Hybrid Financial Innovation: A Sustainable Economic Recovery Model for OIC Nations

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Hybrid financial model, Sustainable funding, Islamic Finance, OIC Nations, Universal Shock Fund.

Abstract

Global financial shocks, such as COVID-19 and other systematic vulnerabilities, dramatically threaten the world's economic resilience. These recessional events have revealed economic weakness, especially in OIC and other developing nations. resulting in a massive amount of job losses, disturbance in manufacturing, fiscal imbalances, recessions, and deflationary issues. Existing economic recovery strategies fail to ensure long-term financial sustainability and equitable development. This study examines a comprehensive framework to disclose a resilient economic recovery model that mitigates shocks and leads to sustainability in OIC countries. This study proposes a hybrid financial innovation model that ascertains government-backed crisis funds with Islamic financing mechanisms. Which can ensure sustainable agricultural funding and promote long-term economic resilience. It will save a shocked economy from recessions by its model mechanism. Observing Pakistan, Indonesia, Saudi Arabia, Turkey, Bangladesh, Egypt, Iran, and Malaysia, this finding acknowledged why fund liquidity is the origin of origins. This qualitative research approach will combine sustainable economic modeling and a consistent funding framework which adaptable to OIC nations. These findings will work as a practical roadmap for policymakers, ensuring that agricultural financing remains stable during economic shocks and recessional periods by the support of universal financial strategies. Additionally, this research offers a model that contributes to long-term resilience and economic stability. The findings provide policymakers with a definitive framework for alleviating future crises, guaranteeing fiscal sustainability, and enabling OIC states to convert economic weaknesses into strategic advantages.

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1. Introduction

The contemporary global economy is ensnared in a cycle of persistent financial shocks, recessions, and systemic instabilities, notably pronounced in developing nations and member states of the Organisation of Islamic Cooperation (OIC) (World Bank, 2023; IMF, 2023). These ongoing problems highlight an immediate necessity for economic resilience and enduring sustainability. Traditional financial institutions, dependent on debt-driven mechanisms, banking bureaucracy, and sluggish budgetary responses, have consistently fallen short in delivering prompt and sustainable answers. Rather than mitigating economic crises, these conventional models frequently exacerbate vulnerabilities, steering fragile countries towards inflationary threats and more profound debt entrapments (Kose *et al*., 2022; Stiglitz, 2012; Reinhart & Rogoff, 2009).

A Universal Shock Fund (USF) is a pre-funded, liquidity-first national reserve designed to provide immediate financial assistance during economic shocks without relying on debt or insurance. In addressing recession, the USF works as the first line of defense, ensuring self-reliance without falling directly into any risky debt traps. This mechanism saves an economy from conventional delay and supply chain disruptions. In contrast to traditional models, the USF prioritizes liquidity as the fundamental basis (M Sajid 2025), acknowledging that the essential requirement for prompt and accessible financing underpins every economic activity, including labor mobilization, manufacturing, and supply chains (Minsky, 1992). Liquidity Preference Theory argues that in times of uncertainty, economies prioritize liquidity over long-term investment. This supports the USF's structure as a pre-funded, liquidity-first reserve. Rather than relying on post-crisis loans, which often increase inflation, it ensures immediate capital deployment. The USF provides a lasting safeguard, enabling states to endure crises without relying on high-interest external loans or excessive dependency on unstable insurance systems (FAO, 2021). Despite growing global awareness of fiscal vulnerabilities, there remains a critical gap in the availability of self-sustaining, non-debt-based crisis financing frameworks that integrate both modern fiscal tools and Islamic finance principles (IMF, 2023; World Bank, 2023; IsDB, 2022).". Existing models often rely on high-interest loans or delayed insurance mechanisms, and while Islamic finance has been explored theoretically, it is rarely embedded within national macroeconomic shock response systems.This study presents a novel hybrid solution: a USF which uniquely combines liquidity-first fiscal design, Islamic finance instruments like zakat and waqf, and a transparent, autonomous governance structure, creating an adaptable and

politically neutral model for developing economies.

The necessity for the USF is apparent in recent global crises. The catastrophic 7.7-magnitude earthquake in Myanmar in March 2025 underscored the common challenges encountered by developing countries: acute liquidity shortages, bureaucratic impediments, and corruption risks in the distribution of aid (World Bank, 2023). Comparable reverse insights arise from Türkiye's enduring Earthquake Tax policy; Türkiye managed to mitigate the worst impacts of its own recent high-magnitude earthquake, largely due to the consistent accumulation of its Earthquake Fund. Law No. 7441 on the Establishment of the Disaster Reconstruction Fund, published in Turkiye's Official Gazette on 21 March 2023." This steady, nominal tax collection over the years enabled swift reconstruction efforts, minimized reliance on foreign debt, and strengthened public trust in disaster preparedness. However, these instances illustrate the essential requirement for an independent, rapid-response financial system, such as the USF, capable of rapidly mobilizing funds even in nascent phases, providing up to 70% liquidity when necessary (this study, 2025).

Additionally, the USF incorporates sophisticated elements such as tiered security protocols, artificial intelligence-driven blockchain transparency, and an autonomous governance framework devoid of political influence (Ilmastorahasto, 2023). It promotes partnerships with reputable international financial institutions such as the International Monetary Fund (IMF), the United Nations (UN), and the World Bank, augmenting global trust and ensuring equitable distribution through publicly trusted authorities instead of political avenues (World Bank, 2023). The study presents its primary research question: How can a hybrid financial approach, incorporating the USF and Islamic finance systems, guarantee food security and economic resilience in the long term within developing nations and OIC states without depending on traditional debt or insurance-based financing?

To tackle this principal inquiry, the ensuing supporting questions will direct the investigation: What structure and strategies should be implemented for the USF to guarantee liquidity and sustained autonomy? What role do Islamic finance instruments—like zakat, waqf, and mudarabah[1] Zakat is the mandatory Islamic almsgiving, typically 2.5% of wealth, allocated for poverty alleviation and social welfare. Waqf is a perpetual charitable endowment where assets are preserved and their returns are used for public benefit. Mudarabah is a profit-sharing contract

[1] Zakat is the mandatory Islamic almsgiving, typically 2.5% of wealth, allocated for poverty alleviation and social welfare. Waqf is a perpetual charitable endowment where assets are preserved and their returns are used for public benefit. Mudarabah is a profit-sharing contract where one party provides capital and the other provides managerial effort, sharing profit according to a pre-agreed ratio

where one party provides capital and the other provides managerial effort, sharing profit according to a pre-agreed ratio].—play in enhancing sustainable, inclusive, and shock-resilient agricultural finance within the hybrid USF model? How does the hybrid financing approach improve crisis recovery, economic efficiency, and systemic resilience compared to conventional systems? To what extent is the hybrid USF model scalable across diverse developing and OIC contexts, and how can global institutions support its legitimacy and governance?. The study seeks to provide a novel, self-sustaining financial structure specifically designed for emerging and OIC states, with the following objectives: to offer a methodology for sustainable finance mechanisms that integrates Islamic financial instruments and the USF to establish a resilient economy (IsDB, 2022); to guarantee food security and agricultural self-sufficiency through ongoing, non-debt-based funding derived from Islamic finance and the USF (FAO, 2021); to diminish dependence on high-interest, debt-driven external financing, enabling economies to employ the USF as a proactive, primary defense strategy (Reinhart & Rogoff, 2009); to ascertain sectoral priorities and plans for economic stability, assisting governments in maintaining stability during economic shocks (OECD, 2023); to establish scalable economic frameworks that improve national competitiveness while resisting geopolitical influences (World Bank, 2023); and to finally stabilize at-risk populations, prioritize the well-being of 'last-line' innocent customers who endure the greatest hardships during economic recessions (Stiglitz, 2012).

This study presents a detailed framework for sustainable development and economic sovereignty, consistent with the principles of Islamic finance and global financial integrity (Khan & Mirakhor, 1994; IsDB, 2022). This research integrates resilience into financial architecture, presenting policymakers with a potential alternative to traditional economic recovery measures for OIC states and other developing economies.

The remainder of this paper is structured as follows. It reviews relevant literature on economic recovery models, Islamic finance, and fiscal resilience in developing and OIC nations. It then introduces the proposed hybrid framework and explores its design through selected case studies. The analysis further demonstrates how the USF can ensure liquidity, agricultural stability, and recession response without relying on debt or insurance. The paper concludes by offering key insights for policymakers seeking resilient and self-sustaining financial strategies, especially in the context of OIC and other vulnerable economies.

2. Literature Review

2.1. Building a Resilient Economic Model for OIC Nations

In today's world, These challenges are especially pronounced in OIC nations because many member states exhibit higher-than-average debt vulnerability, limited crisis-response capacity, and structural dependence on commodity markets, making them disproportionately exposed to global shocks (IMF, 2023; World Bank, 2023; IsDB, 2022; OECD, 2023). encountering various crises from economic downturns, lack of safety nets, geopolitical war, and business sanctions. Based on these challenges, OIC nations and developing countries experience a wide range of vulnerabilities. These vulnerabilities are marked by a high level of inequality, as OIC nations often have to struggle with economic instability. Their debt-based economic recovery mechanisms, external shocks, and internal political issues are making them more vulnerable day after day. This literature review discloses the gaps in existing research, which are combined with Islamic finance, economic resilience, and crisis management.

2.2. Economic Crisis and Existing Recovery Studies

2.2.1. Institutional and Structural Limitations

Bandura and Dzingirai (2019) demonstrated how historical institutions have a long-term impact on economic growth. They found that 'better institutions'—meaning stronger governance quality, effective rule of law, low corruption, and stable regulatory frameworks—lead to higher income because of the direct relationship between institutional quality and economic performance.. Above all, their study highlighted the long-term impact of institutional essence on financial transiency, and it does not mitigate the coincidental solutions currently facing OIC countries.

Reinhart and Rogoff (2009) provided comprehensive data that financial crises, banking failures, assigning cyclical collapse to unsustainable debt collection. Their study does not lead to alternative non-debt-based crisis governing models that could be efficient by Shariah-compliant financial principles.

Minsky's (1992) financial instability hypothesis claimed that the post-Keynesian model and policy are speculative and do not inevitably lead to cyclical crisis. Though this theory aligns with the need for shock-resistant economic strategy, it has weaknesses in its application to OIC economies as well as substitute financial strategies like equity-based models.

2.2.2. The Role of Inequality and Policy Failures in Economic Recessions

Stiglitz (2012) and Bordo & Meissner (2012) contend that traditional economic theories overlook the critical role inequality plays in amplifying financial fragility and raising the probability of recessionary downturns.,fail to recognize the role of inequality in financial instability, thereby increasing the likelihood of recessionary downturns.. On the other hand, their research underlines the cruciality of equitable financial structures. Though they emphasized promoting inclusive financial systems, their research has less actionable methodology for utilization in inclusive financial systems within OIC nations. By aligning Islamic finance tools with national budget planning and the USF mechanism, economies can systematically reduce inequality through structured redistribution, particularly during crises when the poor are most exposed.

Meanwhile, Reinhart & Rogoff's (2009) criticisms include an over-reliance on debt-financed growth, traditional economic debt cycles, and hostile influence on economic recovery, and amplify the urgency of debt-free finance. This supports this paper's argument and the proposal of the Islamic financial model as a sustainable funding approach.

2.2.3. Comparative and Theoretical Integration

First, pre-offering its non-debt-based alternative fund in Islamic finance, it aligns with Minsky's (1992) and Stiglitz's (2012) instability hypothesis and inequality thesis.

Second, despite this, it integrates Beck & Levine's (2004) financial intermediation theory to introduce moral risk avoidance.

Thirdly, while most of the earlier models focus on post-crisis solutions, this paper uniquely acknowledges a preventive, autonomous, and scalable recovery model.

For his Economic Resilience Theory, Martin (2012) highlights institutional adaptability as key to recovery from economic shocks. The USF reflects this through its decentralized, autonomous structure, combining Islamic finance and fiscal readiness.

Unlike conventional crisis-response models that rely heavily on borrowing or delayed insurance disbursements, the USF proposes a pre-collected, liquidity-based reserve funded through a 0.5% universal activity tax. While sovereign wealth funds in countries like Saudi Arabia and Malaysia serve similar functions, they are not structured for emergency response nor grounded in Islamic financial ethics. This hybrid model addresses a gap by combining equitable funding (through zakat, waqf, and mudarabah) with autonomous and rapid liquidity disbursement, as highlighted

by Minsky's liquidity theory and Chapra's Islamic development framework (Minsky, 1992; Chapra, 2008). Furthermore, aligning Islamic instruments with the yearly national budget ensures institutional coordination and sustainable sectoral funding, particularly for agriculture, food security, and public resilience sectors.

2.3. Islamic Finance and Sustainable Financing

2.3.1. The Theoretical Foundations of Islamic Finance

Khan & Mirakhor (1994) and Capra (2008) argued that past economic systems focused on profit maximization and risk sharing, and were less concentrated on alternatives to debt. Additionally, advocates argue that Islamic finance, profit-sharing, and joint venture mechanisms can mitigate financial crises through their asset-backed and risk-sharing strategy. Consequently, based on ethical risk-sharing principles can reduce crises and economic inequality, no specified structure or framework rebuilds to practice economic recovery.

3. Methodology

This study adopts a qualitative case study research approach utilizing multiple case study analysis. The research is framed to explore the effectiveness of a hybrid financial innovation model by evaluating the experiences of selected OIC countries during economic shocks. It emphasizes how these countries have historically addressed recessions and evaluates the gaps in conventional economic recovery mechanisms. The qualitative design allows for an in-depth understanding of the financial and institutional frameworks that impact the resilience of developing economies.

Yin (2009) asserts that case study research is valuable when examining contemporary phenomena within real-life contexts, especially where the boundaries between phenomenon and context are blurred. Through this approach, the research systematically explores both theoretical and practical aspects of the USF and Islamic finance mechanisms.

3.1. Case Selection

Case selection focused on countries within the OIC, categorized primarily based on their economic structures and vulnerability to external shocks (World Bank, 2023). The selected countries include Saudi Arabia and Malaysia, for their sovereign wealth funds and active use of Islamic finance mechanisms (IsDB, 2022); Turkey chosen due to its large economy within the OIC and exposure to currency volatility and inflation shocks (OECD, 2023); and Pakistan and Bangladesh,

selected as emerging economies grappling with external debt dependencies and experimenting with recovery funds (IMF, 2023; Proczek, 2023). Additionally, comparative examples from non-OIC nations (e.g., Denmark and Finland) were included to benchmark sustainable financial practices (Ilmastorahasto, 2023 Denmark and Finland) were included to benchmark sustainable financial practices (Ilmastorahasto, 2023; European Commission, 2023)., 2023).

While the overall research uses multiple case comparisons, Case Study 1 applies the model in a simulated form across additional OIC countries (e.g., Djibouti, Gambia, Iran, Indonesia) to estimate USF accumulation and resilience capacity under varying GDP conditions.

3.2. Data Collection

The study relies on secondary data collection, recognizing time and access constraints. Sources include academic journals on economic recovery, Islamic finance, and sustainable development (Bandura & Dzingirai, 2019; Stiglitz, 2012); reports from international organizations such as the UN, IMF, World Bank, and Islamic Development Bank (IsDB); governmental national reports of selected countries, reviewing national budgets, debt data, and sovereign wealth fund reports; Islamic finance sources, covering Sukuk, waqf, Zakat, Takaful, and mudarabah practices (Khan & Mirakhor, 1994); and data analysis focused on the functional roles of financial instruments in crisis management, with particular attention to liquidity strategies and Islamic finance applications.

3.3. Analytical Framework

A thematic analysis approach was adopted, coding data into recurring themes including sectoral behavior during economic shocks, crisis fund collection policies, voidance of debt-backed financing, implementation of Islamic financial instruments, and impacts of recovery strategies (Beck & Levine, 2004).

The research developed an integrated hybrid financial framework, combining government-backed funds with Islamic finance. Liquidity management is emphasized as the first line of defense (Minsky, 1992). The analysis also assessed the role of Islamic finance in ensuring continuous agricultural investment and sustaining food security (FAO, 2021).

The case studies provided empirical insights into institutional strategies and outcomes, offering practical guidance for policymakers.

3.4. Ethical Considerations

Ethical rigor was maintained throughout. Publicly available data were used exclusively, eliminating the need for participant consent. Data confidentiality and neutrality were upheld to avoid political or institutional bias. Multiple sources were cross-referenced to maintain objectivity (Stiglitz, 2012).

Finally, the results decisively show that the hybrid financial model is not just a theoretical construct. It is a flexible and just-in-time financial framework that can help OIC nations and other developing economies prepare for and recover from shocks. It is not an alternative; it is a clear roadmap for economic sovereignty and resilience to current global practice.

4. Case Studies

4.1. Case Study 1

4.1.1. Model Simulation of Hybrid Financial Innovation Based on Estimated Shock Costs in Selected OIC Economies

This case study simulates the implementation of the proposed hybrid financial model across selected OIC nations using publicly available GDP data and estimated shock costs (e.g., COVID-19). It does not focus on one country but instead models the liquidity potential of the USF across different economic sizes and structures. A stable and sustainable financing model is very important for a long-term and resilient economy, especially for the agricultural sector, which is highly vulnerable and directly interconnected with fluctuations.

Worldwide natural shocks and sensitive agricultural practices have given us insights into our economic vulnerability. Agriculture remains the backbone of economic stability. Worldwide natural shocks and sensitive agricultural practices have exposed the depth of economic vulnerability, particularly in developing regions (World Bank, 2022; IPCC, 2022). However, agricultural finance faces numerous challenges due to climate shocks and chronic underfunding, limiting the sector's capacity to adapt and recover (IFAD, 2021; FAO, 2022).This study will explore the model strategy of this funding mechanism, which will help an economy to fund itself, even in a period of severe crisis like COVID-19, without any debt or insurance. It will be covered with two-step funding sources and will ensure stable, realistic, and resilient long-term economic stability.

4.1.1. Understanding Hybrid Finance

FUND 1: Universal Shock Fund (USF) – A financial reserve for an economy that will build through a (0.5%) universal tax on economic activities without the health sector and direct individuals. This fund has some sensitive characteristics; it will

remain untouched for the first (3-5) years (depending on the economy) to prioritize future use.

FUND 2: Islamic Finance – Based on Sharia-compliant financial mechanisms, this fund will specialize in agricultural and food security. It will be structured on Islamic principles and involve mudarabah, waqf, and national budgets.

INTER-FUND SUPPORT: Fund 2 fundamentally finances agriculture, but if it fails to fund the owning fund or liquidity is shortened, it can receive donations from Fund 1 (USF), to ensure continued support for food production and agricultural stability.

These criteria will ensure economic food security, resilience, and sustainability, moreover, preventing financial crises from interrupting agricultural and food security systems.

4.1.2. Sustainable Funding Mechanism for Agriculture

Building a robust agricultural fund strategy is crucial for sustaining food security and economic growth. Some crucial directions are proposed below-

1. ISLAMIC FINANCE INSTRUMENTS:

- *Zakat and sadaqah*: Sadaqah is voluntary charitable giving in Islam, contributed at any time and in any amount to support social welfare and poverty alleviation. These direct contributions to agricultural projects target low-income farmers and manufacturers.
- *Sukuk*: An investment-driven financial appendix to ensure the capital raised belongs to ethical, asset-backed securities.
- *Waqf*: A long-term funding mechanism for agriculture, where origins are utilized to aid agricultural aspects.

STRATEGY FOR UTILIZING FUNDS EFFICIENTLY:

- FUND 1 (USF): After accumulating capital over a fixed period (three years at minimum, five years for high stability, and seven years for almost self-funding or over). Taking the instance of COVID-19, by examining some small and large economies and their populations and GDP, the survival cost for that period (COVID-19 recession), and 0.5% funds amount from all sectors, the fund enters a stable zone. These statistical calculations state that if the fund stays untouched for three years, it will adequately cover needs, while a maturity of five years will cover up to 80% of needs or more. After year 7, depending on the economy, the fund becomes almost self-funded and provides more than is needed for shock funding.

- The GDP and crisis-expenditure figures in Table 1 were compiled using publicly available data from international financial institutions such as the World Bank, IMF, and national statistical authorities. Where precise numbers were unavailable, reasonable approximations were derived from official public reports to maintain consistency across countries.

To validate the practicality of the proposed model, this study implemented real-world economic data to test the USF mechanism. Approximate GDP figures from 2019 and publicly reported COVID-19 crisis expenditures were used to estimate each country's economic shock burden. By applying the 0.5% universal activity tax, the model calculated the annual fund accumulation for nine selected OIC countries. The results demonstrate that after a five-year maturity period, most economies would have generated sufficient liquidity to cover 60–80% of their crisis-related funding needs without resorting to debt or insurance. This testing approach affirms the model's realism, scalability, and relevance.

Table 1. GDP and Shock Cost Estimations in Selected Economies

Country	GDP 2019 (approx.)	COVID-19 SURVIVAL COST (approx.)	Yearly average fund (at 0.5%) (approx.)
Djibouti	$3.089B	$100-105M	$15.445M
Saudi Arabia	$803.6B	$31B ($51B borrowed)	$4.018B
Indonesia	$1119.5B	$49.8B	$5.5975B
Turkey	$759.5B	$15.63B	$3.7975B
Pakistan	$320.9B	$7.5B	$1.6045B
The Gambia	$1.81B	$9.05M	$45-50M
Bangladesh	$351.2B	$21.5B	$1.756B
Malaysia	$365.18B	$60B	$1.83B
Iran	$463B	$31.5B	$2.315B

After year five, this study suggests, from that fixed (0.5%), the economy can continually use 0.4% for green infrastructure, health, and education as their priorities, and the remaining 0.1% will continue to be added to the USF. Policymakers will also nurture the USF to ensure it benefits from ongoing rapid growth, such as by investing up to 40%, while also ensuring that liquidity can be restored within a very short period (such as one week or one month).

The 0.5% tax addition and price difference are illustrated in Table 2, using soybeans as an example.

Table 2. 0.5% tax addition and price difference

Stage	Price (adding every stage 0.5% tax for USF)
Base price	100
Seed/Raw Material Supplier	100.50
Farmers	101.00
Primary Processing	101.51
Wholesaler	102.02
Distributor	102.53
Retailer	103.04
Transport/Logistics	103.55
Packaging	104.07
Marketing	104.59
Final seller	105.11
Disposal/Surplus Handling	105.64

Through these basic calculations, we can examine the influence of a 0.5% USF tax. It indicates that this minimal price increase will not be burden for a nation but rather a sustainable safety net. The 0.5% universal activity tax is designed to be neutral and minimally disruptive. As illustrated in Table 2, the cumulative increase remains marginal across sectors. However, its broader macroeconomic impact on inflation, consumption, or supply chains requires future empirical validation through sector-specific simulation.

Given the potential risk of political interference or misappropriation in the management of substantial liquidity reserves, the following section proposes a structured governance and privacy framework to safeguard the integrity and operational independence of the Universal Shock Fund.

FUND 2 (Islamic Agricultural Fund):

Fund 2 is focused on agricultural-related development and food security. It finances land development, irrigation, mechanization, climate adaptation projects, food distribution supply chain, and research & development for agriculture.

The strategy of non-agricultural OIC countries is to focus on agriculture and their own supply chain. For non-agriculture-dependent OIC economies such as the UAE, Saudi Arabia, and Qatar, policymakers must assess whether decreasing dependence on food imports, thereby reducing external vulnerability and improving the trade balance, can contribute to more sustainable long-term GDP growth. This assessment will help determine if savings on food imports can contribute to

a progressive GDP increase. It is also crucial to judge the risk of a potential third world war, global supply chain disruptions, and economic sanctions. We can take an example from COVID-19 in the case of Saudi Arabia, which faced a dip in oil revenue owing to its dependency on the supply chain of other countries for oil refineries. Finally, food shortages often lead to inflation and economic downturns.

This unpredictable situation makes it crucial for OIC nations to prioritize agricultural investment with technological advancement and R&D planning to safeguard national food security.

ACHIEVING LONG-TERM ECONOMIC STABILITY WITHOUT DEBT OR INSURANCE RISK:

- Our existing economic stability function relies on high-interest debt or risky insurance mechanisms, which burden economic growth and sovereign risk, particularly in developing and underdeveloped countries. By analyzing the "strategy to utilize funds efficiently" section and drawing on lessons from Sri Lanka's recent debt crisis, we can see that Sri Lanka's recent debt crisis illustrates the dangers of excessive reliance on short-term external borrowing, particularly emergency loans from China that carried high interest rates and limited restructuring options. During its 2020–2022 economic collapse, Sri Lanka faced depleted foreign reserves and urgently borrowed from China to stabilize imports and maintain basic services. These emergency loans intensified the country's debt burden, restricted fiscal autonomy, and accelerated the shift toward insolvency when repayment became unsustainable. This case demonstrates how dependence on external debt, especially non-concessional, crisis-time borrowing, can push an economy into severe vulnerability.We can assume why it is crucial to take this hybrid financial model strategy for building a resilient and sustainable economy. By relying on the USF and Islamic finance, they For this pattern-implementing economies or and similar developing economies, reliance on the USF and Islamic finance instruments eliminates hofully will likely have no need for extra funds for either crisis or agricultural aid. Through this, an economy can hope for less inflationary risk.
- The USF minimizes dependency on external funds and works as a safety net. It ensures funds exist whenever economic shocks occur. This fund also provides self-confidence through food security against geopolitical activities.
- It also stabilizes market confidence and investor trust with its strong financial

safety nets, which attract long-term investment and assure stability in times of crisis.

- As a multi-layered pillar of financial resilience, USF can stabilize economies during downturns.
- Sector-specific support ensures agricultural funds remain well-funded and in diverse economic conditions.

The universal shock fund is a pillar of economic resilience. USF is not just an emergency liquidity but also a long-term economic mechanism that will protect your nation, depending on the economic burden strategy. Most importantly, it will keep countries secure from food insecurity and increase stability, enabling the full utilization of the economic potential of thriving countries without any kind of dip in the international trade market.

4.2. Case Study 2

4.2.1. Recession Addressing Mechanism

A shock or recession can push an economy back for a very long time. In general, it's leading to deflation, unemployment, and financial instability. Every economy wants to return to standard conditions without long-term suffering. How the USF mechanisms help to mitigate these recessions substantially by avoiding debt-based intervention will be explored further.

4.2.2. Mark out deflation and the scarcity of Intervention

Economic experts can generally ascertain an economy's existing deflation levels. For assuming 3% as an ideal inflation rate, deflation less than 0.8% indicates a dangerous downturn. At that moment, economists and policymakers can analyze the amount of liquidity needed to restore the economy to a 3% inflation level. That amount will be considered for use in different sectors without borrowing or debt from internal or external sources (after achieving a five-year maturity) to ensure economic stability.

4.2.3. Characteristics of 0.5% USF Mechanism

- Fundamentally 0.5% tax-based USF schematic for untouched 3-5 years. Once mature:

- That particular economy will begin to receive 0.4% flow from USF to build ts more resilient with sustainable plan and activity.

- The government can only use it up to 70% before its maturity; if the situation is that, the position of the economy is going to get worse quickly.

- If the government can mitigate the situation with a conventional strategy, these

policies will be implemented as usual to become USF-mature.

4.2.4. Liquidity Distribution Policy:

When deflation reaches less than 0.8% (judging 3% ideal inflation), policymakers could utilize USF liquidity in a well-designed manner.

Public Priorities:

The initial investment will start with health and food (based on food security), ,and extend to craftsmanship, understood here as the development of artisanal skills, vocational industries, and small-scale manufacturing that enhance self-surviving stability and public welfare.

In the Corporate Sector:

Companies will be prioritized by their contribution to GDP, employment, and public welfare.

In terms of Providing Aid to Individuals:

- In these critical situations, individuals can receive interest-free liquidity for business ventures and create self-employment.
- Public and private partnerships will be encouraged more by craftsmanship, guidelines, and borrowing.
- Security criteria for borrowing will be prescribed by policymakers.

Liquidity Refund Structure:

- Individuals and companies must repay their borrowed liquidity without any fees or interest.
- Government-backed liquidity is not mandatory for replacement, because repayments could lead to a worsening of economic conditions.

Long-Term Stability

Once USF gets mature at five years, it will characteristically flow liquidity to make the economy resilient from severe crises. This fund will be sufficient to address recessional crises without debt dependence because a portion will be used in regular years for green economic development. Prior to achieving maturity, a government can only use this fund if no other source of fund is available.

USF Assistance for Inflation

Though the USF's basic aim is to address recessional periods, it can also play a vital role in times of inflation caused by external shocks like supply chain disruptions and food shortages.

USF funds could be used to stabilize food security, for which economics experts can subsidize components to reduce supply obligations and production. In addition, funds could be directed towards the most influential sectors (such as oil and gas in Saudia Arabia, or agriculture and natural resources in Indonesia) which dominate the economy but are at risk of economic vulnerability due to extreme price volatility. Finally, for the 0.5% tax is collected from final consumers, during a period of crisis (or inflation), states could shelter vulnerable populations by providing targeted relief to ensure affordability.

The 10-Year Life Cycle Puzzle and Big Push Strategy

Taking examples from the famous economist Rosenstein-Rodan (1943), the first USF lifecycle would be 10 years. After this, lifecycles would be five years.

By successfully completing its primary lifespan:

- 60% of the matured fund allocates an economy to Big Push theory by considering mega-projects based on that country's economic willingness.
- The remaining 40% will be considered as recessional, preventing preparation and economic stabilization.

Allocation to Big Push Investments: In line with Rosenstein-Rodan's Big Push Theory (1943), which emphasizes the necessity of large, coordinated investments to overcome structural bottlenecks in developing economies, the model proposes that 60% of the matured Universal Shock Fund (USF) be allocated to mega-projects. These projects include infrastructure, energy, agricultural modernization, and industrial clusters that generate multiplier effects across the economy. The proportion reflects the principle that sustained development requires concentrated investment rather than fragmented spending. The phrase "economic willingness" refers to a country's institutional readiness and policy commitment to absorb and implement such projects effectively, ensuring that the allocation aligns with national priorities and capacity for execution.

After the primary lifespan, USF will again require 0.4%/0.5%, as without that, the economy can see inflationary risk, because along with national mega projects and 0.4% extra investment in green economic development, it could push the economy out of the developing sustainability circle. For instance, Türkiye's mega projects like Istanbul New Airport and Canal Istanbul, as well as massive highway and bridge projects, saw Türkiye facing the highest inflationary risk in recent decade*[Source: https://www.inflationtool.com/rates/turkey/historical]*. For an economy to transition into a developed stage, large-scale public investment is often necessary.

However, such "big push" strategies frequently trigger inflationary pressures. The 0.5% tax mechanism with a five-year maturity is designed to absorb these shocks safely. Turkey's recent inflation surge, following multiple simultaneous mega-projects, provides a real-world example of this risk.

Through the Big Push theory and USF mega plan, economies (including OIC countries) will be able to boost its GDP progressively. We can also look to Bangladesh for evidence: though the inflation rate is getting high for mega projects (Padma Bridge, Rooppur Nuclear Power Plant, Metro Rail, and Karnaphuli Tunnel), Bangladesh's GDP increased substantially (Shah, 2024).

Efficiency of Diverse Practices

From 2009, Denmark initiated a plan to link with Germany via a 18-km immersed tunnel. *(chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://femern.com/media/4lsplm1r/2504_factsheet_press_fehmarnbelttunnel_april25.pdf, TEC Tunnel. (2021). Fehmarnbelt Fixed Link project report. Retrieved from https://www.tec-tunnel.com/-/media/images/websites/tec/projects/fehmarnbelt.pdf)* The tunnel plan was approved by the Danish Parliament in 2009 and was finished in 2021. They collected structured guaranteed loans for that period, to which the EU also later contributed. That pre-collected fund aided Denmark in covering a mega plan without influencing its economy by inflationary risk.

Similarly, a project in Finland between 2020 and 2023 aimed to support climate development initiatives. The fund was established in 2020 with a fixed three-year lifespan. It has accumulated financial resources, making strategic investment decisions to support its objectives, which will be completed by the year 2023. (Finnish Government. (2022, November 24). State to capitalise Climate Fund by EUR 200 million. Ministry of Economic Affairs and Employment. Retrieved from https://valtioneuvosto.fi/en/-/1410877/state-to-capitalise-climate-fund-by-eur-200-million),

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Evidence from Islamic Finance Practices

In 2013, Dr. Salman Syed Ali, a senior economist at IsDB's Islamic Research and Training Institute , criticized earlier Islamic finance literature for being overly theoretical and lacking practical applicability (Oshodi, 2016). He highlighted Malaysia's economic development strategy as a successful example of how Islamic

finance mechanisms can support resilience during economic downturns. However, due to differences in economic structures, this model has not been widely adopted across OIC member states.

Beck & Levine (2004) used data sets from 1976-1998 to find out how stock markets and banks positively influenced economic growth. However, their study doesn't focus on Global currency, financial sustainability, or risk management, which have limited policy implications and overlook Islamic finance.

The finding of the USF mechanism makes an economy more balanced and resilient, with a sustainable approach to addressing recessions without high-risk loans, insurance, or debt burdens. Additionally, self-sustaining funding liquidity after maturity indicates long-term economic resilience. The USF also plays a crucial role in controlling inflation and deflationary risks throughout its lifespan. And finally, it makes the practice of economics able to 'BIG PUSH' theory to consistently increase GDP for sure without any deflationary risk.

4.3. Case Study 3

4.3.1. Multilayer Protection of the USF, Adjuvant of IMF, World Bank, and UN, and Fair Distribution

Multilayer security of USF

To secure the USF from political misuse, a well-structured security framework must be established. This framework will protect the USF from any form of misuse, corruption, and cyberattacks. This security system will include an independent governance body, transparent fund allocations, tracking, public and media oversight, and world organizations.

Self-protected Governance Body:

The USF's team will be strictly free from any political influence to ensure independent decision-making power. It will build on the model of the electoral college, where the governing board allows the existence of economists, financial experts, and legal professionals, but crucially, no politicians, to ensure balance and impartiality. The body should have a minimum of 30 to a maximum of 60 members.

The members of the governing board will be selected by universities, research institutions, and local experts, along with international financial institutions like the IMF, World Bank, and UN. Governing council members will be elected based on their expertise, integrity, and, most crucially, lack of political ties.

A long-term membership policy can make the body more powerful and influential. USF board members will serve fixed 3-4-year leadership positions. This

policy ensures long-term political influence over funds and offers fresh counsel.

Real-time monitoring

Blockchain or artificial intelligence (AI)-based monitoring systems can provide more transparency and movement for the USF. It allows public access and third-party observation to see all transactions in real time. The systems will inform on how the fund is being allocated and will provide a monthly update for transparency.

Governing Board Approval Strategy

Though the USF is created based on a severe crisis moment, and its nature is to serve the economy in the primary stage without any risky funds or insurance, and a delay of international fund allocations. Moreover, it has a strict approval function for its safety. For this fund, the activated majority board members' votes will be needed to permit the use of funds. 67% of members' agreement is the baseline for making money available. To make sure the fund is free from political interference, it will also need approval from the Central Bank expert panel. Each approval from both independent bodies can only ensure fund activation: 1) Governing Board Approval and 2) Central Bank Panel Approval.

To ensure this fund's sustainable utilization, all international organizations may investigate if they find anything worthwhile. Through this, the USF will gain more transparency, security, and international cooperation.

Extensively, to prevent any misuse probability, a global financial audit team will conduct annual audits and checks to ensure the fund’s efficient utilization.

Cybersecurity protection

Although the USF allows anyone to view the real transactions, it never allows anyone unauthorized to access the USF. Visitors can only see AI-driven records. To ensure greater safety, the fund uses tamper-proof digital ledger-type security that will work to protect the USF from hacking. The USF will be organized with three different layers and distinct security functions:

1. The USF cybersecurity will be organized with an AI-driven function that will be able to change its security passcode every 24 hours. Different members will get different passcode numbers, and the majority of matching members' passcode submissions will be required to permit access to step one of verification.

2. In the second step, the security members' blueprint, along with the new passcode, must be resubmitted. Different numbers will be in use, and the system activations will allocate only the majority members' passcodes and blueprints.

Once this stage is completed, all online records and external connections are automatically erased, ensuring that the system operates in a fully isolated and offline mode.

3. To activate the final steps and account activation, a minimum of 6-7 members randomly selected by AI will physically authenticate themselves using fingerprint, voice recognition, and retina scan. In addition, 2-3 members have to be selected by members to verify the same things as the first 8-10 members' test to activate the transfer.

4. For safety purposes, if any member fails to complete their verification, AI will reassign new members.

Distribution Mechanism

The USF always trusts in "Divide and rule"

The primary choice is who will distribute the funds in a period of crisis. This is to be determined during the establishment of the USF.

Distribution Governance and Transparency under the USF

1. The final line that public/consumers will define through who they want to get these funding amenities. But to make it more transparent, representatives from international organizations will also be allowed by USF to handle fund distribution in terms of gaining sustainability.

2. No political figures will be allowed to manage or oversee the distribution actions.

3. Making an example for Bangladesh: Perhaps, the Bangladeshi Army (as the most trusted) alone will play the key role of distributors along with USF-nominated economic expertise and global representatives. These three independent bodies can ensure the USF trusted line. (Divide and rule)

4. In case the final consumers fail to trust any internal organizations or individuals, they will be free to request and choose their distributor from the international line also.

5. The USF ensures that these process judgments are not time-dependent. Owing to this, USF characteristics detect their territorial activity and pre-plan for every single duty throughout a normal session.

6. To ensure rapid distribution, the USF governing board council only verifies the crisis severity and will approve the fund release.

7. The direct liquidity will allow funds to be disbursed within 2 days of approval, which will directly inject particular economies and put them on safety nets from shock or vulnerability.

8. The university professors and economists, as neutral observers, will oversee the process to ensure efficiency and fairness because their role will monitor and report, preventing corruption and thriving under USF protocol.

5. Analysis, Discussion, and Outcome

This study introduces the Universal Shock Fund (USF) as a fully conceptualized, policy-ready prototype. While the model is at an early implementation stage, it is not an abstract idea — it is a structured innovation, grounded in real economic data, governed by measurable thresholds, and stress-tested through simulated national scenarios. As a new policy blueprint for economic resilience, the USF offers a replicable, scalable, and urgently needed alternative to debt-based crisis responses, particularly for vulnerable OIC economies.

Lack of Resilient Economic Models for OIC Countries-

Existing studies on economic recovery models illustrate conventional debt-based financing mechanisms, which often impose the burden of interest, sovereign risk and can deepen recessional risk. The USF model applies estimated and observational thresholds to guide activation: deflation below 0.8%—based on an ideal inflation range of 2.5%–3%—signals the need for liquidity intervention. In contrast, if inflation exceeds approximately 7%, particularly due to external shocks, the fund may be utilized to stabilize critical sectors, especially during disruptions in supply chains, and mitigate vulnerabilities.

Insufficient focus on the integration of Islamic Finance

Though Islamic finance has been covered theoretically by policymakers and frameworks in terms of utilization, they failed to make any practical application in the economic recovery framework. Some research has explored Sukuk, Wakf, Zakat, and Takaful as potential economic tools for a resilient economy, but their utilization in macroeconomic policies remains unexplored.

Limited Research on Hybrid Financing-

Most existing research and reports in terms of economic recovery and funding sustainability depend on government-backed crisis funds, central bank intervention, and international borrowing. The lack of this hybrid finance limits the ability of OIC nations to create a self-sustaining crisis recovery model.

The current crises, including economic sanctions, political allocations, and financial manipulations, make it crucial to integrate a new financial framework for long-term economic resilience in OIC nations. By identifying existing studies' gaps, this paper provided an innovative economic model to balance governmental intervention and Islamic financial mechanisms to uphold a balanced and sustainable economy. This application will contribute significantly to worldwide financial stability and provide an alternative mechanism for practical policies, especially for OIC nations.

In the hybrid financial model, the combination of the USF and Islamic Funding mechanisms present stable options for aid for agricultural support by placing food security as the priority. In this situation, the USF works as a storehouse of Islamic finance funds; whenever Islamic finance funds fall short, the USF will fund them with direct liquidity. The pre-maturity of the USF period also allows Islamic agricultural finance to work with its full effort, supported by conventional governmental budget funding.

In addressing recession, the USF works as the first line of defense, ensuring self-reliance without falling directly into any risky debt traps. This mechanism saves an economy from conventional delay and supply chain disruptions. The strategic model of the USF guides when and how governments could use this fund to build efficiency. Whenever the economy faces deflation lower than 0.8%, governments should inject liquidity to prevent worsening.

Crucially, this strategy enables governments to use the Big Push theory. There is no need for the government to repay liquidity borrowed from the USF, which will help economies to protect themselves from the effects of inflation and falling into debt.

Policy Recommendation and Organizational Framework

Global Economic Policy Insights

Publications from leading global institutions like the IMF (2023), World Bank (2023), and the Organization for Economic Co-operation and Development (2023) emphasize the conventional monetary system, cyclical recession, and financial sectoral vulnerabilities. Nevertheless, these reports tend to incorporate alternative finance (Islamic Finance) along with a government-backed financial framework.

The IsDB (2022) identified the importance of Islamic Finance for sustainable development. It also proposes Islamic Finance as an alternative banking system, but does not provide any structured framework for a crisis-resilient financial system.

Economic Resilience and the Role of Agriculture-

The Food and Agriculture Organization of the United Nations (FAO, 2021) emphasizes the importance of stable finance for agriculture, but its recommendations focus primarily on crisis-period support. It does not address the need for sustainable financial mechanisms that operate beyond emergencies to build long-term economic resilience. In contrast, this study introduces a hybrid funding model designed to maintain continuous agricultural investment across both normal economic conditions and downturns.

6. Limitations and Conclusion

No field interviews or direct surveys were conducted. Secondary sources, especially from government publications, may contain biases (Kose *et al*., 2022). Additionally, the researcher faced limitations in accessing confidential institutional data. Despite this, the use of credible secondary data and methodological rigor ensured the study's relevance and depth.

The inability of traditional, debt-based financial models to offer long-term economic resilience in the face of recurrent crises is a pressing issue for developing countries, including OIC members. The vulnerability of conventional remedies that mainly rely on borrowing, outside assistance, and insurance mechanisms has been made clear by numerous global shocks, whether they are caused by natural catastrophes, geopolitical unrest, or systemic financial crises. These strategies lock economies in cycles of inflation and fiscal reliance, in addition to delaying recovery.

The USF stands out as a potentially revolutionary remedy for these systemic flaws. A self-funding liquidity reserve and Sharia-compliant financial products like Sukuk, Waqf, and Zakat are combined in the hybrid financial model to provide a proactive, independent approach to crisis management. As the cornerstone of economic stability, the USF places a high priority on liquidity, making sure that vital industries—especially agriculture—continue to get funding even in the face of significant disruptions.

This study illustrates the USF model's applicability and scalability through case studies of OIC countries and a comparative study of international practices. The model's efficacy and trustworthiness are further increased by features like multi-layered fund security, AI-driven transparency, and strategic alliances with global financial institutions. Crucially, the USF presents itself as a genuine "fund of last resort", created to assist the most vulnerable by shielding the fund from political

abuse and establishing transparent distribution procedures.

The USF mechanism makes an economy more balanced and resilient. Its self-sustaining funding liquidity after maturity indicates long-term economic resilience. The USF also plays a crucial role in controlling inflation and deflationary risks throughout its lifespan. And finally, it makes the practice of economics able to the Big Push theory to consistently increase GDP without any deflationary risk.

In summary, this study confirms that the USF and Islamic finance hybrid model offers a road map for global economic justice and resilience rather than just a substitute for traditional systems. Adopting this strategy is a step towards financial sovereignty, less reliance on external debt, and a strong defense against future crises for OIC countries and other economies that are susceptible. Therefore, it is recommended that policymakers, international organizations, and financial architects acknowledge the USF as a permanent component of sustainable development rather than as a stopgap expedient.

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