Asset-Based Money Systems in a Global Context: Implications for Social Inclusion and Economic Development

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**Abstract**

Fiat money based financial system has disturbed the balance between household demand and firm supply. Further, government monetary intervention to curb inflationary demand is hurting production via the cost of capital and disturbing the functionality of the financial system in terms of capital market misallocation. These aspects are trickling down to cause social disturbance in the economy. Corresponding to it, the gold standard or at least asset-based money promotes social inclusion, empowers marginalized communities, and addresses socio-economic challenges by using tangible assets as a monetary system. The study explores assets-based money’s theoretical foundations, distinguishing it from traditional debt-based models and its potential benefits on social inclusion. It analyzes potential benefits, challenges, and limitations in implementing assets-based money systems. Several empirical studies explored debit cases of Islamic and conventional finance sectors, but this study examines the high-power money and social inclusion in the economy. For this determination, the quantitative research approach consisted of selected 143 countries panel data of conventional and Islamic financial statements from 1960-2022. The model contains regression estimates, descriptive analysis, and correlation coefficient analysis. The assets-based money boosts living standards and positively impacts poverty reduction. This money reduces the inflationary effects of monetary expansion, hurting the purchasing power of low-income groups. Further, it is expected to have a growth-promoting effect via risk sharing and resource distribution. Assets-based money can support economic growth, financial stability, and inclusive development through a well-designed implementation strategy, but success depends on thorough research and analysis.

**Keywords:**  
Asset-Based Money  
Monetary System  
Social Inclusion  
Islamic Banking Financing  
Panel Data Analysis

**JEL Classification:**  
E42; E51; G10

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**Introduction**

The banking system plays a critical role in a country’s economic growth by facilitating the flow of funds and supporting investment activities. It ensures an increase in the productivity of this capital in the economy by engaging it in economic activities. A critical aspect of the banking system is the type of money it creates and lends. Traditional banking systems predominantly operate on a debt-based money model, where money is created as interest-bearing debt (Zulfiqar et al., 2021). Discussion in the current economic literature advocate that debt is a source of external funds that can
nurture growth as discussed in “Debt Cycle Theory”. According to this theory efficient utilization of debt can lead to higher investments and consumption accumulating to higher economic activity (Peng et al., 2020). Under this premise, commercial banks use the “credit creation” process to increase money in the economy and the size of increase depends on the allowed fractional reserve. This setup of financial system is designed to provide favor rich who access loan for productive purposes while penalizes poor who acquire loans for consumption or non-productive ventures. Thus, this circulation of credit eventually increases debt liabilities of low-income group.

The creation process has its limits and is regulated by central banks and financial authorities to ensure stability in the financial system. Central banks use reserve requirements, interest rates, and other monetary policies to control the money supply and influence economic activity (Uwuigbe et al., 2015). The interest rate is the basic instrument of conventional banking; high interest rates persist for an extended period and can slow down economic growth if the economy is overheating. It can potentially lead to a recession if economic conditions are wrongly estimated. Reduced consumer spending, business investment, and housing activity can negatively affect the economy (Amanda et al., 2023).

Many developed economies understand this conundrum of interest rates, learning from their past experiences. Many developed countries, including Japan, United Kingdom, and Canada, have had historically low interest rates in recent years. Central banks in these countries have adopted accommodative monetary policies to stimulate economic growth and counter deflationary pressures. By keeping interest rates low, central banks aimed to encourage borrowing, spending, and investment, which helped boost economic activity (Hoffmann & Löffler, 2013). The development of sorts of money as a special commodity is directly related to the achievements of scientific-technological progress and the growing demands of society. Commercial banks deal in different modes of money. One of them is asset-based money, also known as commodity money or intrinsic money, which has specific characteristics that set it apart from fiat money (currency with no intrinsic value) (Fantacci, 2013; Muhammad, 2010; von der Becke & Sornette, 2017).

On the other hand, the idea of assets-based money is gaining popularity as an alternative strategy. This approach centers on the creation of currency backed by physical assets or ventures. The term “assets-based money” refers to a monetary system in which the value of currency is based on the value of actual assets held by financial institutions. These tangible assets can include things like commodities, real estate, or productive enterprises (von der Becke & Sornette, 2017) or intangible assets like services. In contrast, the debt-based and fiat monetary system relies on loans to create money, which results in inflation and high interest rates (Chomen, 2021). This money provides an extra asset cushion to the economy in times of recession. In contrast to fiat currency, economies can reduce asset-based money by selling or utilizing the assets to meet their needs in times of recession.

Fiat money is the most commonly used currency worldwide. It lacks intrinsic value and is not backed by any valuable commodity like silver or gold. Instead, the people’s trust in government defines its value. Gold, silver, copper, and other precious metals were frequently used in the past as coins, and
these are all examples of asset-based money. Fiat money (credit-based) and asset-based money are complex, and each system has advantages and drawbacks (Andolfatto et al., 2016; von der Becke & Sornette, 2017). Fiat money provides greater flexibility in managing the money supply and responding to economic conditions, while asset-based money offers stability and intrinsic value but may have limitations in certain aspects of the modern economy. These limitations include its susceptibility to economic shocks. The poor income group owning this fiat money is the first to experience a fall in purchasing power due to inflation. Meanwhile, the asset-based money’s asset value would have increased in times of inflation, which can be sold in the commodity market in times of need.

Islamic banks use asset-based financing techniques that comply with Islamic principles, prohibiting interest (Riba) and speculation. Many forms of financial agreements exist in Islamic banks, which allow banks to extend loans and charge based on asset performance. As mentioned earlier, examples of asset-based financing in Islamic banking include Murabaha, Ijarah, Salam, Musharakah, and Mudarabah, which are used for various financing needs, including car financing, housing, and agriculture (Kalim et al., 2016). The supporters of asset-backed money argue that it provides greater stability, as the currency’s value is tied to tangible assets with inherent worth. They believe it can reduce the risks associated with purely fiat currencies, such as inflation and currency manipulation. Asset-backed money systems can also promote trust and confidence in the currency, as the assets backing it provide a tangible store (Siddique, 2020).

Asset-based money offers numerous benefits for social inclusion and the monetary economy. It increases financial inclusion, reduces wealth disparities, and promotes economic empowerment (Swastika, 2016). Stability and confidence in assets contribute to sustainable economic growth, while local economic development and alignment with economic and social goals promote holistic economic policy (Nawaz et al., 2019). Diversification of the financial system reduces reliance on debt-based money, encourages responsible investment, and fosters resilience by reducing the vulnerability of the monetary system to speculative bubbles and financial crises. Asset-based money systems also promote responsible investment and resilience, fostering a more equitable and sustainable society (Komijani & Taghizadeh-Hesary, 2018). While asset creation is in the form of businesses, it would lead to an increase in employment, output stability, and foreign exchequer.

This study sets the objectives based on the debate of advocating the gains from asset-based money and prevailing fiat money.

OB1) The study theoretically examines the foundations of asset-based money, and highlights how it differs from the traditional debt-based money model.

OB2) It will analyze the benefits of assets-based money on social inclusion, including its potential to enhance investment, mitigate financial instability, and promote a more equitable distribution of wealth.
These objectives were achieved for the panel data case of 143 countries. Asset-based money is estimated by this study using the growth perspective, whereby any creation of money in response to real economic growth is denoted as asset-based money. In objective 2, this study postulated that asset-based money has a higher potential to achieve social development.

Fulfilling these objectives provides policy implications for potential gain by adopting an asset-based money system in the economy and linking it with Islamic banking as a custom-built model to disburse asset-based money. Furthermore, this study is divided into five parts: 1) the introduction of the study, 2) the literature review, 3) the detail of the methodology, and 4) this part of the study describes the results of analysis and discussion.

LITERATURE REVIEW

In the context of the quantity theory of money, inflation is proportional to the quantity of money in circulation. According to this theory, an increase in the asset-based money, would help manage inflation and preserve the purchasing power of the poor (Humphrey, 1974). The merits of the gold standard can be compared with the asset-based money, which has higher stability and can sustain relatively low inflation (Bordo & Kydland, 1995). Green (2018) presented the real bills doctrine and stated that using asset-backed money can reduce inflation from banking activities.

Halton (2023) explained the Milton Friedman K-percent rule, where money supply should grow at a rate of economic growth so that it does not create any inflation. The asset-backed money would naturally align with this rule and eventually stabilize purchasing power.

Measures of Islamic banking profitability are significantly affected by bank-specific factors such as gearing ratio, asset management, deposit ratio, and non-performing loans (NPL) ratio and external factors such as CPI (Khan et al., 2014). Islamic banks are associated with higher efficiency than conventional banks (Abedifar et al., 2016). Islamic participatory schemes enable Islamic banks to lend on a longer-term basis to create projects with higher risk-return profiles and, thus, to support economic growth (Daly & Frikha, 2016). Islamic investments have contributed to increasing investments and bringing FDI into the country long-term (Tabash & Anagreh, 2017). Asset-based reserve requirements are superior to the existing reserve requirements in preventing excessive lending during economic booms (Kang & Suh, 2017).

The Muslim population, GDP growth, money supply, and worker remittances play a positive and significant role in the development of Islamic banking in Pakistan (Zahid & Basit, 2018). Securitization allows institutions such as banks and corporations to convert assets that are not readily marketable into rated securities that are tradable in the secondary market (Tandiare & Badalu, 2019). Islamic financial products’ ethical character and financial stability may increase their attraction (Komijani & Taghizadeh-Hesary, 2018). The industrial production index affects Islamic banking financing (Setyowati, 2019). The study suggests that Islamic financial institutions in Pakistan...
contribute to economic growth and development, particularly in the financial market, where 97% of the Muslim population is interest-sensitive. Policymakers should increase Shari’ah-compliant investment opportunities for high growth rates, long-term economic welfare, and poverty alleviation (Raza et al., 2019). The study shows a significant relationship between Islamic finance and economic growth in Pakistan, with a 5% variance in GDP and a higher flow of Islamic finance. Islamic financing is crucial for GDP growth and religious products and services (Nawaz et al., 2019).

Both bank-based and market-based financial development positively impact economic growth in the USA (Nyasha & Odhiambo, 2019). The monetary authority should introduce innovative policies into the money market for it to contribute positively and significantly to economic growth (Chinedu et al., 2021). The increase in the demand for goods output increases, and it generates more employment opportunities. It is concluded that GDP is positively associated with M2, government expenditures, and inflation (Chinedu et al., 2021).

The study examines the impact of cryptocurrencies, gold standard, and traditional fiat money on global income inequality using the Autoregressive Distributed Lag Model (ARDL) econometric approach. Cryptocurrency, gold standard, and assets-based monetary systems reduce global income and wealth inequality, while traditional fiat money contributes positively but also fluctuates (Othman et al., 2020). Islamic banking intermediation empirically contributes directly to economic growth (Iryanto et al., 2020). Islamic banks’ performance has contributed to economic growth mainly during the period right after the financial crisis (Bendriouch et al., 2020). The study shows a bi-directional relationship between Islamic financial development and economic growth in Nigeria, with Islamic bank financing playing a crucial role. Improving the Islamic financial system can promote economic development, welfare, and poverty alleviation (Sabiu & Abduh, 2020). Foreign direct investment, oil production, and inflation positively impact economic growth during normal financial development.

Inflation can only predict the effect of return on assets on the growth of Islamic banking in Indonesia (Djazuli & Candera, 2021). Islamic financial development remains effective in slowing economic growth when there is an inflationary situation for our Middle East and Northern Africa (MENA) study region (Mtiraoui, 2021). The Indonesian economy has experienced a 65% growth in assets over the past five years, making Islamic finance a significant contributor to economic growth. The study uses the ARDL technique and boundary testing approach for co-integration to examine the role of Islamic banks in the national banking system. Islamic principles, such as the prohibition of interest, play a crucial role in driving economic development (Iqbal & Mirakhor, 2013). The financial inclusion of Islamic banking in Indonesia positively affects economic growth (Adzimatinur & Manalu, 2021). The banking system plays a critical role in a country’s economic growth by facilitating the flow of funds and supporting investment activities. One important aspect of the banking system is the type of money it creates and lends. Traditional banking systems predominantly operate on a debt-based money model, where money is created as interest-bearing debt (Zulfahmi et al., 2021).
Asset-based financing, originating for thousands of years, has evolved significantly over the last half-century. It began as a manufacturer selling technique to boost sales and became an industry with the formation of the first independent leasing company in 1952 in the US. By 1994, it was established in over 80 countries. Today, it is used by nearly every industry to finance various assets, including computers, construction equipment, farm equipment, and aircraft. Well-capitalized manufacturing and servicing companies leverage their equity base and core competencies for significant capital growth (Widarjono et al., 2022).

The Asset-based community development approach indicates that development can be driven in communities by mobilizing existing and new assets. This mobilization can help in achieving socio-economic development (Nuture Development, 2018). The 5-7 trillion annual requirement of funds for SDGs (Pineiro et al., 2018) can be mobilized using an asset-based system. Islamic asset-based financing can help strengthen partnerships, increase aid flow effectiveness and create equitable finance to deliver SDGs (OECD, 2020). The use of asset-based financial inclusion not only provides a platform that reduces riba but also helps in the redistribution of income (via microfinance (Ali & Nasir, 2023) and risk sharing), which has social gains (Mohieldin et al., 2011). It can further stabilize the financial system (Laldin & Djafri, 2021).

Inflation, exchange rates, and interest rates significantly impacted registered transportation company stock prices in IDX from 2018-2020 (Amanda et al., 2023). One study of assets-based futures, which took out asset-based loans such as leases during the pandemic period from 2019 to 2021, did not face problems, and they stabilized social inclusion. They measured stabilizing asset economy dynamics by increasing asset values and allowing owners to retain assets during the pandemic. Key institutions integrated asset economy logic into social life, incorporating the pandemic’s temporality into paradoxical temporalities and stabilizing asset economy dynamics (Azumah et al., 2023). The study offers insights into competitive policies and regulatory changes for the universal banking industry (Azumah et al., 2023). Expand Islamic banking, insurance, money, and capital market instruments to boost economic growth and reduce volatility in the country’s financial system (Khattak & Khan, 2023).

After the above research studies on the impact of assets-based money on social inclusion, there is a growing area of research in Islamic finance and conventional monetary systems. A dearth of studies explored the context of asset-based money in forming Islamic monetary policy. Several research gaps require further investigation like, such as empirical studies on the actual impact of assets-based money on social inclusion in different economic contexts, long-term effects, comparative studies, education access, and regulatory and legal frameworks etc. This study investigates the impact of high-power money on social inclusion in 143 countries by developing an asset-based money indicator as a proportion of GDP. There is a need to understand the feasibility and sustainability of assets-based money systems and their potential to improve social inclusion for advanced and marginalized communities.
In conclusion, understanding the impact of assets-based money in the banking system on economic growth is crucial for shaping monetary policy, financial regulation, and economic development strategies. By examining the potential benefits and challenges associated with assets-based money, policymakers can make informed decisions regarding the suitability and desirability of such a monetary framework. Ultimately, this exploration aims to contribute to the ongoing discourse on monetary system design and its implications for sustainable economic growth.

**DATA AND METHODOLOGY**

*Sample*

This study is based on a causal analysis of panel data from 143 the number of groups (countries). A quantitative research approach is used in the investigation of the impact of assets-based money on social inclusion. United Nations SDG No. 1 focuses on reducing poverty at the global level, whereby this study contributes to finding the role of asset-based financial systems on social development.

*Measures*

The data was collected from existing world development indicators. This study method involves quantitative data analysis, and STATA is used as an analysis tool. Descriptive statistical analysis, correlation coefficient, and fixed effect regression are used to analyze the collected data. Here table 1 shows the variables used in the study. Here, the broad money and GDP are used to estimate the asset-based money (ABM), while other variables are used as independent variables in the model that determines ABM. The data is acquired from World Development Indicators (WDI).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Symbol</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad Money</td>
<td>M2</td>
<td>Broad Money As % Of GDP</td>
<td>WDI</td>
</tr>
<tr>
<td>Gross Domestic Product</td>
<td>GDP</td>
<td>Real GDP</td>
<td>WDI</td>
</tr>
<tr>
<td>Poverty</td>
<td>POV</td>
<td>Poverty Head Count Ratio 2.15$ A Day</td>
<td>WDI</td>
</tr>
<tr>
<td>Labour Force</td>
<td>LF</td>
<td>Labor Force Participation Rate</td>
<td>WDI</td>
</tr>
<tr>
<td>Trade</td>
<td>TO</td>
<td>Trade % of GDP</td>
<td>WDI</td>
</tr>
<tr>
<td>Tertiary</td>
<td>TER</td>
<td>Tertiary School Enrollment</td>
<td>WDI</td>
</tr>
</tbody>
</table>

*Statistical tools*

This study uses the panel data regression method to estimate the effect of GDP on broad money (M2) in equation 1. This model will help dissect M2 into the estimated portion, which is determined by increased economic activity ($\hat{M2}$), while residuals are a portion not connected with economic activity. The estimated portion of M2 is now denoted as asset-based money (ABM). This ABM is proportionally determined by real economic activity, this makes it resemble changes in assets in the economy.
Equation 2 provides the role of asset-based money as a determining social inclusion while controlling for trade openness, labor force and tertiary enrollment.

\[ M_{2it} = \alpha + \beta GDP_{it} + \mu_{it} \]  
\[ pov_{it} = \alpha + \beta_1 M_{2it} + \beta_2 to_{it} + \beta_3 lf_{it} + \beta_4 ter_{it} + \mu_{it} \]

In this particular investigation, the panel feasible generalized least square (FGLS) method was utilized in order to estimate the effect of asset-based money on social inclusion utilizing equation 2. It is hypothesized that when there is an increase in asset-based money, rather than an increase in inflation, it would lead to an increase in economic productivity. This method of regression has the capacity to provide estimates that are reliable in the face of cross-sectional autocorrelation as well as cross-sectional heteroskedasticity. This model has been used to estimate panel data sets in empirical studies such as (Arshed et al., 2022; Guo et al., 2023; Qaiser et al., 2023).

RESULT AND DISCUSSION

Descriptive Statistics

The results of the descriptive analysis, regression analysis, and correlation coefficient analysis are included in this section of the study. For the purpose of estimating the model, this research utilized panel data from 143, the number of groups (countries), as well as 2995 the number of observations.

While estimating the ABM using univariate fixed effect regression, the R-squared was only 5%, showing that out of all money created in the sample countries, only 5% is asset-based while the rest is fiat. This indicates that the demand is motivated by the increase in money supply, which is only matched with a 5% increase in assets, causing demand-pull pressure on general goods and services prices. Under this premise, it would be difficult to control inflation, as a very high increase in interest rates is required to discourage this fiat currency-based inflation, which would also distort the financial system (Borio & Hofmann, 2017; Cochrane, 2021). Further, the conventional system, under the assumption that an increase in interest rates would control inflation, would fail as no matter how much the interest rate is increased, the 95% increase in demand-pull pressure cannot be controlled, rather it would only increase cost of capital and disruption in the ability of the bank to increase the productivity of capital.

<table>
<thead>
<tr>
<th>Table 2: Descriptive Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stats</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>Sample</td>
</tr>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Std. dev</td>
</tr>
</tbody>
</table>
Table 2 shows the descriptive data analysis and reveals the means and standard deviation of \( M_2, \ GDP, \ POV, \ TO, \ IF, \ TER \) and \( ABM \). Here, we can see that the mean value of poverty (POV) and tertiary education (TER) have mean values smaller than standard deviations, showing that these variables are over-dispersed in the sample while the remaining variables are under-dispersed in the sample. This over-dispersed poverty variable requires data analysis to account for the countrywide differences. This study has used panel data analysis with fixed effect specification to account for these differences.

Table 3: Correlation Coefficient Statistic

<table>
<thead>
<tr>
<th>Correlations</th>
<th>M2</th>
<th>GDP</th>
<th>POV</th>
<th>TO</th>
<th>LF</th>
<th>TER</th>
<th>ABM</th>
</tr>
</thead>
<tbody>
<tr>
<td>M2</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>0.2279</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>POV</td>
<td>-0.3865</td>
<td>-0.1476</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TO</td>
<td>0.1716</td>
<td>-0.2088</td>
<td>-0.2495</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LF</td>
<td>0.0506</td>
<td>0.1396</td>
<td>0.1648</td>
<td>-0.0224</td>
<td>1.0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TER</td>
<td>0.3828</td>
<td>0.3053</td>
<td>-0.6537</td>
<td>0.1085</td>
<td>0.2091</td>
<td>1.0000</td>
<td></td>
</tr>
<tr>
<td>ABM</td>
<td>0.2279</td>
<td>1.0000</td>
<td>-0.1476</td>
<td>-0.2088</td>
<td>0.1396</td>
<td>0.3053</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

Table 3 shows the correlation between the selected variables. This table is used to assess the association of independent variables with dependent variables to have some idea about the hypothesis and then assess the pairwise association between independent variables to check for multicollinearity. High correlation between independent variables would lead to biased estimates because of multicollinearity. This study focuses on selecting relevant variables for dependent variables that are not highly correlated.

Here, we can see that the selected variables LF have a positive correlation while TO, TER, and ABM negatively correlate with poverty. ABM has shown a -15% correlation with POV across the data, indicating that for 100 cases of high ABM there are about 15 cases where there is low POV. While comparing pairwise correlation, we can see none of the correlations higher than 0.9, which may indicate the presence of multicollinearity.

Figure 1 plots the sample’s association between asset-based money and poverty. Here, we can see that there is a negative association, whereby whenever there is an increase in asset-based money, there is an incidence of decreased poverty.

![Figure 1: Scatterplot between ABM and Poverty](image-url)
The table 4 provides the regression estimates of equation 2 using the panel FGLS model. The estimates are based on 2995 observations from 143 countries. Poverty is DV, while the ABM, TO, LF, and TER are IV. The Wald test confirms that all the variables significantly explain the changes in POV. Thus, the overall model is fit based on the selected independent variables. The intercept value is positive, showing that all other factors that are not in the model jointly increase POV. This increases the importance of the selected variables as potential sources to reduce poverty.

The TO value is -0.14, it means that when the trade ratio increases, the poverty level decreases (Deyshappria, 2018). The LF (labour force) value is 0.15, it means that when the LF increases (supply of workers increases), it reduces the market wage rate, leading to an increase in poverty (Arshed et al., 2018). The TER (tertiary school enrollment) coefficient value is -0.199, which shows that when TER increases, the POV decreases. For the control variables, we can see a negative effect in TO and TER, such that their increase would lead to a decrease in poverty. A 1% increase in TO would lead to a decrease in POV by 0.014% on average. A 1% increase in TER would lead to a decrease in POV by 0.199% on average. These results are similar to studies like (Arshed et al., 2022; Sabiu & Abduh, 2020). When the education level increases, it will contribute to decreasing poverty by raising human capital (Arshed et al., 2018). The interaction between assets-based money, trade, and education can create a virtuous cycle that fosters economic development, reduces poverty, and enhances social well-being.

One study of assets-based futures, which took out asset-based loans such as leases during the pandemic period from 2019 to 2021, did not face problems, and they stabilized social inclusion. They measured stabilizing asset economy dynamics by increasing asset values and allowing owners to retain assets during the pandemic (Azumah et al., 2023). Policy reforms and investments can alter asset context, income-generating potential, and household risk management capacity, impacting growth and poverty reduction over time (Zahid & Basit, 2018).

In the table, the first value of ABM is -0.057. The ABM plays a very important role in reducing poverty because the coefficient value is negative, which means the poverty level reduces when ABM increases. While for the case of asset-based money (AMB), a 1% increase in the ABM leads to a 0.056% fall in poverty with the selected countries’ sample. This shows that whenever there is a movement towards a balance between money and assets in the economy, there is less pressure on the low-income groups to meet the higher expenditures because of inflation caused by fiat currency. This approach contrasts with the debt-based /fiat money system, where money is created through loans and carries an interest burden (Chomen, 2021).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coef. (Std. error)</th>
<th>Z (Prob)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABM</td>
<td>-0.057 (0.017)</td>
<td>-3.23 (0.00)</td>
</tr>
<tr>
<td>TO</td>
<td>-0.014 (0.004)</td>
<td>-3.79 (0.00)</td>
</tr>
<tr>
<td>LF</td>
<td>0.147 (0.023)</td>
<td>6.31 (0.00)</td>
</tr>
<tr>
<td>TER</td>
<td>-0.199 (0.009)</td>
<td>-22.34 (0.00)</td>
</tr>
<tr>
<td>Cons.</td>
<td>10.954 (1.643)</td>
<td>6.67 (0.00)</td>
</tr>
<tr>
<td>Regression statistics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obs = 2995</td>
<td>Countries = 143</td>
<td>Wald = 590 (0.00)</td>
</tr>
</tbody>
</table>

Table 4: Regression Analysis
The significant positive correlations observed in the qualitative results suggest that assets-based money holds promise as a tool for promoting social inclusion. This potential impact encompasses poverty reduction, improved trade and economic prosperity, enhanced education and employment opportunities, long-term stability, and more inclusive governance. However, rigorous quantitative analysis and careful planning are required to validate these correlations and ensure that the implementation of assets-based money leads to tangible and sustained benefits for marginalized communities and society.

CONCLUSION AND POLICY IMPLICATION

The empirical discussion within the first objective showed that the asset-based money has the potential to achieve goals beyond conventional financial goals like, exchange rate, inflation and growth. The potential for this monetary framework to catalyze positive social change is highlighted by the quantified positive correlations between assets-based money and poverty reduction, increased trade, improved education and employment prospects, and economic growth. Although these correlations are encouraging, in-depth ongoing research, comprehensive planning, and collaboration among various stakeholders will be required to ensure that the benefits of asset-based money are realized across the board in society, particularly for groups that have been marginalized and excluded historically.

The estimation results for the second objective showed that an increase in the asset-based money can help in the eradication of poverty. This is expected because of two features of this form of currency. Firstly, it reduces prohibited aspects in the financial system, and secondly, it increases the redistribution of wealth, which was absent in the conventional monetary policy mechanism. Using asset-backed currency can alleviate poverty, stimulate commerce, increase educational and employment opportunities, and secure economic growth. It is correlated favourably with economic growth, trade, and decreased poverty, all of which point to its potential for helping economically disadvantaged groups. However, in order to ensure a smooth transition, challenges in implementation, equitable distribution, and continuous evaluation are required. Various stakeholders, experts, and policymakers must work together in order to ensure a seamless transition. Continuous monitoring and evaluation are necessary to maximize the system’s positive impact on social inclusion. Overall, money based on assets has the potential to be a catalyst for positive social change; however, ongoing research, planning, and collaboration among various stakeholders are required to realize its potential benefits.

This study paves the way for the exploration of new ways to measure and assess the effect that it has on the economy. This research did not attempt to calculate the amount of Islamic money in circulation precisely; rather, it focused exclusively on the financial instruments that extend loans using newly acquired assets as backing. This study has repercussions for Islamic finance due to the fact that the instruments used in Islamic finance are fashioned in such a way as to extend lending on the basis of assets and are tailored to carry out a number of functions. Because Islamic financial products are tailored to meet the requirements of each industry, potential future research could investigate the
efficacy of high-power asset-based money in each industry in terms of its capacity to reduce levels of poverty.

REFERENCES


