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## Poverty Alleviation by Way of Charity in Islamic Perspective: An Analysis of Pakistani Society

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### Abstract

This paper aims to discuss the issue of poverty and ways of its eradication particularly, by way of charity in perspective of Islam and socio-economic conditions of Pakistani society. It explores that Islam motivates its followers to help needy and poor people by way charity and declared it a source to please Allah. Rather, Allah Almighty has made the rich segment of the society bound to contribute to the development of the society by way of reducing poverty. The Pakistani rich segment is one of the generous communities of the world that helps the poor by way of charity. However, it is a matter of great concern that in Pakistan, poverty ratio is increasing day by day and more than 50% of the population is living below the poverty line i.e. US\$1.25 per day. It leads that there are some flaws in the contemporary system of charity due to which poverty could not be reduced. In this context, this paper aims to throw light on the causes due to which poverty cannot be reduced and to recommend some suggestions which may helpful to reduce poverty in Pakistan by way of charity.

**KeyWords:** Concept of Poverty; Charity; Islamic Perspective; Pakistani Society; Conclusions and Recommendations.

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## **1. Introduction**

Economics is considered a science that evaluates the behavior of mankind with his needs and ends as Robbins (1977) described that “economics is a science which studies human behavior as a relationship between ends and scar means which have alternative uses” [1]. It deals with the issues of production, distribution and consumption of wealth in a human society [2]. The present system of the word economy is based on the capitalist mode of interest which is considered a necessary element of financial transactions. The detail policies, however, are different and reflect the socio-economic conditions of that particular society. The relative performance of the economic system can be compared by nine criteria as prescribed by Morris Bornstein that the first criteria are the level of output. At this level, the price level gives real per capita output as the measure and equals per capita income [3]. This level demands the least intervention in economic activities of the people and Islamic economic system and capitalism both guarantee it. The growth rate of output develops the second level. This level demands excess output than consumption that normally occurs in middle-low income countries. Thus, these economies can borrow technology from the most advanced countries and such borrowing can bring dramatic productivity improvements in the economy [4]. Third is the composition of output. The most notable variables of the composition are the breakdown between consumption and investment, the share of the military output and public versus private goods. In this situation, the command socialist economies generally have higher shares of investment [5]. Fourth is static efficiency (Pareto optimality) that no one in society can be made better off without making someone else worse off. In this situation, resources are being fully utilized to their best potential given the existing technology and as much is being produced as can be produced. Static efficiency implies that the labor force is fully employed and that the composition of goods being produced is what people want. The market economies like a capitalist are more successful in this area. Capitalism, however, tends to have worse unemployment than command economies. Fifth is inter-temporal or dynamic efficiency which involves the allocation of resources over time to maximizing long-run sustainable growth. It depends on maintaining a viable environment, the failure of which results in fall of the economy. An example of nonsustainable output maximization was the effort by the USSR to pump a large amount of oil in shorts period of time. Sixth is the macroeconomic stability, the lack of large oscillation of output, employment, or the overall price level. It is usually argued that the strict command economies usually achieve greater short-run macroeconomic stability although there have been some spectacular exceptions. Seventh is the economic security of the individual in terms of income, employment, and related matters such as health care. This criterion is partially related to the previous one but it also depends on the broader social safety nets of an economy. Eight is the degree of equity of the income and wealth distributions. Generally, the socialist economies have equal distributions than the strictly market capital economies. Ninth is the degree of freedom available to the individual in terms of work, consumption, poverty, investment, and more broadly in the civil and political realms [6]. The prevailing system of the capitalist economy, however, shows the least intention to the issue of poverty rather itself a great cause behind increased ratio of poverty in the world. Islamic economics, on the other hand, has deep concerned with the issue of poverty and has made its followers bound to try to eradicate poverty by way of charity. In this context, this article is divided into three sections: First section throws light on the western concept of poverty and charity; the second section deals with the issue of poverty and charity in Islamic perspective; the last section discusses the issue in perspective of Pakistani society and in the end, there some

conclusions and recommendations.

## **2. Concept of Charity in Historical perspective**

Looking into the history of economics, it reveals that the history of economic activities of the people is as old as the history of human being himself. People are ever being divided into different classes such as rich, middle class and poor people etc [7]. Talking about the concept of economics during the medieval era, it was based on the economic philosophy of the religions and economic ideas of Greek philosophers like Plato and Aristotle and was characterized as an economics embedded with socio-cultural context of the society [8]. The traditional or pre-capitalist economy was consisted of three types of economies: The household economy or domestic mode of production that was based on ethical and moral values of a society where no one had private property and natural resources were utilized as common property and the people had to share everything with harmony and cooperation; the second type was reciprocal economy which was based on barter system or exchange policy of goods or by way of gifts; and the last one was developed or redistributive economy that was based on the principle of centrality where some individual or organization had to receive transfer of goods from others and redistributed them in some manners [9].

### **2.1 Western Concept of Poverty and Charity**

Talking about western concept of poverty it was existed in two forms: The forced poverty and voluntary poverty. It is, however, important to note that among the Christians the practice of voluntary poverty was well recognized and considered as a matter of reward [10]. A poor person is defined as a person who does not have enough money to fulfill his necessities of life such as food, cloth, medicine and housing [11]. Overall, like today, the poor people were considered as a thrown segment of society created to serve others [12]. The concept to help the poor class by way of sympathy also existed and rich people had to help the poor at their own discretion and for this, the term almsgiving was used. The term *Almsgiving* has derived from the Greek word *eleemosynary* which means pity or mercy and is used in the meaning of any material favor done to assist the needy and poor persons [13]. However, Church dominance established the concept that only Churches are entitled to take alms and the rich people were invited to spend on Churches by way of alms. In this way, until the late middle Ages, the concept of charity in Western Europe was confined to give *alms* to churches and monasteries. The clergy progressively established itself as a strong mediator in the exchange between men and God. The doctrine of almsgiving to the poor was developed as a result of the creation of a social category of the poor, an evolution that affected the behavior of aristocracy [14]. The poor were divided into different categories; the destitute, the needy and the middle class and the bishops of the churches were considered the sole protectors of the poor. The Christian believers were invited to give donations to the churches to maintain poor people [15].

However, with the rise of industrial development, capitalism, and free trade, the poverty became a worldwide phenomenon as greed to earn more and more has made the rich segment of society indifferent to socio-economic conditions of the people and had destructed the feelings of mercy and sympathy. The concept of material incentive is considered a necessary element of business as it motivates people to work and produce which has made the world a place of economic activities and development through competition. In market capitalism,

this involves paying them their marginal product which maximizes profits for competitive firms which result in prosperity and the highest level of per capita income. Contrary to it religious based economic philosophy like socialism denied it in theory [16]. Further, the capitalist system recognizes the principle of private property and leads to free trade economy which means economic activities should be boundaries free and businessmen should be free to do what they want to expand their economic activities [17]. In the same manners, the search for more and more profit is considered a necessary part of the economy. As Bronstein (1922) pointed out that to create an urge for work and to generate efficient price signals profit motive is a necessary element of the economy and leads rational market calculation [18].

## **2.2 Islamic Concept of Poverty and Charity**

Allah Almighty has created the mankind to establish the belief of oneness of God and social and economic justice on this earth. It is stated in the Qur'an: "Allah has promised those who among you believe and do righteous good deeds, that He will certainly grant them succession in the land" [19]. The Qur'anic provisions regarding economics lead that the system of economy of each society should be based on ethical principles which may lead to the fair distribution of wealth and resources, economic growth of a poor segment of society, and reduction of poverty etc. Among the revealed principles of Islamic economics are justice, equilibrium, liability, efficiency, consent, mutual agreement of trade, gift, and assistance to poor segment of society, and zakat that ensures circulation of wealth and reduction of poverty etc [20]. It also recognized the principle of sympathy and mercy and forbids hurting the feelings and self-respect of poor by way of Ihsan. It is stated in the Qur'an: "O you believer do not render in vain your charity by reminders of your generosity or by hurting (the poor) [21]. It is natural that mankind cannot fulfill his necessities of life alone rather remain dependent upon others that are why he is called as a social animal which cannot live without other beings. The social problems of the people are solved by way of cooperation and understanding of the needs of the people in totality [22]. To ensure public interest and economic welfare of the people, Islamic system of economy recognized all those customary institutions of economy which were in accordance with the ethical principles of economics such as trade, partnership and qirad/mudabah while those institutions of economy which were based on the principle of exploitation and resulted in social injustice and class discrimination were declared prohibited such as riba, gambling, hoarding of wealth, feudalism, and acquiring the wealth and property of others by way of fraud, cheating etc [23]. As practice of borrowing money is a common and well-recognized practice among all the nations of the world so Allah Almighty did not prohibit it rather declared that loan transaction should be riba free and that if someone forgive loan it will be charity from the creditor and will be a matter of reward as mentioned in the Qur'an: "Allah will destroy riba and will increase for charity". In the same manners, the next verse states: "And if the debtor is in a hard time then grant him time till it becomes easy for him to repay; but if you remit it by way of charity, it is better for you if you did but know" [24].

The system of Islamic economics also recognizes the principle to hold private property and to increase in the wealth by lawful means. In the same manners, Islamic economics recognizes the principle of material incentive but limits it to the concept of moral incentives by way of helping needy people or by way of charity. The most recommended profession is a trade that urges investment and capital growth but at the same time, Islamic economics condemns concentration of wealth in few hands and earning by way of trading debts or money [25].

Likewise, Islamic economics permits earning profit but restricts it with the condition of the prosperity of a society. Accordingly, the higher profit can be earned if prevailing system of economics result in prosperity of the people and state as father of economics Ibn Khaldun (1332–1406 A.D.) pointed out that with the increase of population available labor should be increased and it should result in increase of luxuries which in correspondence may increase profit and lead the whole society to prosperity [26]. The issue of distribution of wealth is also decided by Allah Almighty as He revealed: “Truly your Lord expands *rizq* for whom He wills and strains for whom He will, Verily He is All-knower, All-Seer of His slaves” [27] Likewise, love for wealth has declared as a part of the instinct of mankind. The Qur’an states: “Beautiful for men is the love of things they covet; women; children; much of gold and silver. . . This is the pleasures of the world’s life” [28]. But to perform different types of functions and to maintain worldly affairs Allah Almighty divided the human beings into rich and poor. It is stated in the Qur’an: “It is We who divided between them their livelihood in this world, and we raised some of them above others in ranks so that some may employ others in their work” [29]. It leads that the division of the people into rich and poor is intended by Allah Almighty. Another verse states: “Truly your Lord enlarges the *rizq* for who He desires and strains for whom He wills [30].

In this way, the division of *rizq* is not based on the principle of equality yet it does not mean that the poor have been left at the mercy of nature or God rather the issue of poverty has been taken by Islam as the most critical issue of a society. The poverty in Islamic system of economics may be defined as an economic condition in which a person is unable to maintain his livelihood or necessities of life through his own efforts [31]. To reduce poverty from society, Allah Almighty has declared that in the property of the rich there is for granted right of the poor and ordered the believers to help poor by way of charity. It is stated in the Qur’an: And in their wealth there is recognized right for beggars and deprived of” [32]. It is stated in the Qur’an: “O you believe spend of the good things which you have earned by lawful means” [33]. To make the whole system of charity institutionalized, Islam presents two economic models: First is *zakat* which is a tax starts from a specific amount or wealth in a specific ratio (2.5%) of the total wealth and property and is one of the five pillars of Islam. Second is a charity which means spending surplus wealth to reduce poverty, the extent of which has left at the discretion of the believer in the light of his economic conditions. Moreover, to ensure social justice, the fulfillment of the necessities of life (*hajat*) of the people has been declared as a primary obligation of the state. Al-Ghazali pointed out that “the very objective of Shari’ah is to promote the well-being of the people which lie in the safeguarding their faith, their lives, their intellect, their posterity, and their wealth. Whatever ensures the safeguarding of these five services is desirable and public interest” [34]. All this thus leads the system of Islamic economics is based on the concept of social responsibility where st

ate and a rich segment of society are bound to help the needy persons and to eradicate poverty. It aims to promote social justice and equilibrium among the people [35]. Poverty is also a way of examination of the love and beliefs of the rich upon Allah and regarding their duties towards the poor. The Qur’an states: “They are (hypocrites) those who say: “Spend not on those who are with Allah’s Messenger until they desert him” [36]. Charity thus has declared a line of demarcation between believers and non-believers. It is stated in the Qur’an: “And whenever it is said to them: “Spend of that with which Allah had provided you,” those who disbelieve say to those who believe: “Shall we feed those whom if Allah willed He Himself would have fed” [37].

Due to dangerous consequences of poverty, Islam has declared the charity as a debt upon Allah and stated that “If you lend to Allah a good loan He will double it for you and will forgive you” [38]. As the state works on behalf of Allah Almighty as His vicegerent, so it leads that each Muslim state is responsible for taking certain steps to reduce it and it is this reason that in Islamic system of economics, the fulfillment of basic needs of the people is considered a primary obligation of the state. The fact is that the economic development of a country ensures the fulfillment of basic needs of the people, fair distribution of wealth and resources, equal opportunity to develop, access to education and health facilities and protection of the lives and properties of the people by way of just policies [39]. For this purpose, the best example is the Sunnah of the Prophet (pbuh) which introduced the concepts of economic development and economic brotherhood between rich (Ansar) and the poor people (migrant) of Madinah by way of Muwakhat al-Madinah. As head of the state, the first issue faced by the Prophet (pbuh) was the settlement of the migrants who were homeless and unable to earn due to lack of resources and tools, so, the Prophet (pbuh) resolved the issue by way of muwakaht according to which Ansar offered to the Muhajireen /migrants half of their wealth, homes and sources of earnings [40]. It is reported that Ansar divided their land and wealth and gave half it to migrants. However, in the majority of the cases, the muhajireen insisted upon guiding them about the ways of earning and economic trends of the people of Madinah [41]. This leads that if government treasury (Bayt al maal) or state resources are unable to provide basic necessities of life to its people than government or head of the state has the authority to take the surplus property of the rich and to give it to the poor. This policy of the Prophet (pbuh) later adopted by the Caliphs who succeeded to establish a society where necessities of the lives of the people were fulfilled by the state and bayt al-maal shortened the resources, the properties of the rich were taken by force and were allocated to the poor [42]. This led to establishing a society where the system of Islamic economics ensured fair distribution of wealth and alleviation of poverty. Within six-seven years of the Caliphate, the situation was that poverty almost became vanished from the state and only a few people were found to take zakat and the amount thus spent on constructive tasks like roads, jails, hospitals, canals, and departments of army and police etc along with the fulfillment of basic needs like food, cloth and shelter to all [43]. Further, Islamic economics system has given the right of intervention to the Muslim government in the private property of the people if it leads exploitation of the poor and needy people of the society that is why the Prophet (pbuh) prohibited tenancy and ordered to give them ownership of the surplus land which they cultivated [44]. To remove poverty from Madinah Hadrat Umar took all the private cultivated lands under the direct control of the state. Further, he took the surplus houses of the rich and gave to the poor [45]. In this way, the system of Islamic economics leads that the government is bound to spend on the betterment of the people even by taking the surplus wealth of the rich by force. It also condemns luxuries for the government if its population is suffering from the issues of poverty [46]. It thus leads that poverty and charity both are attached to each other and if poverty exists, there must be a charity to reduce poverty and that if the charity is performed accurately than poverty must be vanished. As Imam Baqir Saadiq (1981) pointed out that “poverty and deprivation are due to inequitable distribution and the absence of a morally defined framework of the human relationship between the rich and the poor” [47]. So, poverty from a Muslim society can be eliminated if there is a strong relationship between the rich and the poor of that society. In this way, the system of Islamic economics tied a strong relationship between charity and social justice and has declared charity as a way to the circulation of wealth and reduction of poverty. But all this does not lead that Islam has no restriction on the poor and motivate them to wait for help or to beg to the rich for their livelihood

rather Islamic economics prohibits begging as it leads laziness, destruction of self-respect and lack of work hard. A *hadith* is reported by Ibn 'Umar that he heard Allah's Apostle (pbuh) while he was in the pulpit speaking about charity, to abstain from asking others for some financial help and about begging others, saying: "The upper hand is better than the lower hand" and described that the upper hand is that of the giver and the lower (hand) is that of the beggar [48]. In the same manners, Abu Huraira reported that Allah's Apostle said: "By Him in Whose Hand my life is, it is better for anyone of you to take a rope and cut the wood (from the forest) and carry it over his back and sell it (as a means of earning his living) rather than to ask a person for something and that person may give him or not" [49]. This hadith condemns begging and leads that work hard should be the prime concern for each poor. It also leads that the best way of charity to help the needy persons is to teach them some skills and ways of earn rather than begging or to enable them to earn by themselves.

### 3. Contemporary Situation of Poverty and Charity in Pakistan

Pakistan is an under developing country and has one of the poorest economies in the world. Having population about 191.715 million half of which is living below the poverty line (1.25US\$ per day). The unemployment rate is increasing day by day as it was about 6% during 2012 and increased up to 6.6% in next year and was 6.75% in 2014 [50]. Talking about the prevailing economic conditions of Pakistani society, almost all major industries are running by the families of ruling classes and only 22 families have captured the economy of the whole country. The 66% of the industrial wealth is under the direct control of the ruling class. The 87% of the assets of the banking and insurance companies is also controlled by them. The ruling classes are misusing public resources for their personal benefits at the cost of the survival of poor class. In the same manners, the contemporary enterprises at Pakistani Islamic banks are just helpful to the rich like capitalist system. The notion of unrestricted permissible profit in business class is in peak and is utilizing by ignoring socio-economic conditions of rest of the society. The issue of market trend has increased the problems of the poor people [52]. It is, however, a high moral and religious quality of Pakistanis that the people are generous by heart and are among the top charity giving's of the world. The most generous country in the world is United States where charity contributes 2.2% of GDP. Among others, in UK charity makes 1.3% of GDP and in Canada charity makes 1.2% of GDP. Talking about South Asian countries, Sri Lanka is rank first in South Asia and scores 8<sup>th</sup> position in the world in charity giving and Pakistan rank second in South Asia by getting a 34<sup>th</sup> position in the world. India however, is rank 93 in the world and here charity makes only 0.6% of GDP [53]. It is also estimated that charity which makes 1% of GDP is low end while the upper end of charity makes almost 5% of GDP. Thus, the upper end of 5% is more than double of American charity which contributes 2.2% of GDP annually who lead the world [54]. Although more than half of the population is living below the poverty line yet many of the poor also try to contribute to reducing poverty by way of charity. Talking about the ways of charity it is reported that almost 69% of Pakistani contributes money by way of charity and 28% people provide their services voluntarily while in India only 28% contribute money and 18% spend time voluntarily [55]. Talking about charity in money, almost 650 billion rupees are given to mosques, madaris, hospitals, and needy people and victim of natural disasters and terrorism [56]. Most of the people about 68% give charity during *Ramadan*. Majority of the people like 73% prefers giving charity in the form of money to mosques and madaris; 66% consider giving charity in the form of money to poor and homeless; 54% consider giving charity in the form of money to needy relatives; and 14%

consider giving charity in the form of money to help education of poor children. Only 14% people said they give charity in kind like free teaching in schools or help in a local clinic [57].

It is, however, a worrying situation that poverty ratio is also increasing with the increase of charity amount while it should be decreased. The poor segment of society is suffering from all possible issues of poverty such as illiteracy, low consumption, malnutrition, chronic diseases, and powerlessness etc. It leads that there is some flaws in the contemporary system of charity due to which objectives of charity could not be achieved and poverty could not be reduced. There are many socio-economic and traditional factors that made the charity system stagnant and non-productive. Among them, poor ways of charity giving, foolish utilization of charity by poor people, extravagance, and above all lack of government concern and systematic arrangement of charity are the most significant hurdles in achieving the actual purpose of the charity which is alleviation of the poverty. In fact, the institution of charity has been left at the discretion of the rich who give charity in poor manners like by giving some money or utility items to the poor that is also spent in poor manners and in most of the cases charity is utilized negatively such as the poor spent money foolishly and extravagantly by ignoring their future needs with the hope of more charity in future.

Another reason is that feudal lords ever keep their tenants dependent on them for their livelihood and help them by giving them foods rather than ownership of some piece of land by way of charity. Land distribution in Pakistan was highly unequal as 5pc of large landholders possess 64pc of the total farmland and 65pc small farmers held 15pc of land. The unfair distribution of land ownership is one of the most critical determinants of rural poverty in the country. Only 5% bigwigs possess 64pc of Pakistan's farmland and more than 60% farmers have less than 3 acres of land [58]. Distribution of land holding at province level indicates that about 85% households own no land in Sind; 78% in Baluchistan; and 74% in Punjab. The unequal land ownership pattern is clearly reflected by the fact that a very small portion of all households holds large farm size in all provinces. Notably, merely 0.05% households own greater than 2 hectares of land in Punjab as well as in Sind [59]. Theoretically economic policies of the colonialism have been ended yet existing practically, and exploiting the under developing countries of the world. The exploitative measures of the capitalist economy, increasing income inequalities, poverty and concentration of wealth have threatened the economic growth of the country. However, most of the charity amount are spent to provide necessities of life to the poor like food, cloth, medicine etc. It is also given to non-profit institutions such as *madaris*, hospitals, a victim of natural disasters like flood relief and terrorism etc. Likewise, NGOs and welfare organizations that run schools, orphan homes, clean water projects, ambulances, medical camps and in jails also dependent upon charity. It seems that the state is totally indifferent to the needs of the poor and the whole system of the welfare of the needy segment of society is running by way of charity. It is this reason that charity could not be succeeded to reduce poverty in Pakistan.

#### **4. Conclusions and Recommendations**

This reaserch thus concludes that in Pakistan day by day increasing poverty has become the most critical issue which demands exclusive attention of the stakeholders. Among the hot reasons of increasing poverty is lack of proper understanding of the Qur'anic provisions regarding the concept of private ownership, population growth,



state responsibilities, and the ways of charity giving and consumption etc. It is also concluding that the literal understanding of the relevant Qur'anic provisions led the Muslims to consider that the system of Islamic economy is similar to the capitalism which is based on the concept of unrestricted private ownership and caused to increase in the poverty by way of unrestricted profit, price hike. This can be judged by the fact that the prevailing Islamic banking system has adopted all the policies, strategies, transactions, and terms and conditions of the conventional banks by assigning them Islamic terms and thus, a client finds no difference between the two and bears same consequences and cost even in term of ratio of interest or profit. It is also concluded that at present the contemporary system of charity could not success to reduce poverty due to poor manners of distribution rather it led the poor segment of society to be dependent upon charity for their livelihood. The poor people have a lack of self-respect and do not want to do work hard rather prefer begging by way of seeking sympathy.

This article thus, suggests that the contemporary system of charity in Pakistan should be reformed far and wide. There should be proper legislation regarding the collection and consumption of the charity. To estimate about the accurate number of the poor, the system of registration of the poor should be established at each union council. It is also suggested that the basic necessities of the life particularly, for the poor should be provided by the state. This step will reduce half of the problems of the poor segment of the society. Further, it is suggested that system of charity should be institutionalized by the state policies. Charity should not be spent on utility items rather it should be utilized to establish small industries and factories to provide jobs to that segment which is living below the poverty line. The industries should be productive by producing items of daily life and the productions of these industries should be declared tax free. The government should provide subsidy on these items. The special card should be issued to the poor families and mustahiqqin should be allowed to purchase at low cost. It will be helpful to make the poor segment of the society self-sufficient, independent and confident to consider it as contributors in the development of the society, not a beggar. The issue of unrestricted private land should be resolved on an emergency basis and the state should introduce broad-based land reforms. The feudal lords who are 5% should be made bound by way of legislation to give a specific piece of land by way of charity in the ownership of the tenants who are landless. The government should provide advance machinery on interest-free loan to the small farmers and subsidy should be given to the production of the poor landowners of cultivated lands as India reformed its department of agriculture. This will help to reduce rural poverty in Pakistan. Lastly, private business for ruling family should be declared prohibited by way of the constitutional amendment

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