low institutional trust. The paper identifies emerging opportunities arising from demographic trends, increased acceptance of shariah-compliant products, and theoretical benefits of asset-backed and risk-sharing structures that enhance financial stability; however, these opportunities are latent and conditional, requiring institutional reform and trust-building measures rather than emerging organically. This paper also contributes to literature in that it does not only remain in the discussion of Islamic banking but puts the scene in Pakistan in the broader perspective of more general arguments on economic systems, institutional economics, and theory to practice. It ends by emphasizing the necessity of an institutionally gradual and theory compatible approach in order to make a contribution to Islamic economic reform in Pakistan.
Keywords: Islamic Economic System, Islamization, Institutional Reform, Riba, Pakistan

1. INTRODUCTION

The founder and governor-general of Pakistan, Quaid-e-Azam Muhammad Ali Jinnah, emphasized the importance of the Islamic financial and banking system on the inaugural ceremony of the State Bank of Pakistan in 1948, said:

"I shall watch with keenness the work of your organization in evolving banking practices compatible with Islamic ideas of social and economic life… We must manage our destiny in our own way and present to the World an economic system based on true Islamic concepts of equality of manhood and social justice". (SBP, 2019)

According to Mirakhor & Askari (2010), who lay out the theoretical foundation of socioeconomic growth from an Islamic viewpoint, the Holy Quran employs two synonyms for justice: Qist and Adl. Qist belongs to proper interpersonal relationships with humans and other living things.

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The Quran states that:

قُلۡ أَمَرَ رَبِّي بِٱلۡقِسۡطِۖ

Translation: *Say, 'My Lord has commanded justice'. (Al-Araf 7:29).*

Here, the word Qist means "justice" or "equity." The phrase "The deed of Allah to place everything in its appropriate place" is used to describe the Adl. (Mirakhor & Askari, 2010 P:64) In another Quranic verse, mentioned Adl;

إِنَّ ٱللَّهَ يَأۡمُرُ بِٱلۡعَدۡلِ وَٱلۡإِحۡسَٰنِ وَإِيتَآيِٕ ذِي ٱلۡقُرۡبَىٰ وَيَنۡهَىٰ عَنِ ٱلۡفَحۡشَآءِ۞ وَٱلۡمُنكَرِ وَٱلۡبَغۡيِۚ يَعِظُكُمۡ لَعَلَّكُمۡ تَذَكَّرُونَ

Translation: *Indeed, Allah orders justice and good conduct and giving to relatives and forbids immorality and bad conduct and oppression. He admonishes you that perhaps you will be reminded. (Al-Nahl 16:90)*

Accordingly, the ability of people to attain social solidarity, unity, and respect for one another is what adjudicates their inner balance and relationship with God in Islam (Kamla & G. Rammal, 2013). An economic system is a foundation block for any nation and economy. Without the proper establishment of an appropriate system, nations did not survive long enough. In the early 1980s, Pakistan, Iran, and Sudan tried to change their financial and economic system from an interest-based to an interest-free system (Ayub, 2022). Numerous movements in Muslim nations, including Pakistan, Sudan, Iran, Algeria, Turkey, and Egypt, gave rise to the drive for an Islamic Financial and economic system. These national-level initiatives have contributed to extensive acceptance of Islamic finance among Muslim customers (Hanif, 2020).

In all Abrahamic religions, including Islam, Christianity, and Judaism, Riba is forbidden (Hanif, 2020). In this regard, the Quran clearly mentioned this prohibition as:

ٱلَّذِينَ يَأۡكُلُونَ ٱلرِّبَوٰاْ لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ ٱلَّذِي يَتَخَبَّطُهُ ٱلشَّيۡطَٰنُ مِنَ ٱلۡمَسِّۚ ذَٰلِكَ بِأَنَّهُمۡ قَالُوٓاْ إِنَّمَا ٱلۡبَيۡعُ مِثۡلُ ٱلرِّبَوٰاْۗ وَأَحَلَّ ٱللَّهُ ٱلۡبَيۡعَ وَحَرَّمَ ٱلرِّبَوٰاْۚ فَ
مَن جَآءَهُۥ مَوۡعِظَةٞ مِّن رَّبِّهِۦ فَٱنتَهَىٰ فَلَهُۥ مَا سَلَفَ وَأَمۡرُهُۥٓ إِلَى ٱللَّهِۖ وَمَنۡ عَادَ فَأُوْلَٰٓئِكَ أَصۡحَٰبُ ٱلنَّارِۖ هُمۡ فِيهَا خَٰلِدُونَ

Translation: *Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, "Trade is [just] like interest." But Allah has permitted trade and has forbidden interest. So whoever has received an admonition from his Lord and desists may have what is past, and his affair rests with Allah. But whoever returns to [dealing in interest or usury] – those are the companions of the Fire; they will abide eternally therein* (Al-Baqrah 2:275).

This prohibition is also mandated by natural law and ethical principles. Riba ruins cooperation, incites strife, and goes against the essence of human life on earth. Riba runs counter to the characteristics of the manufacturing environment, which include yield uncertainty. Consequently, all agreements and financial dealings under some contract types must align with Sharia law and only be used if they don't include usury (Mirakhor & Askari, 2010).

The modern capital system is fundamentally based on interest, which constitutes a form of *Riba,* and other elements such as uncertainty regarding motif, price, or delivery of the agreed-upon item (*Gharar*), and other practices involving risk creation, short selling, or exploitation (Ayub, 2022). Gharar is a rather general term in Arabic that literally denotes dishonesty, risk, deception, ambiguity, or risk that could result in loss or damage (M. A. Uddin, 2015). In a financial contract, Gharar is the most important component. In simple terms, Gharar is a term originating in information-related contexts that describes the uncertainty caused by a lack of understanding of the subject matter quality and the contract's outcome, or the lack of control over it (M. A. Uddin, 2015). This prohibition is said in the Quran as:

وَلَا تَأۡكُلُوٓاْ أَمۡوَٰلَكُم بَيۡنَكُم بِٱلۡبَٰطِلِ وَتُدۡلُواْ بِهَآ إِلَى ٱلۡحُكَّامِ لِتَأۡكُلُواْ فَرِيقٗا مِّنۡ أَمۡوَٰلِ ٱلنَّاسِ بِٱلۡإِثۡمِ وَأَنتُمۡ تَعۡلَمُونَ

Translation: *And do not consume one another's wealth unjustly or send it [in bribery] to the rulers in order that [they might aid] you [to] consume a portion of the wealth of the people in sin, while you know [it is unlawful]* (Al-Baqrah 2:188).

Gharar is defined as the failure to include a crucial component in a transaction, including the precise selling price or the seller's commitment to deliver the item being sold, among other things (Aravik, 2021). Furthermore, Mirakhor & Askari (2010) argued that in today's financial markets, derivative instruments are intended to transfer risk from one party to another; hence, the ban on trading in Gharar is considered a risk prohibition or prohibition of derivative instruments. The restriction of pure speculation and gambling activities, which involve oblique information, severe uncertainty, extreme risk, and lack of control, is one effect of the *Gharar* (Mirakhor & Askari, 2010).

Maysir literally means “gambling”. Furthermore, all forms of gambling are expressly prohibited in Islam. The facile, chance-based acquisition of wealth, regardless of whether it infringes against the rights of others, is referred to as “Maysir”. According to Md. Akther Uddin (2015), Maysir is gambling, as well as any type of commercial cooperation in which financial profits are obtained only by chance, speculation, or guesswork. The Quranic restriction is ordered as:

يَسْـَٔلُونَكَ عَنِ ٱلْخَمْرِ وَٱلْمَيْسِرِ ۖ قُلْ فِيهِمَآ إِثْمٌ كَبِيرٌ وَمَنَٰفِعُ لِلنَّاسِ وَإِثْمُهُمَآ أَكْبَرُ مِن نَّفْعِهِمَا ۗ وَيَسْـَٔلُونَكَ مَاذَا يُنفِقُونَ ۖ قُلِ ٱلْعَفْوَ ۗ كَذَٰلِكَ يُبَيِّنُ ٱللَّهُ لَكُمُ ٱلْـَٔايَٰتِ لَعَ
لَّكُمْ تَتَفَكَّرُونَ

Translation: *They ask you about wine and gambling. Say, “In them is great sin and [yet, some] benefit for people. But their sin is greater than their benefit.” And they ask you what they should spend. Say, “The excess [beyond needs].” Thus, Allah makes clear to you the verses [of revelation] that you might give thought. (Al-Baqrah 2:219)*

Prohibitions against partaking in unethical business activities, accepting bribes, engaging in prostitution, and other similar behaviours, along with certain culinary taboos (such as the restriction on pork, carrion, and alcoholic drinks), are a few examples. However, there are also some more vaguely defined positive suggestions, like reducing one’s expenses, eating less, getting involved in the community, contributing optional dues beyond the zakat, and providing for one's family. There is also an avoidance of random contracts and other forms of "chance" (Awan et al., 2023). These ethical proscriptions function as inherent disciplinary mechanisms that heavily influence economic, commercial, and financial activities (Ayub, 2022).

Islamic finance is not only shariah-compliant but also addresses the recently emerged concepts of Corporate social responsibility and sustainable development goals. Its core principles, such as risk-sharing and asset-backed transactions, prevent the economy from becoming overburdened and sway (Gobaili Saged et al., 2017). According to Islamic economics, if cash capital is associated with liability, risk, or duty, the capital owner must be engaged in real economic activity to receive profit or return. This is true in all types of contracts, whether partnership, sale, or service-based contracts (Ayub, 2022).

This study aims to deliver a balanced assessment of potential institutional, legal, and macroeconomic challenges that Pakistan faces in the transformation to economy to Islamization, identify opportunities that the Islamic financial system offers in financial instruments and the social system could offer, and to assess the potential consequences of adopting such a kind of economic and social policy. The analysis put theoretical sources, the central bank, market data, and contemporary knowledge to map what a possible, incremental, and evidence-based way toward transforming the economy to Islamization might (or might not) deliver in Pakistan.

2. LITERATURE REVIEW

Over the course of an extensive plan, many social organizations suggested such a foundation. The economic systems we have been witnessing the growth and collapse of over the past few centuries include feudalism, socialism, capitalism, fascism, and Islamism (Ahmad & Rakib, 2019). The growth of the Islamic economy offers an intriguing case study of how global capitalism and moral compatibility intersect, particularly in terms of Islamic values. Additionally, it totally accepts both this world and the other world; it is led to obtain both (Javaid, 2013). According to the socialist premise, all of the public wealth should be under state control. However, the core of the Islamic economy was a fear of the creator, which accelerated the flow of property among the commoners and averted it from being held anywhere (Ahmad & Rakib, 2019).

The foundation of capitalism is the concentration of national resources in the hands of a small minority through the banking system. This leads to a select few becoming extremely wealthy at the expense of the majority (Asutay, 2007). Economic systems share common norms and ideals that serve as guiding principles, making them easily identifiable. The Islamic economic system contends that although humans are God’s agents on earth, their production rights are restricted, even though the economic worldview may not be detrimental. The primary requirements of the Islamic economic system are the equitable distribution of wealth, the prohibition of hoarding, and the encouragement of wealth flow, the abolition of excessive consumption, zakat and charity, the concept of right and wrong, and the consideration of the welfare of those in need. These requirements are not always present in a capitalist economic system (Awan et al., 2023). In relation to the principles of the Islamic economy, the features of its organizational structure and its adjustment mechanisms, this system is known for imposing a tax on the wealth of Muslims to fund eight specific areas, such as aiding the poor, assisting the needy and enslaved individuals, as well as supporting those who practice the Islamic faith. The processes of collection and disbursement are among the most significant. Certain Islamic economists recognized the rapidity and scale of these practices that were commonplace in pre-industrial societies, particularly in the economy of seventh-century Arabia. Nevertheless, as digital advancements continue, the suggested enhancement of the collection aims to ensure coverage that remains operational, along with the fact that there is still little information available regarding the 14th century (Ali, 2021).

The goal of establishing an Islamic economy in Pakistan is said by many scholars to be as old as Pakistan itself. The first constituent assembly of Pakistan adopted the Objective Resolution, which stated that Muslims in the nation were to live their life in accordance with the teachings of Islam as expressed in the Quran and Sunnah. One of the foundational texts in Pakistan's political and constitutional history, this declaration of intent was later included in all nations' constitutions (Hathaway, 2005).

Since Pakistan's independence, many organizations have been established to adjutant in the process of Islamization. The legally mandated Islamic Research Institute, the federal Shariat Court, the Council of Islamic Ideology, and other organizations were all channeled to advance rebuilding Pakistan on "a truly Islamic basis" (as stated in the 1956 constitution). Such efforts further intensified under General Muhammad Zia ul-Haq's administration. However, these initiatives have not, by most standards, succeeded in Islamizing Pakistan's economy. For instance, in the financial sector, Pakistan similar to Malaysia has implemented an Islamic Banking system that works alongside the traditional banking system (Hathaway, 2005).

According to a number of researchers (Ahmad & Rakib, 2019b; Aydin, 2013; Beck et al., 2016), the Islamic economic system supports social justice, equitable income distribution, and sustainable development in addition to guaranteeing Shariah conformity. Nevertheless, the actual application of such an economic model in Pakistan still lacking. Existing literature focuses heavily on Islamic banking and finance, while broader aspects of Islamic economics, such as Zakat management, waqf utilization, and Shariah-based fiscal policy, remain understudied. Therefore, this research aims to address these gaps by offering a thorough examination of the Institutional, legal, and macroeconomic obstacles and prospects for establishing an Islamic economic system in Pakistan.

3. METHODOLOGY

A qualitative research design is used, with two complementary data sources. In the first, it was carefully studied and examined the documented textual sources that included the Islamic instructions in the Quranic verses, relevant Hadith (Teachings of the Prophet of Islam), the classical texts of the economic thought of Ibn-e-Khaldoon, the economic view of Al-Ghazali and the writings of contemporary Islamic scholars on Islamic principles. The first and second sources are the basis for analyzing the evaluation of the normative framework of Islamic economics, and then the results are compared with the respondents' statements in the interviews.

Second, the study is based on semi-structured, in-person interviews with seven respondents, chosen to represent the main groups involved in decisions about Islamization in Pakistan. Two respondents were officials from the State Bank of Pakistan, who are in the difficult position of managing both the conventional banking system and the Islamic banking system that operates alongside it. Three respondents were members of Shariah Advisory Boards at Islamic financial institutions, since they are the ones who approve whether a financial product is Shariah-compliant. The remaining two respondents were academicians who work on Islamic economics, included so that the views of regulators and Shariah board members could be checked against a more theoretical, independent perspective. This mix of respondents was chosen on purpose, because the debate around Islamizing Pakistan's economy plays out differently among regulators, Shariah scholars, and academics, and leaving out any one group would have given an incomplete picture.

All interviews were conducted face-to-face rather via phone or video call, because the topics discussed institutional weaknesses, sovereignty, and public trust- are the kind of things people tend to speak about more openly in person. Interviews were not fixed in length: the shortest lasted thirty-five minutes, and the longest lasted two hours and twenty minutes, depending on how much a respondent had to say and how comfortable they were discussing institutional problems. Each interview followed a semi-structured guide built around four main topics: the institutional and regulatory obstacles to Islamization; how dependence on external lenders such as the IMF, the World Bank, and other creditors limits domestic policy choices; the social and demographic factors shaping demand for Shariah-compliant finance; and how people view Zakat collection and state-led redistribution of wealth. A semi-structured format was used instead of a fixed questionnaire so that new points raised by respondents could be followed up, while keeping every interview anchored to the same core questions.

All interviews were audio-recorded with the consent of the participants, transcribed in full, and coded using LiGRE, a qualitative data analysis software used to organize and compare recurring ideas across the interviews. Coding was done in stages: an initial round identified the concepts respondents raised, and these were then grouped into broader categories by comparing them against each other and against the documentary sources gathered earlier. This process is what led to the four themes discussed in Section 4 (Global Systemic Entrenchment, the Strategy of Pragmatic Gradualism, Institutional Fragmentation and Regulatory Friction, and the Socio-Cultural Paradox), and the same process later fed into the transitional framework proposed in Section 5. To protect confidentiality, findings are reported by theme rather than linked to specific individuals or institutions, since several respondents spoke candidly about institutional failures and public distrust.

4. RESULTS AND ANALYSIS

The analysis reveals a strong consensus that limits the transition of Pakistan's economy toward Islamization: the "Dual-dependency dilemma": reliance on traditional interest-based institutional architectures, and an external dependence on global financial bodies (IMF, World Bank, Foreign aid). The State Bank of Pakistan is seen as a paradoxical institution caught between traditional and Islamic financial ideologies. While all respondents advise a gradual transition of macroeconomic tools, such as replacing T-bills with Sukuk, a distinct difference sparks the transition and will become monumental for change. The findings highlight that youth and digital connectivity are organic drivers of demand. However, "Barriers" reports contend that top-down tax incentives and economic sovereignty are necessary in order to induce change in the current investment mindset, which is profit-centric and risk-averse, and political willingness to move toward Islamization of the economy. These findings suggest that legal rulings are inadequate without resolving the public trust issues in state budgetary management and the underlying economic connections with global debt.

4.1. Theme 1: Global Systemic Entrenchment

The theme captures the participants' opinion that Pakistan's economy is tightly coupled with the global economy which is largely based on interest-based transactions, which are challenging to align with Islamic economic principles. The participants attributed this condition to the colonial past and the reliance on conventional debt market and capital from international financial institutions, which is based on an interest (riba) system. Therefore, merely having a political commitment or religious aspiration will not be enough to change the system until the country is structurally independent of interest-based financing. Based on this, the results indicate that the process of shifting to an Islamic banking system not only demands a shift in the political system at the national level, and a corresponding shift in human resources, but also a gradual phase-out of reliance on conventional financial institutions and foreign debt burden.

4.2. Theme 2: The Strategy of Pragmatic Gradualism

Most of the participants were against any sudden and radical change of the present financial system as this would create economic instability and even the financial system of the country would be affected. Rather, they advocated for a gradual and pragmatic transition period of some five to ten years. This could entail a gradual phased-out of the traditional government debt instruments and replacement by asset-backed, Sharīʾah-compliant alternatives. One of the participants mentioned the need to replace the Treasury bills with ṣukūk gradually and increase investor confidence to make the transition easier and make both arrangements compatible. This incrementalist stance aligns with the theory of institutional change, which sees incremental reform as more feasible and viable than systemic change.

4.2. Theme 3: Institutional Fragmentation and Regulatory Friction

This theme reflects the challenges faced by operations due to the lack of coordination and priorities across state and regulatory institutions and the fact that their mandates are split. The participants mentioned "siloed institutions", in this context, the lack of coordination between the State Bank of Pakistan, and even between Federal Shariat Court and other relevant government departments. A 'two boats' attitude is said to be the regulatory approach to encourage Islamic banking and at the same time take care of conventional banking system. This institutional dualism leads to regulatory tensions, reduced policy coherence and limits the implementation of Sharīʾah-compliant reforms. The results show that a coordinated institutional responsibility, harmonised regulations and a common direction in the national policy are necessary to achieve meaningful transformation.

4.4. Theme 4: The Socio-Cultural Paradox

The theme underlines some of the stark paradoxes in the social and behavioural aspects of the Pakistani economy. In contrast, younger generations are optimistic and seemingly willing to embrace alternatives to Islamic finance. At the same time, the attitude of investors has not changed: they are skeptical, they lack confidence in public institutions, and they are focused on guaranteed returns rather than the risk of losing money. Participants linked this cynicism with issues of mistrust of governmental systems, including the avoidance of formal Zakāt mechanisms, and a lack of certainty when using risk-sharing instruments compared to traditional fixed return products. Therefore, Islamic finance has the potential to be accepted in addition to existing attitudes and practices rooted in deeply entrenched culture which may hamper the wider acceptance of Islamic finance.

5. DISCUSSION

5.1. Demographics vs. Economics Concurrence

The entire corpus of sources is in agreement on the fact that the existing general population is simply not well-versed in Islamic finance. There is a clear tension on the driver of change. A participant frames the youth as a positive, organic force of demand (Youth as Drivers of Change). In comparison, another participant is quite cynical towards the 'end user', saying that the population is simply profit-oriented (profit, not loss) and will not be able to change without any economic support (tax incentives).

The synthesis implies that there is a generational gap in the market. The only way to overcome this is dual, in that the reform needs to be pulled in terms of value-oriented youth segment of the population, seen from the view of participants, and pushed in terms of profit-driven legacy investors. This confirms Awan et al. (2023), who highlight public distrust in government-managed equity instruments. The findings suggest that youth-driven demand for Shariah-compliant finance could be beneficial for change to improve the credibility of institutions. Thus, demographic potential must be aligned with clear fiscal governance to ensure sustainable change.

5.2. Institutional Blame: Internal Silos vs. Global Hegemony Agreement

The two sets of data concur that the State Bank of Pakistan (SBP) is in a challenging situation, as it is dealing with a dual system that is naturally inclined towards conventional banking. A policymaker outlines the failure and factors greatly due to structural problems within the organization, namely, siloed institutions and Colonial Legacy, which did not make the Council of Islamic Ideology and the State Bank of Pakistan coordinate. The other economic experts are arguing that the burden of responsibility should be placed much more on external relationships, stating that domestic policy is a hostage of the aggressive approach by the global economic entanglement (IMF/China/USA) and that there is no coordination of the state inside without economic sovereignty among the states outside.

The study concludes that internal institutional change (desiloing) is sufficient but not enough. The only way this is going to be implemented, in reality, is through the disconnection of macroeconomic factors with interest-based foreign debt, which will confirm the barrier to be geopolitical rather than administrative. This supports Hathaway (2005), who found similar friction in early Islamization efforts.

5.3. Redistribution of wealth (Zakat) under state control

All the sources suggest that a real Islamic economy must have social justice and equity. One participant is devoted to the Ideological vision of justice. Other experts, however, give a realistic implementation failure: the general population does not trust the government to administer Zakat. Although policymakers talk of the necessity of equity, the experts mention the rejection of state-managed equity because of the perception of corruption (expenses are higher than they collect).

The gap that exists between the theoretical model of redistribution laid down in Islam and the reality of governance. Implementation of Islamic fiscal instruments (Zakat) will never succeed unless there is a predetermined rebuilding of credibility and transparency in the state institutions.

6. CONCLUSION: AN EMERGENT TRANSITIONAL FRAMEWORK

This paper develops an emergent theory in explaining the transition of Pakistan into an Islamic Economic system through a thematic analysis, documentary analysis, and expert interviews. Instead of being a predictive or causal model, the framework helps explain the overall systemic change by synthesizing the processes of institutional, socio- cultural, and macroeconomic changes observed during the course of the study.

The change begins with the recognition and restructuring stage where inconsistencies between the current system and the Islamic principles are discovered. This stage is an indication of the empirical discovery that legal decisions and constitutional pledges cannot and will never be enough without a support structure and a policy fit. This stage is still affected by outside pressure, especially reliance on international financial systems in policymaking.

The Hybrid and the gradual level reflects the practical agreement between the respondents. Rather than eliminating the current structures, the framework proposes a dual-system model whereby Islamic instruments are brought in together with traditional tools. This stage is in direct correspondence with the themes of gradual and regulatory duality found in the data.

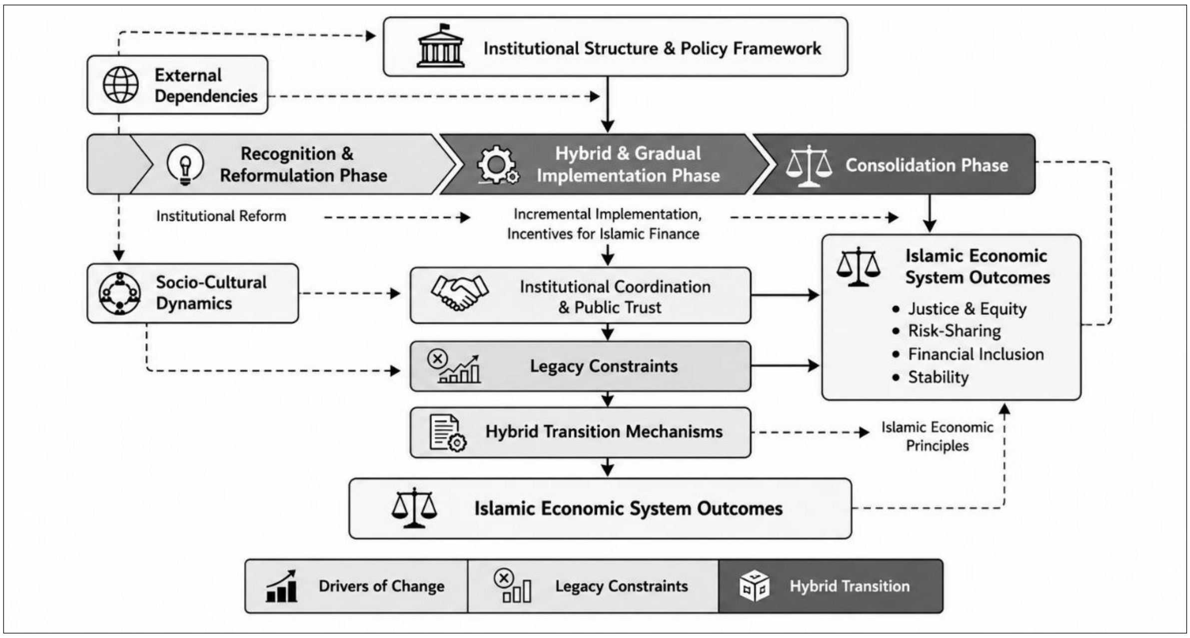
The key mediating mechanisms are institutional coordination and trust in the government. The model emphasizes the points that divided governance, divided regulators, and weak public trust, especially in financial tools like Zakat, are binding barriers to reform. In the absence of coordination between the important institutions and credibility in the redistribution led by the state, Islamic economic instruments are more symbolic than transformative.

The process of coordinating between institutions and public trust is combined as a mediating central process. The framework also emphasizes that narrow governance, regulators with blind alleys, as well as low civic trust, predominantly in fiscal tools like Zakat, are legitimate constraints on change. The absence of coordination between institutions and credibility in the distribution of state governance will result in the Islamic economic instruments being symbolic rather than transformative.

The transition is demonstrated to be constrained by historical constraints such as traditional institutional frameworks, a profit-oriented mindset of investors, and dependence on interest-based debt. These restrictions are how Islamic finance has grown in form rather than substance, organizing a hybrid equilibrium.

The Consolidation Phase is a conditional consequence, as opposed to an automatic one. Institutional reforms, the reputation of the population, and policy consistency will only converge to propel the system to massive Islamic economic successes, including justice and equity, risk-sharing, financial inclusion, and systemic stability. These outcomes are represented as the contingent outcomes of a successful institutional change, but not ideological statements.

Figure 6.1: Proposed framework for Transitioning toward an Islamic Econoimic System in Pakistan



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