

Poverty From an Islamic Economics Perspective:

Concept, Measurement, and Treatment

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ABSTRACT:

The Problem of poverty has been a dilemma in capitalism. On the very concept scholars widely differed as to what poverty is all about. Following this difficulty in the concept is, of course, the difficulty involving measurement and eradication. On the other hand, Islamic Economics challenges this problem. However, the writings on this topic have been taken partially or handled by scholars most of whom are not trained in Economics. This research paper aims at shedding light on the problem of poverty from an Islamic perspective; by discussing its concept, measurement, and treatment. In this endeavor the main departure from traditional Economics is that poverty is conceived as a hindrance to the practice of *Ibada*. Its measurement can be taken by considering the *Nisab* of *Zakat* as an index representing the best of all indices as *Zakat* is a transfer from wealthy to poor people, therefore, directly reducing poverty. Although there are different *zakatable* items, 85 grams of gold or its money equivalent is considered the poverty line. The treatment of poverty is undertaken at all levels of human existence, i.e., individually, socially, and at the state and *Ummah* levels.

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1. Introduction

The issue of poverty is as old as human history itself. However, confining ourselves to the field of Economics, we find that classical Economists like Adam Smith, Robert Malthus, and others approached the issue of poverty in the context of mainstream traditional Economic theory. But the fallacy of interpreting poverty in the capitalistic way has fallen short of providing the suitable solution. Rather, the common policy packages for eradicating the problem ended up in worsening conditions for the poor i.e., the ultimate consequence has been abject poverty with its correlates of illiteracy, disease, high rates of infant and under five mortalities, and low life expectancy.

It is worth mentioning that out of the world's 6.83 billion people (according to 2008 estimates), 5.63 billion – 81.9 per cent lives in developing countries (UN, 2009). However, the vast majority of the world population earns only 15% of the world's income resulting in a pervasive poverty of about 1.2 billion poor people in the developing countries alone (World Bank, 1993). As for illiteracy over one billion adults are still illiterate in the developing countries, and 300 million children are not in primary or secondary schools. Regarding diseases, the situation is still obliterated as 1.5 billion people still lack basic health care in Less Developing Countries (LDCs), over 1.5 billion people do not have safe water, and over two billion people lack safe sanitation. Furthermore, child mortality, as one of the basic indicators of development, is still showing alarming rates in LDCs (World Bank, 1993). In Sub-Saharan Africa, for example, mortality of children under five is estimated (2005-2009) to be 148 per 1,000 live births, which is more than 20 times higher than the rate in the United States. Moreover according to the World Bank (2008), by the year 2005 more than three billion people in the developing world (including China) fell below the poverty line of \$2.5 a day (using 2005 purchasing power parity). The developed world, on the other hand, witnesses worsening conditions, too. For example, in the U.S, where the capitalist system is much-trumpeted, it is argued that in 2007 around 18 per cent of American children lived in poverty (PRB, 2009). Therefore, in this context, we can argue that the whole of the capitalist theorization fails to explain poverty.

On the other hand, from an Islamic Economics perspective, poverty concerns emerged with the emergence of Islam itself when the then new religion rose up to call for justice and equity among all individuals in the society irrespective of any categorization. This resulted in an ever unleashing of energies to build the most influential state in human history. Therefore, it is not uncommon to comprehend the uniqueness of Islam in its realism, comprehensiveness, and

suitability (in terms of both time and space). This is evident when we contemplate history, for example, when it witnesses that during the reign of the successor Omar ibn Abdul Aziz no person, within the precincts of some regions in the state, was willing to accept *Zakat*. Hence apart from the soaring idealism with which capitalism defines, and therefore, tries to solve the problem of poverty, Islam puts its definition of poverty into the play of actual action. However, being an emerging discipline, Islamic economics corpus is fragmented with regard to its topics. In the area of poverty, in particular, not only the written literature is little, but also it is sometimes made by scholars who are not trained in economics (Al-Qaradawi, 1987), (Abdel Rahman, 1990), ..., etc. Some Islamic scholars differentiated between spiritual and other aspects of poverty (Al- Ghazali, 1980). Even, these writings which are made by economists take one or two aspects of the problem rather than being comprehensive. This study aims at presenting a picture of the issue of poverty by approaching its concept, measurement, and treatment to help provoke further understanding and treatment of the problem. As such the main difficulty has been the hard task of putting that picture in a compact form. Questions such as: How Islam perceives poverty? How we measure poverty? And, how unique is Islam in solving the problem? Will, be the interest of the paper.

Section two of the paper presents some important concepts serving the purpose of laying down the foundations for the rest sections to follow. For example, the principle of justice in Islam maintains the rights of both the poor and the rich and serves to exclude the likelihood that poverty in an Islamic state emerges as a result of inequality in income distribution. Further, this section tries to provide a definition of poverty from an Islamic perspective. In section three the paper attempts to find a way towards a measurement of poverty from an Islamic Economics perspective. Section four of the paper reviews the Islamic policy package for poverty treatment. Lastly, the paper draws a conclusion in section five.

To carry out the study, reference has been made to conventional Economics' views on the subject so as to grasp the departures of Islamic Economics. Emphatic arguments will be supported by means of texts quoted from the Holy Quran and *Sunnah* (sayings and actions of the prophet Mohammed - PBUH - in additions to whatever he approved of his companions sayings and actions), as well as, the *Sira* (the chronological records of the life of the prophet –PBUH- and that of his successors).

2. Conceptual Framework

Ever since the dawn of history poverty has come to hang in the horizon of human existence. Yet, before the emergence and formation of the new nation-state people of a particular grouping

shared the same standard of living, so to speak. Hence to experience opulence or poverty, a particular group or segment of society has to, with the passage of time, undergo some changes in the state of poverty incidence, as well as in reactions taken against. However, the perception of poverty, also, continues to change when considering cultural and social factors in society. That perception, generally, ranged from glorification to acceptance to censure. These can be intermingled and divided into two main categories. As such, we have poverty as an evil which must be eradicated, or taken as inevitable; and, poverty as sacred. This generally, has been the stand in the west being influenced by political, social, religious, industrial, and economic changes.

As an evil, poverty is looked upon in a fatalistic way, as a due punishment for the sin of being immoral and non-industrious. Consequently, the society is not responsible for support of the poor. The protagonist of this view has been Adam Smith, who called for the principle of “laissez-faire”, according to which the poor and the laboring classes are expected to destine for their own salvation from poverty. Accordingly, the living standard of the working class, who represented the majority of cities' dwellers, deteriorated. In this regard, Hunt (1979) argues:

And what cities! It was not merely that smoke hung over them and filth impregnated them, that the elementary public services – water supply, sanitation, street cleaning, open spaces, etc, - could not keep pace with the mass migration of men into cities, thus producing, especially after 1830, epidemics of cholera, typhoid and appalling constant toll of the two great groups of nineteenth-century urban killers – air pollution and water pollution, or respiratory and intestinal diseases ... The new city population ... [were] pressed into overcrowded and bleak slums, whose very sight froze the heart of the observer. (Civilization works its miracles) wrote the great French liberal de Tocqueville of Manchester, and the civilized is turned back almost into a savage¹.

An even extreme line of thought has been drawn by Malthus who considered the destiny of the laboring class and the poor to be a natural result of the working of (The law of Population Growth). Therefore, it is not uncommon for him to argue that the ultimate difference between the rich and the poor was the high moral character of the former and the moral frailties of the latter².

¹ Quoted in E.K. Hunt. 1979 .History of Economic Thought: A Critical Perspective. Belmont, California: Wadsworth Publishing Co. pp. 59 -60.

² Ibid, p. 67

Moreover, Malthus was well-known for his opposition to suggesting any form of relief for the suffering of the poor. According to him, the poor laws of England tend to increase population without increasing the food for its support. In addition, the quantity of provisions consumed in workhouses upon a part of the society that cannot in general, be considered as the most valuable part, diminishes the shares that would otherwise belong to more industrious and more worthy members³. In this regard, Malthus suggested three kinds of check to command the excessive increase in population. These are: the positive checks; the preventive checks; and the moral restraint checks.

Holding a closer view to Malthus, David Ricardo explained the poverty of the working class in economic rather than in religious terms. To this extent, Ricardo suggested the so-called "Iron law of wages" which states that "wages always tend towards the level of subsistence, providing barely enough money for food for the working family to live on. Any increase in wage will produce a corresponding rise in the birth rate. This, in turn, swells the available working force beyond demand, thus producing a wage downturn" ⁴.

Another view of poverty is that it is the necessary price for social progress and welfare of the society. Accordingly, the poor were to undergo the state of poverty i.e. inevitable sacrifice. Spencer, for example, argues that "the defender of poor laws is like one who would like to see a surgeon let his patient's disease progress to a fatal issue, rather than inflict pain by an operation⁵. Similar views on poverty were raised by other classical thinkers such as Graham Sumner. However, another extreme thought among classical economists called for blaming the environment and the cultural causes of poverty instead of focusing on the properties of the poor. The protagonist of this line of thought has been John Stuart Mill who maintains that "poverty within the capitalist society was not the result of forces working outside men's control; rather, it was the product of the way the society exercised the allocation of its wealth and property⁶. In the same manner, Marx and his disciples maintained that the problem of poverty is not only the by-product of the capitalist system but, actually, an inherent element to it. For, the market forces could not achieve a just distribution of wealth. Coupled with alienation of workers and their exploitation by the capitalists,

³ Ibid, p. 68

⁴ Quoted in Nasser Taib. 1988. Islam and Eradication of Poverty : An Ethical Dimension of Development with Special Reference to Malaysia's Five Year Plans, University of Temple , (unpublished), p. 32.

⁵ Ibid, p. 33.

⁶ Ibid, p. 36

the failure of the market force would undermine the capitalist system and the army of the proletariat class would establish its rational socialist state. However, the central planning for the allocation of resources by the state to command the poverty and suffering of the working class, could only lead to the devastation of the socialist system through the killing of individual incentive and inefficiency in productivity.

On the other hand, the view that deems poverty as a sacred element emerged as an action either to the unjust way in which a few people controlled the bulk of wealth. Therefore, those people were sinful. Or, that poverty has a positive role to play in society. In this connection, Gans enumerates fifteen sets of positive functions of poverty covering economic, social, cultural, and political aspects⁷.

Notwithstanding, the religious, social, economic, industrial, and political changes in the eighteenth and the nineteenth century Europe, as well as, the role of political advisory played by economists of that era have come to draw the line of attitudes towards poverty which, in turn, came to influence the conceptual as well as the policy reaction towards it in contemporary economic literature. Accordingly, there are two different approaches to the definition of poverty: the culture of poverty approach and the economic approach.

The focus of the cultural concept of poverty has been on the internal attitudes and behavior patterns of the poor with respect to the set of circumstances they experience. The pioneer of this approach is Oskar Lewis who defines the culture of poverty as a permanent way of life that develops among the poor people under the following set of conditions⁸:

- (1) A cash economy, with waged labor and production for profit.
- (2) A persistently high rate of unemployment and underemployment for unskilled labor.
- (3) Low wages.
- (4) The failure to provide social, political and economic organization, either on a voluntary basis, or by government imposition, for the low income population.
- (5) The existence of a bilateral kinship system rather than unilateral one.

⁷ Ibid, p. 39

⁸ Adapted from Aroon Sharma. 1990. Concept and Measurement of Poverty. New Delhi. Anmol Publications. pp. 3

- (6) The existence, within the dominant class, a set of values that stresses the accumulation of wealth and property, the possibility of upward mobility and thrift and that explains low economic status as the result of personal inadequacy or inferiority.

With this characterization of the poor Lewis, (Sharma, 1990) went on to assign some seventy interrelated social, economic and psychological traits. Rossi and Blum in their identification of the poor maintain that there is "a sense of helplessness and low sense of personal efficacy, dogmatism and authoritarianism in political ideology, fundamentalist religious views with some strong inclinations towards belief in magical practices, low need achievement, and low levels of aspiration for the self"⁹.

As it is clear the culture of poverty approach rests on the earlier attitude that condemns the victim (poor) and shoulders them with their responsibility for their own destiny because it is claimed that the poor maintain efforts to cope with feelings of hopelessness and despair that develop from the realization of the improbability of achieving success in terms of values and goals of the larger society. The implication of this is abandonment and discard of any effort by the government to aid the poor. Hence, the lack of any ethical, social, or religious regards and that market mechanism is the be all and end all and the fittest is to survive.

The economic concept, on the other hand, highlights the external circumstances that condition a person's behavior towards economic transactions. The core element of the economic definition is that poverty is a property of the individual's situation rather than a characteristic of the individual or of his pattern of behavior. According to many authors (Pramanik, 1993), in Economics absolute poverty can be defined as "the standard of living below that of subsistence"¹⁰, or as the inadequate command over resources relative to needs¹¹. These definitions are based on economic factors because they focus on the objective attributes of an individual's economic status. To others, it may mean not only the resultant material deprivation but the inability to play a role in society. Thus, according to Gillin, poverty may result from either inadequate income or unwise expenditure¹². To Sen, however, "poverty is not just a matter of being relatively poorer than others in society, but not having some basic opportunities of material well-being; the failure to have certain minimum capabilities poverty in this view, is not ultimately a matter of incomes at all"¹³. From the

⁹ Ibid, p. 5.

¹⁰ Ataul Haq. 1993. Development and Distribution in Islam. Kuala Lumpur: Pelanduk Publications. P. 5.

¹¹ Sharon M. Oster, etal in Taib, op. cit. , p. 18.

¹² Ibid, p. 18.

in Gerard M. Meir. 1989. Leading Issues in Economic "¹³ Amartya k. Sen "Capabilities and Entitlements Development. New York: Oxford University Press. p. 28.

aforementioned definitions, it is clear that the profundity of the issue of poverty led social scientists to come out with different concepts about poverty.

Even economists are not unanimous about what poverty is all about. In this connection, the economic concept of poverty is approached in two ways; the absolute approach and the relative approach. The former is a static concept which deals with a fixed poverty line that does not change with the standard of living in society, whereas the latter being dynamic considers an individual's income relative to the average income of others in society. That is to say, being poor means having less than others in the same society. However, both concepts have been censured and new terms supplanted them. For example, the 'minimal-living standard' in place of absolute poverty and 'income distribution standard' in place of relative poverty. Being so intermingled, a concept that is both absolute and relative should, be developed. This is based on the argument that man is two-dimensional. Individually, wherein the person is unique, independent and self-determining. The other dimension is sociality wherein he is akin to others, dependent and conditioned by the environment. To accommodate this duality of human nature, the definition should take both dimensions into consideration. Accordingly, a person is poor if:

- (1) " he\she cannot afford the minimum market basket of goods and services and;
- (2) "He\she is separated from the company of others by a wide gap in income" ¹⁴.

In recent economic literature, however, the inclination has been to the basic needs approach to poverty. But there are conflicts as far as the nature, the range of basic needs as well as the issues of absoluteness and relativity of the approach are concerned.¹⁵

Hitherto, we have acquainted ourselves with how poverty is seen in secular thought. In this juncture we would like to throw some light beyond the scene:

1. That there is no unanimity about the concept of poverty.
2. That there is no religious dimension, especially, in contemporary conceptualization of the problem.

¹⁴ See Edward J. O'Boyle, 1990. " Poverty: A Concept that is both absolute and relative because human beings are at once individual and " in review of social economy. Spring.

¹⁵ For further details on relative and absolute poverty see Zubair Hassan and M. Arif, ' the basic need fulfillment guarantee in Islam and a measure of its financial dimension in some selected Muslim countries; Nassir Taib. 1988. 'Islam and eradication of poverty; an ethical dimension of development'. A dissertation submitted to Temple University graduate board (unpublished).

To come to understand another aspect of the issue, we will use an Islamic approach. This will help us ask questions like: Who are the poor in Islam? What is poverty in Islam? How unique is the Islamic view on poverty? These questions will be the interest of the following sub-section. To start with, we will review some, important concepts serving the purpose of laying down the foundation for conceptualizing poverty in Islam.

2.1 Important Concepts

2.1.1 Justice

Different economic systems call for different mechanisms for the distribution of wealth and income. However, the issue of the trade-off between equitable distribution and growth has been a dilemma inherent in the capitalist paradigm of development. Indeed, they could not escape the dictates of the philosophy of laissez-faire and putting an end to it (the dilemma of equitable distribution). Consequently, capitalism often trod the way of growth, therefore the widening income gaps, and social injustice could not be escaped. To ensure justice, their policies must join all other reforms such as social, political, economic, moral and spiritual¹⁶. Although they employ some corrective measures such as social security funds to help mitigate the problems, their efforts are far less than what is required to remedy the situation.

On the other hand, being regarded an antithesis to capitalism, socialism delved into central planning to rectify the situation. However, its approach of killing the incentive to produce stands, among others, as one of the major factors behind the disintegration of the system.

In contrast, the Islamic system is founded, among other things, on the principle of justice. Therefore, *sharia'h* demarcated the lines of justice by explaining the permissible (*Halal*) and impermissible (*Haram*) and urging people to do good deeds and abandon bad ones. However, it can be argued that justice as required by Islam is unlimited i.e. it is not only confined to law and the judiciary but encompasses all other aspects of mankind activities let it be economic, social, or political. In contemporary Islamic thought justice is interpreted in terms of the need of the time or the interest of certain groups. Thus the concept changed into being relative. However, both the Quran and *Sunnah* demonstrated the purpose of justice. Thus, it cannot be argued to be relative (Othman, 1993). In doing so it gave due consideration to the individual's insatiable desire for possessing wealth. Accordingly, each individual can have whatever amount of wealth he desires as long as it can be acquired through the rules and injunctions of *sharia'h*. Actually, Islam urges

¹⁶ See Ataul Haq, *op. cit.*, p. 6.

people to make wealth but on condition that its circulation is made nation-wide rather than among a handful of people in society. At the same time, there is a social responsibility to be performed, by the wealth holder, as an obligation running basically in line with justice. Not to underscore it, the role of the state is an integral part to ensure societal justice in order for the system to operate smoothly whenever there emerge undesirable forces.

2.1.2 Wealth

Economics was once defined as a science of wealth. This definition didn't come in vacuum. It has implications for the substantial influence of wealth on our entire life; from the dawn of history up to now and will continue till the end of human existence on the earth. This is because man has been inculcated with strong innate desire to accumulate and possess wealth. This situation has been the will of Allah (S.W.T) to create a continuous human activity on earth and therefore, the carrying out of the function of vicegerency and worship of Allah (S.W.T) "I have only created jinns and men, that they may serve me¹⁷". Thus as we have mentioned above, Islam urges people to make wealth because of its religious as well as its worldly benefits (Abi Al- Dunia, 1990) such as: it (wealth) supports people to obey Allah (S.W.T); toiling to acquire wealth is considered jihad (sacred war); and poverty is considered the twin of disbelief.

Notwithstanding, that tendency to accumulate wealth has often been the underlying force behind human misery and suffering. For, sometimes, people give rein to their passions in pursuit of wealth. This has become the norm of capitalism which from the very meaning of the word reveals the greed for wealth¹⁸. Therefore, each individual is free to compete with others under the principle that "survival is for the fittest". On the other hand, socialism suppressed the instinctive motive of individuals to possess wealth, in excess of their actual needs. Thus it calls for the communal ownership.

In contrast, Islam acknowledges the inner drives that are inherent in the human-self for possessing wealth. Allah (S.W.T) in the Holy Quran says "And ye love wealth with inordinate love!¹⁹. However, Islam diverges from both extremes of capitalism and socialism. Hence, in the first place it asserts that the ultimate owner of wealth is Allah (S.W.T)" Believe in Allah and His

¹⁷ (51: 56).

¹⁸ One of the tenets of capitalism is the individualistic acquisitive maximizing behavior.

¹⁹ (89: 20).

messenger, and spend (in charity) out of the (substance) whereof He has made you heirs²⁰." Man is a trustee responsible for running the affairs of the trust in the way of Allah (S.W.T)²¹ .

2.1.3 Moderation

Both capitalism and socialism put a thrust on materialistic way of explaining, understanding, predicting, and controlling human behavior. Thus, religious, ethical and moral considerations have been overlooked. In secular Economics, for example, the economist's role is only to analyze and describe and not to pass judgments about good or bad things. Given his wealth, an individual is deemed rational if he can derive the maximum material welfare. This materialist view led to frantic efforts on the part of individuals. For, material satisfaction is the ultimate end. This, in turn, led to a state of alienation and depression ending up in mounting social ills and chaos.

On the other hand, Islam recognizes the triad components of man²², therefore, it strikes a benevolent balance between them in a way that puts them in an affinity and homogeneity to create a dynamic person strong enough to undertake the vicegerency of Allah (S.W.T) on earth. In many verses the Quran urges people to spend their wealth in a moderate way i.e. not spending too much or too little. Hence, wealth and distributional matters are to be run within the precincts of "sharia'h" for the betterment of individual's live not only in this world but also in the hereafter. The Holy Quran maintains that "know ye (all), that the life of this world is but play and a pastime, adornment and mutual boasting and multiplying (in rivalry) among yourselves, riches and children"²³. Therefore, Islamic Economics is said to be a normative science with the economist playing a substantial role for reform in society by passing Islamically rational judgments on issues of what to produce, how to produce and for whom to produce.

2.1.4 Necessities

The Holy Quran emphasized that the human being is the best creation of Allah. Therefore, man's life must be decent. This decent life should encompass every one in society regardless of differences such as age, sex, education,..., etc. In this connection, there is a minimum level of needs which is guaranteed by *Sharia'h* as implicated by the objectives of *sharia'h* which, according to Al- Shatibi, comprise of necessities (*Daruriat*), requirements (*Hajiat*), and ameliorators (*Tahsiniat*). Thus the domain of needs in Islam may be said to be encompassing both

²⁰ (57: 7).

²¹ The Quran talks about wealth (*maal*) in eighty six situations

²² Being the physique, the intellect and the spirit.

²³ (57: 20).

necessities (*Darurat*) and requirements (*Hajiat*). Necessities, in turn, relate to protection of faith (*Din*), protection of life (*Nafs*), protection of (*Nasl*), protection of property (*Mal*), and protection of intellect (*Aql*)²⁴. That guarantee is a must and it should be carried out as individual, social as well as state responsibility. For example, *sharia 'h* requires every individual to strive for the fulfillment of the basic needs so as to live²⁵

The concept of minimum or basic needs has been an issue of debate among Islamic economists (Pramanik, 1995) with regard to the content "of basic needs", though the principle per se is vital to Islam because by fulfilling the basic needs man is placed in a position where the duties of the vicegerency can best be carried out. This is one of the beauties and advantages of Islamic Economics over secular Economics, where the world affairs are not divorced from the next one's. Therefore, material achievements are mere means for achieving spiritual aspirations.

2.2 Towards a Definition

The West appears to be biased in terms of underscoring the scientific contribution made by Islam. Centuries before the west, Islam had put its clear thumbs on the area of poverty and its eradication. Actually, the emergence of Islam was in Arabia where the society was then termed as ignorance (*Jahiliyyah*) due to the existence of many distortions and exploitation through the monstrous injustice in the distribution of wealth. For example, rampant civil wars; burying of live daughters; and the existence of the well-known institution of slavery, were typical phenomena as a result of poverty (Al-Nadawi, 1984). Having come for the emancipation and salvation of humanity, Islam called for the rights and duties of the poor and rich, respectively.

To begin with, Islam distinguishes between two kinds of needy persons, namely, *faqir* and *miskin*. Muslim jurists differed in their interpretations of the two words concerning the identification of the more needy. However, the two have been included in the top list of *zakat* (alms) distribution with the word *faqir* being given precedence. The Holy Quran says "Alms are for the poor and the needy"²⁶.

²⁴ See M. Fahim Khan, Noor Muhammad Ghitari. 1985. Objectives of *Sharia 'h* as Discussed by Shatibi and Some Economic Implications. Pakistan: International Institute of Islamic Economics.

The Guarantee of a Minimum level of Living in an Islamic State" in ²⁵ See Muhammad Nejatullah Siddiqi. 1988. Munawwar Iqbal, ed. Distributive: Justice and Need Fulfillment in an Islamic economy. Leicester: The Islamic Foundation. Also, see Pramanik, Ataul Haq " based development and its Implications for Sustainability" – A paper presented at the fourth international conference on " Ethico Economics: Values, Self-reliance and Sustainability" – organized by the department of Economics, University College of Cape Breton, Sydney, Canada, 7 th – 8 th October, 1995.

²⁶ (9: 60).

However, Islam is neutral as far as the position of the poor and the rich is concerned i.e. it does not praise rich people nor does it condemn poor ones. Man's dignity and superiority in Islam is determined by one's devotion (*Taqwa*) because differences in sustenance are ordained by Allah (S.W.T) "Allah has bestowed His gifts of sustenance more freely on some of you than on others"²⁷. Notwithstanding, the prophet (S.A.W) is reported to have said "Oh God I seek refuge with you from disbelief and poverty ". In another incidence the prophet (S.A.W) has been reported to have said "poverty leads to disbelief ". This is because poverty is deemed pestilence against both an individual and the society. For, it is a source of danger against creed and belief; morals and behavior; and thought and culture. Therefore, Islamic *Shari'ah* ensures the basic needs of everyone on the basis of the revelation that "It is Who hath created for you all things that are on earth"²⁸. This and other revelations (*ayahs*) inspired the great companion of the prophet (S.A.W) – Abu Thar al-Ghifari to take the position that the muslim individual should not be allowed to possess things beyond one's actual food needs with the exception that the excess is to be distributed in the way of Allah (S.W.T). In his book *Al – filaka wa Al – Maflukun* (Disasters and People Inflicted by Them), the Islamic scholar Ahmed Ibn Ali Al – Dulji considered poverty as not only material deprivation but ultimately one of the hindrances of practicing *Ibada* (worship) and spiritual development²⁹. Contemporary Islamic economists, also, emphasize this point. Ataul Haq, for example, maintains that:

"poverty sows the seeds of disbelief in human beings towards the creator. This states the seriousness with which this problem should be treated. Poverty in Islam is considered as the greatest evil in society simply because it lies at the heart of many crimes and misdeeds, not the least of which is its satanic role in preventing humans from following Allah's commandments"³⁰.

Hence, by adding the spiritual and religious dimension to the problem, we have been able to disentangle the following issues:

Firstly, poverty will be taken as a whole according to the totality of Islam, i.e., it will be a multi-faceted issue.

Secondly, the poverty line will be easier to identify.

²⁷ (16: 71).

²⁸ (2: 29).

²⁹ Ahmed Ibn Ali Al- Dulji . 1993. *Alfilaka wa Al – Maflukun* (Disasters and People Affected by Them). Beirut : Dar- al- kutub Al –Imia.

³⁰ Ataul Haq, *op. cit*, p. 5.

Thirdly, there will be clear demarcation of rights and duties of the poor, the rich, and the state.

Fourthly, persistence of poverty is likely to have an implication for malfunctioning of the system as a whole.

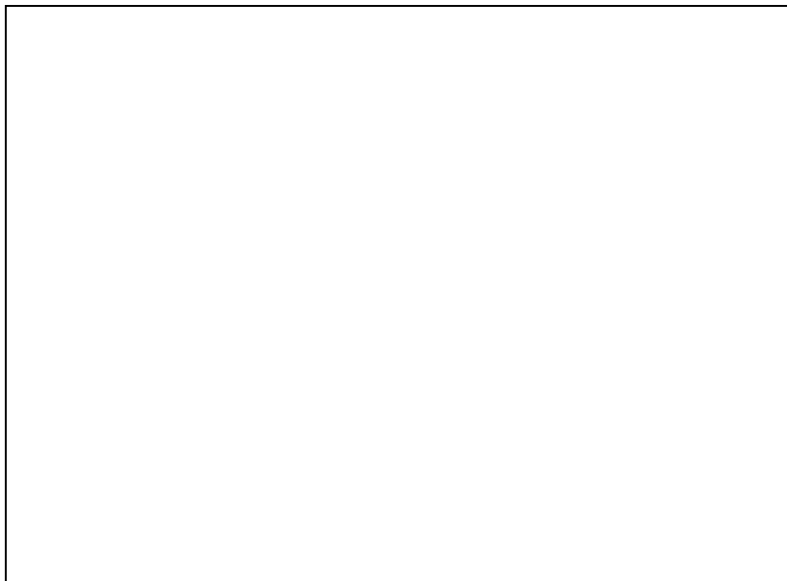
Based on what has been discussed above, poverty in Islam can be defined as the lack of command over resources required to fulfill the *nisab* of *zakat* (the minimum level of resources subject to *Zakat* in *Sharia* 'h)

3. Measurement of Poverty

The ambiguity inherent in secular economic thought, with regard to the concept of poverty and the rekindled conflict over it, has led to difficulties in designing an accurate index for measurement. In this connection, the most widely used measures are those of income inequality³¹. The Lorenz curve, for example, is a graphical representation for the distribution of a group of data on poverty incidence. Thus, it is used to show the concentration of ownership of economic quantities such as income and wealth. If the cumulative distribution of the amount of the variable of income is plotted as the ordinate against the cumulative frequency distribution of the individuals possessing the amount plotted as the abscissa, the resultant curve is a Lorenz curve. The curve is, basically, based on the assumption that if there is equal distribution the curve will be a straight line (see the figure below). The curve shows the percentage of income received by the bottom X per cent of the population; with X varying from 0 to 100. The main advantage of the curve is that it tells something about the comparative levels of social welfare without specifying anything very particular about the extent of the welfare function (Sharma, 1990). In the figure above the straight line shows the assumed 100 per cent equal distribution of income

If the distribution is unequal, Lorenz curve will lie a way from the line - depending on the extent of inequality. Thus, a further curve such as C shows high inequality relative to curve B which, in turn, shows greater inequality relative to curve A. In Islam, these measures can be used, especially, Lorenz curve which will then be reduced (the curve will be closer to the inequality line than that in the non-Islamic system as shown in the dotted fashion as C', B', and A', respectively).

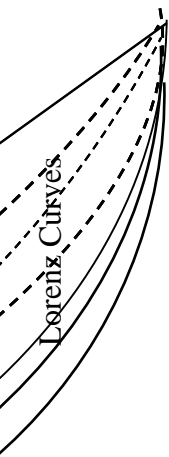
³¹ Such as the range, the relative mean of deviation, the variance and coefficient of variation, the standard deviation of logarithms, the Gini coefficient, Lorenz curve, Theil's Entropy measure, Dalton's measure, ..., Atkinson's measure, Head count measure, income - gap ratio, ..., etc- for details of problems in the measurement of Poverty see Aron Sharma. 1990. Concept and Measurement of poverty. New Delhi: Anomal Publications.



However, in Islam the emphasis is more on equality in social opportunities than it on the equality of incomes³². This is definitely, a more realistic way of dealing with poverty.

Most important is the emphasis that Islam gives due consideration to the satisfaction of basic needs of all individuals. It is worth mentioning that these needs

differ depending on the different economic and social conditions, as well as, with the passage of time.



Cumulative % of population

However, according to Al – Qaradawi, some Hanafi jurists interpret basic needs as those needs that ward-off man's extinction either directly such as expenditure on consumption, shelter, war

³² Ataul Haq, loc.cit.

equipment, and cloth or indirectly, such as debt where the person will be in need to pay it back lest he may be imprisoned; means of transportation; house furniture; equipment for the profession and books³³. However, the quantity and quality of these needs are to be determined by the head of state of a particular country depending on the overall economic conditions and stage of development. This is how it differs from the unlimited needs in capitalism where individuals are left to their discretion in pursuing their needs. This has been emphasized by Adam Smith who argues that " by necessities I understand not only the commodities which are indispensable for the support of life but whatever the custom of the country renders it indecent for creditable people even of the lowest order to be without"³⁴ .

3.1 An Index of poverty line in Islam

In secular economic theory there has been a continuous debate about the nature of the poverty index. That is to say, whether it is to be taken as absolute or relative³⁵. In Islam, however, the concept of poverty line is made clear by the clear identification of the poor. The Holy Quran says "Alms are for the poor and the needy ..."³⁶. According to Al- Qaradawi the *faqir* and *miskin* who are eligible for *zakat* are the ones who satisfy these conditions (according to the Hanafi jurist)³⁷ :

- (1) One who possesses nothing i.e. the *miskin*.
- (2) One who possesses a house, household effects, furniture, and whatever necessary for his life regardless of their value – but no *nisab* of zakatable item.
- (3) One who possesses less than the *nisab* money of 200 dirham of silver.
- (4) One who possesses less than the *nisab* of non- money items, for example, less than five of camels or less than forty of sheep on condition that their values are less than the money equivalent of 85 grams of gold.

Whereas, *faqir* and *miskin* according to Maliki, Shafi, and Hanbali jurists are the ones who satisfy one of the following conditions:

³³ Yousif Al-Qaradawi. 1986. *Fiqh al-Zakat*. Beirut: Muasasat Al-Risala, v. 1. pp.152-153.

³⁴ Quoted in Victor R. Fuchs. 1992. " Poverty and Health: Asking the Right Questions", in the *American Economist* No. 2: p. 13.

³⁵ See Buhong zheng. 1994. " Can Poverty Index both Relative and Absolute" in *Econometrica*, vol. 62, no. 6,(November): 1453- 1458

³⁶ (9:60)

³⁷ Al – Qaradawi , *op. cit.* , pp. 547- 548.

- (1) One who possesses no money or does not earn any income.
- (2) One who has money or income but insufficient to maintain him and his dependents i.e. less than 50% of their sufficiency.
- (3) One who has money or income satisfying 50% or more of his sufficiency and that of his dependants. But not perfect sufficiency.

Accordingly, *Nisab* – the minimum limit of resources subject to *Zakat* in *Sharia'h* – is the poverty line in Islam. The *Nisab* has been determined by *sunnah* for all zakatable items including, gold, silver, merchandise, livestock, fruits and seeds, ..., etc. But the question is: Which one of these is to be considered for determining the poverty line? The answer to this question has been tacitly provided by the justification that the *nisabs* of the different items have been equivalent in their purpose, for example, five ounces of silver can provide for the subsistence of a nuclear family (consisting of three persons) for the whole year (Al – qaradawi, 1986). Likewise, is the case for 85 grams of gold. Therefore, there has been a consensus that 85 grams of gold or its value (in the case of money) is to be considered the poverty line. In Sudan, for example, this poverty line would be around £s 425 per month per Family having only one earning member- which is then termed hard core poverty. (Its calculation is based on the average price of gold during the past six months, i. e., £s 60 for one 21-carats gram of gold).

What is to be noted with this index is the quality of the nature of transfer that has, in turns, emerged from the nature of *zakat* itself i.e. *zakat* being both an act of worship (right of Allah (S.W.T) and right of poor in the wealth of rich, represents direct transfer from the rich to the poor in which case poverty will be directly reduced. Consequently the Nisab of *zakat* can be described as distribution-sensitive index of poverty satisfying even international standards of poverty indices³⁸.

4. Treatment of Poverty

To start with, by the very title we deliberately want to diverge from the conventional use of poverty eradication. For this word carries a connotation of a once and for all dealing with the problem of poverty without recurring again. This conceptualization has been continuously held in conventional economic thought. Astonished by the glaring inequality in the world development,

³⁸ See Buhong zheng. 1994. ‘‘ Can the Poverty Index be both Relative and Absolute’’ in *Econometrica*, vol. 62, no. 6, (November): 1453 – 1458 .

some Western economists have, recently, pointed to the fact that poverty is there as long as there is lavish consumption in the developed world. Therefore, "people in the rich countries should be challenged to bring down their lavish food consumption. It is estimated that if the average American were to reduce his consumption of beef, pork and poultry by 10 per cent, 12 million tons or more of grain would be saved³⁹". Thus, it is a matter of changing the present consumption pattern in rich countries in favor of poor countries to release some resources for development in the latter if poverty is to be mitigated.

In Islam, on the other hand, the problem of poverty will be there so long as there is a defect in one or in some parts of the whole system. The absence of the institution of *zakat*, for example is direct indication for the existence of poverty, even if it is non-observable. The plea that growth and development will produce trickle-down effects to tackle the issue of poverty should be refuted. Therefore, Islam emphasizes individual, social, political (state), and *Ummatic* efforts to create an ever dynamic assault on poverty.

Individually, Islam urges people to be active, dynamic, strong and productive. The prophet (S.A.W) says "The strong believer is better and more favoured by Allah than the weak one". Also, an able man should provide for his needs and those of his dependants. Thus the assault against poverty starts by creating that kind of person.

Socially, the Islamic way of life demands social coalition by taking care of each other; by helping each other; and by consulting and advising each other. In every society there are widow, orphans, handicapped people, and laboring breadwinners who need to be supported. Islam never turns away from these categories but, to stress their help, it orders wealthy people to aid them by what Allah (S.W.T) has made them (wealthy people) in charge with "Believe in Allah and messenger, and spend (in charity) out of the (substance) whereof he has made you heirs⁴⁰." and "And in their wealth there is a due share for the beggar and the deprived⁴¹". However, the exertion of wealth for help is to start with family members, then the orphans, then the deprived (*masakin*) "To spend of your substance, out of love for him, for your kin, for the orphans, for the needy, for the wayfarer⁴²". If this principle has been put into practice we can imagine how effectively poverty

³⁹ Gunnar Myrdal's Nobel Memorial Lecture, March 17, 1975. 1989. "the equality issue in World Development in The American Economic Review – Dec.

⁴⁰ (57: 7).

⁴¹ (51 : 19).

⁴² (2: 177).

can be eliminated. For, the most knowledgeable of the poor and the most close to them are their kin.

At the state level, responsibility for the people, including provision of basic needs and decent life, is the foremost priority in Islam. The state means peace and order, legislation, assessment of extent of poverty, and the course of action against it. Thus its role is pivotal to the extent of making any program, on poverty treatment, a success or failure. Perhaps the most inspiring and influential role of the state, after the demise of the prophet (S.A.W), can be seen during the reign of the four rightly-guided successors and the reign of Umar ibn abd al-Aziz where, for example, there were instances when no one was willing to accept *zakat*⁴³.

Finally, all Muslims are ordered to remain united (*Ummah*) regardless of race color, time or space. With this understanding there will be wider chance for resource mobilization and inter country cross- subsidization. For, whenever there is destitution as a result of natural calamity, catastrophe or lack of resources, the thrust for help becomes a duty rather than solely seeking worldly benefit.

The above efforts although look intermingled in nature, can be subsumed into three kinds of measures – involving formulation and implementation of policies through positive, preventive, and corrective measures⁴⁴.

4.1 Positive Measures

Positive measures relate to factors that lead to the betterment of the general welfare of the people such as economic development and human resource development. The underdevelopment of most of Muslim countries had led non-Muslims to be skeptical about Islam i.e that Islam as a value system, injunctions, and a way of life, is uncondusive to development. Parkinson, for example, argues that "Malay's retardation is to be blamed on certain Islamic beliefs that tend to make them fatalistic in their approach to life⁴⁵". Actually, the opposite is true. For, when Muslims loosened their grip of the complete Islamic system their situation worsened. Not only that the applied economic patterns of development are alien to the actual structure of these Islamic countries because of concentrating on the material aspect overlooking the social and ethical one

⁴³ See Ibn Abd Al- Hakam . 1954. Syrat Umar ibn Abd al- Aziz. Damascus: Dar al- Fikr. P. 59.

⁴⁴ See Abul Hasan M. Sadeq. 1993. Eradication of Poverty from an Islamic (unpublished paper) in the Conference on Globalism and the Muslim *Ummah* 16-17 October 1993, International Islamic University Malaysia and UMMI Foundation.

⁴⁵ B. K. Parkinson . 1967. 'Non-economic Factors in the Economic Retardation of the Rural Malays'', in Modern Asian Studies Vol. 1.

which is part and parcel of the concept of development in Islam⁴⁶. Development in Islam aims at actualizing the will of Allah (S.W.T) for the rehabilitation, construction, and habitation of earth. Thus development is a sacred ordinance which goes beyond this world to the hereafter. In this connection, the top priority should be given to production processes that lead to the satisfaction of basic needs of all people rather than a few people. Further, distributive justice should be understood on the basis of ‘to each his due’. This principle must be made consistent with the attainment of efficiency.

Another dimension of the positive measures is human resource development. It is well known in Islam that man is the vicegerent of Allah (S.W.T) on earth. This vicegerency demands a fairly equipped person to handle his productive activities properly. For, the work we do is a form of worship that is why the Holy prophet (S.A.W) says ‘Allah likes if you undertake a job, you do it perfectly’. Therefore, both the individuals and the state should make their best to educate and train people. In this context, equal opportunity should be provided for all and all should be urged to work.

4.2 Preventive Measures

These are measures which relate to the prohibition of practices that lead to the concentration of wealth in a handful of people and the deprivation of the majority. It is worth mentioning that Islam has no objection to private business so long as this business is initiated and run on fair bases. Several Quranic teachings emphasize this point, for example, ‘O ye who believe! Eat not up your property among yourselves in vanities: But there be amongst you traffic and trade by mutual goodwill’⁴⁷. Consequently, business fraud, unjust prices, monopoly, and exploitation of one party by another are completely prohibited in Islam. In addition many illegal contracts are prohibited such as speculative sale (*bay’ al-gharar*), the sale of the non-existent at the time of selling, sale-at-a-touch (*mulamasah*), sale-at-a-toss (*munabasah*), and the sale of the *najash* (one who pretend to be buying, whereas he is actually trying to bid up the price). Market imperfections are, also, prohibited in Islam, for example, the interception of the goods before they get to the market, because of the risk involved with regard to their value; and the deception of the *mustarsil* – one who does not bargain; and the hoarding of necessities (Ibn Taymiyah, 1982).

⁴⁶ See Mohammad Fuad al-Sarraf. 1980. *The Challenging Problems of Development and Responsibilities of Islamic Banks*, translated by Feisal Abdel Lateef, International Institute of Islamic Banking and Economics.

⁴⁷ (4: 29).

Accordingly, Islamic teachings emphasize the role of the state in promoting and ensuring fair business practices. The prophetic state of *Madinah* witnessed the innovation of a vital institution that maintains a fair business game; the institution of *hisba* (public duty) of which the person in charge plays the role of an inspector entrusted with observance of business ethics⁴⁸. Not least important is the prohibition of interest having pervasive social and economic chaos.

4.3 Corrective Measures

Corrective measures involve the transfer of wealth from wealthy people to the needy and the poor. This transfer takes the form of compulsion (*zakat*) and recommendation (charities and *waqf*). Zakat represents a unique institution in the Islamic system. It is a fixed mandatory payment made by wealthy people to the poor without any benefit in return. Thus it can be cited as the most effective means for poverty treatment⁴⁹. This uniqueness is no surprise since Islam has placed *zakat* among its five basic pillars, ranking immediately after *salat* (prayer) which shows the high concern for poor. As Islamic teachings call for the provision of basic needs to all people, the state is charged with complete responsibility of the collection and distribution of *zakat*. Both collection and distribution are designated by the Quran in a way that tells but unmatched social security system. Among the categories eligible for *zakat* the *faqir* and *miskin* come first though some poor Muslims can hardly be known. This is clarified by Quran which says '(charity is) for those in need, who, in Allah's cause are restricted (from travel) and cannot move about in the land, seeking (for trade or work): The ignorant man thinks, because of their modesty, that they are free from want⁵⁰'. So, how can we know them? Here, comes the role of the state where the needy and the poor should be separated from the non-needy through surveying observable *zakatable* funds such as merchandise, livestock, fruits and seeds, mineral and marine wealth, and estates or a stock of money equivalent of 85 grams of gold (£s 5100) and saved for a period of one year. In this regard, the specified rates and *zakatable* minimum of the above items can be used as destitution reference indicators for and the prevalence of poverty⁵¹. Accordingly, *zakat* (and other funds) can be either distributed or invested for the cause of the needy. If in a particular region there are no needy people, *zakat* can be transferred to other regions where the incidence of poverty is most dominating. Thus,

⁴⁸ Ziauddin Ahmed. 1991. Islam, Poverty and Income Distribution, Leicester, U.K: The Islamic Foundation. P.30.

⁴⁹ For more insights see Ataul Haq, *op. cit.*, pp. 11-12.

⁵⁰ (2: 273).

⁵¹ Some Islamic jurists argue that the *zakatable* of each item is the minimum value sufficient Muslim maintaining a nuclear family (defined as a family consisting of a husband, a wife, and a third individual – housemaid or son i.e three persons). Hence this survey is a proxy for surveying on the basis of the equivalent of 85 grams of gold.

the treatment of poverty is made nation-wide and could be made *Ummah*-wide if we consider it in a framework of borderless Islamic world or states.

In addition to that, another form of compulsory transfer takes place through the obligatory maintenance of the kins, where there may be orphans, widows, aged or handicapped people, or laboring breadwinners. Inheritance is another form of compulsory transfer, as well, where the poor may not only have access to resources enough to satisfy the basic needs but may become rich enough to operate their own businesses. Non-compulsory transfers, on the other hand, are highly recommended in Islam, especially, when a person possesses wealth that is beyond his needs or when a poor is in an urgent need.

5. Conclusion

In secular Economics there has been a profound difficulty of conceptualizing poverty. For, it involves a lot of ethical and moral aspects, which breed an element of normative judgment which is deemed alien to the methodology of the science, therefore, the process of policy formulation and implementation often falls short of dealing with the issue of poverty. Islam, on the other hand, is comprehensive with all aspects of life being highly intermingled. Thus, it is unique in its understanding and the course of action it takes when it deals with any problem including poverty issues. As far as poverty is concerned, there are some important concepts to be taken as basic pillars in the blue-print of both conceptualizing and treating poverty. These concepts deals with issues such as the just distribution of income, that wealth ultimately belongs to Allah (S.W.T) that Islam strikes a middle way, and that there are basic needs or necessities which should be provided for all. With this background, the concept of poverty in Islam transgresses the limit of being mere lack of sufficient material needs but a need that hinders the sacred role of worship, i.e., a hindrance to actualizing the concept of man vicegerency on earth.

With regard to poverty measurement, the issue has been tackled with fixing the *nisab* of *zakat* as a poverty line, the most beautiful aspect of which is the quality of the nature of transfer inherent in *zakat* i.e the transfer being, directly, from the rich to the poor which , in turn, directly reduces the incidence of poverty. Therefore, this poverty line is distribution-sensitive index satisfying social justice standards.

Most important with poverty treatment is the Islamic understanding that there will be a problem of poverty so long as there is a defect in one or some parts of the whole system. The absence of the institution of *zakat*, for example, is an indication of the incidence of poverty, even if not observable. The assault against poverty, therefore, starts with the individual who is supposed

to maintain himself and his dependents. Socially, there must be a coordination of surveying the widows, orphans, handicapped, and laboring breadwinners for ensuring their financial assistance. At the level of the state, the provision of basic needs to all is imposed by the very clear injunctions of *sharia'h*. Finally, the unity of the *Ummah* is part and parcel of poverty treatment through inter-country cross subsidization and resources mobilization. Although these efforts are inextricably intermingled, they are subsumed under positive, preventive and corrective measures. Positive measures lead to the betterment of the general welfare of the people; preventive measures relate to practices that lead to the concentration of wealth in a handful of people and the deprivation of the majority; and corrective measures relate to the ease of channeling transfers from wealthy to needy people.

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