

Evolving Views on Poverty and Welfare: An Analysis of Conventional and Islamic Approaches

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Abstract

Poverty is multidimensional in nature. As a result, there are different conceptualizations of Poverty. In this paper, the focus is exclusively on the conventional and Islamic approaches to poverty and welfare. All conventional approaches concentrate on the well-being of individuals, necessities of minimum needs, nutritional deprivation, basic needs, capabilities and vulnerability respectively. However, the most balanced and unique conceptualization of poverty is based on the Islamic approach. A systematic study of the Qur'an, the traditions of Holy Prophet Muhammad (Peace be upon him), the conduct of righteous caliphs and the writings of early Muslim jurists would make it clear that the poor, indigent, and destitute are given adequate importance. The Islamic state is responsible to assist and rehabilitate the poor and the needy. One of the means of assistance and rehabilitation is Zakat. Other means are Ushr, Sadaqat, Gifts and other assistance transfers to the poor and collectively all are called Infaq. Based on the conceptual and theoretical evidence, the paper concludes that Islamic approach supports a poverty-alleviation strategy based on the principle of equality of opportunities for everybody.

I. Introduction

Poverty is multidimensional in nature. As a result, there are different conceptualizations of poverty and welfare. It is a series of contested definitions and arguments that overlap and at times contradict each other. It is differently seen as a big phenomenon or small phenomenon, as a growing issue or a declining issue, as an individual problem or a social problem, as a country problem or a regional problem, as a religion problem or a cultural problem and as urban problem or a rural problem. Thus in understanding poverty the task is to understand how these different visions and perceptions overlap, how they interrelate and what the implications of different approaches and definitions are?

Poverty is a concept not so difficult to grasp in the abstract but at the same time,

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extremely complex to frame in a satisfactory 'operational' way¹. Hence, different individuals have in their studies perceived poverty in different ways. Not surprisingly, there is much ambiguity in the way of poverty as discussed by social scientists and analytically quantified by economists.

Poverty means going short materially, socially and emotionally. It means spending less on food, on heating, and on clothing than someone on an average income Above all, poverty takes away the tools to build the blocks for the future-your 'life chances'. It steals away the opportunity to have a life unmarked by sickness, a decent education, a secure home and a long retirement [Oppenheim and Harker, (1996), P. 4-5].

The evidence of improving living standards over this century is dramatic, and it is incontrovertible. When the pressure groups say that one-third of the population is living in poverty, they cannot be saying draconian subsistence levels used by Booth and Rowntree [Moore (1989), P. 5].

Almost two and half decades ago, Amartya Sen (1981) addressed this issue in the context of persistent starvation in the midst of plentiful food stocks, noting that different social groups employ different means, to gain access and control over food. The simple existence of sufficient food, he asserts, does not necessarily ensure access to that food. The means of securing access, which nearly always involves institutional interaction, are critical. Institutions limit or enhance poor people's rights to freedom, choice, and action [Sen (1984, 1999)].

Hence, the persistence of poverty is linked to its interlocking multidimensionality: it is dynamic, complex, institutionally embedded, and a gender-and location-specific phenomenon. The pattern and shape of poverty vary by social groups, season, location, and country.

Nevertheless, the present study is devoted to the theoretical conceptualization of poverty and welfare. The description of various concepts has been kept within reasonable limits. Whereas Islamic views on poverty and welfare are concerned, these are universal, natural and practical.

The major objective of the study is to present the review on ideas, theories and approaches of poverty and welfare. The present study is arranged as follows. Section II describes the various approaches including Islamic theory on poverty and welfare in some detail. Finally, in section III, we present summary and concluding remarks.

II. Poverty and Welfare

There are many different definitions and concepts of poverty and welfare. For example, we can think of one's well-being as the command over commodities in general; people are better off if they have a greater command over resources. Or we can think of the ability to obtain a specific type of consumption good (e.g. food, housing). People who lack the "capability" to function in society might have lower well-being (Sen,

¹ See Malik, S. (1992).

1987) or be more vulnerable to income and weather shocks. A more balanced and comprehensive approach on poverty and welfare is Islamic framework, which emphasizes the moral aspects of economic theory.

The World Bank (1990) defined poverty as “the inability to attain a minimum standard of living”. Again the World Bank (2000) defined poverty as lack of command over commodities; or as a severe constriction of the choice set over commodities, leading to pronounce deprivation in well being or welfare. This definition is much broader and extends beyond food and non-food items to include key assets and social determinants, which are essential for human development.

Lipton and Ravallion (1995) state that, “poverty exists when one or more persons falls short of a level of economic welfare deemed to constitute a reasonable minimum, either in some absolute sense or by the standards of a specific society”. Any definition of poverty includes a given level of welfare below which a person will be considered poor. Then, it is necessary to determine how to assess welfare. In this respect, there are many approaches in the literature, which are discussed follows.

A. The Welfarist Approach

The welfarist approach is strongly anchored in classical microeconomics, where, in the language of economists, “welfare” or “utilities” are generally key in accounting for the behavior and the well being of individuals. In other words, this approach tends to concentrate in practice mainly on comparisons of “economic well-being” which we will also call “standard of living” or “income” (for short). This approach has strong links with traditional economic theory, and it is also widely used by economists in the operations and research work of organizations such as the World Bank, the International Monetary Fund (IMF), and ministries of finance and planning of both developed and developing countries.

Classical microeconomics usually postulates that individuals are rational and that they can be presumed to be the best judges of the sort of life and activities, which maximize their utility and happiness. Given their initial endowments (including time, land and Physical and human capital), individuals make production and consumption choices using their set of preferences over bundles of consumption and production activities, and taking into account the available production technology and the consumer and producer prices that prevail in the economy. Under these assumptions and constraints, a process of individual and rational free choice will maximize the individuals’ utility; under additional assumptions (including that markets are competitive, that agents have perfect information, and that there are no externalities-assumptions that are thus very restrictive), a society of individuals all acting independently under this freedom of choice process will also lead to an outcome known as pareto-efficient, in that no one’s utility could be further improved by government intervention without decreasing someone else’s utility.

Underlying the welfarist approach to poverty, there is a premise that good note

should be taken of the information revealed by individual behavior when it comes to assessing poverty. This says, more particularly, that the assessment of someone's well-being should be consistent with the ordering of preferences revealed by that person's free choices. For instance, a poor could be observed to be poor by the total consumption or income standard of poverty analyst. That same person could nevertheless be able (i.e., have the working capacity) to be non-poor. The welfarist approach bases comparisons of well-being solely on individual utilities, which are based on social preferences, including poverty comparisons [Ravallion (1993)].

Some problems related with this approach are the need to make inter-personal utility comparisons to obtain social welfare functions, the degree of validity of full-information and unbounded rationality assumptions on the part of the consumers, as well as the possible conflicts between individual maximization and valuable social objectives.

Hence, welfarist comparisons of poverty almost invariably use imperfect but observable proxies for utilities, such as income or consumption. These money-metric indicators are often adjusted for differences in needs, prices, and household sizes and compositions, but they clearly do remain far-from-perfect indicators of utility and well-being. Indeed, economic theory tells us little about how to use consumption or income to make consistent interpersonal comparisons of welfare. Besides, the consumption and income proxies are rarely able to take full account of the role for well-being of public goods and non-market commodities, such as safety, liberty, peace, health. In principle, such commodities can be valued using reference or "shadow" prices. In practice, this is very difficult to do accurately and consistently.

B. Budget Standards Approach

Budget standards approaches to defining absolute poverty or simply poverty are based on attempts to determine a list of necessities of minimum needs and quantify them, the absence of which can then be used as a poverty line below which, presumably, people should not be permitted to fall. They are thus absolutists in structure; but, as Bradshaw et al. (1987) argue, budgets can also represent socially determined needs. Budget standards definitions are usually based on the notion of a basket of goods. Rowntree pioneered the idea in his studies of poverty in York [(1901, 1941) Rowntree and Laves (1951)], where a weakly diet was constructed based on the advice of nutritionists.

In short, the adequate satisfaction of minimum needs or necessities is a fundamental condition of life above the poverty threshold. What should we have to sustain life? But what we required for life will in practice differ depending on place and time. In this concept, therefore, a value judgment² necessary enters into the choice of poverty threshold. Charles Booth (1889) suggested the poverty cut off point in terms of minimum needs.

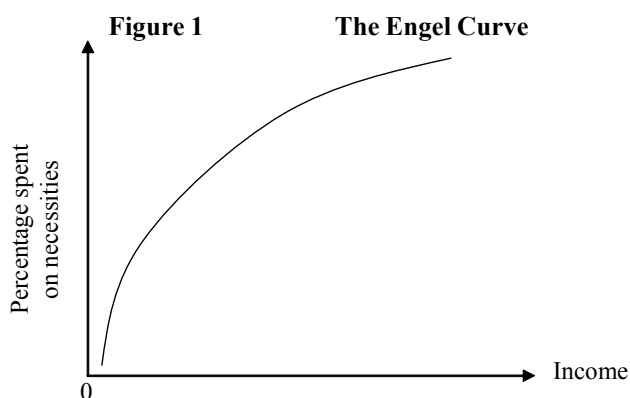
² For details, see Sen (1981), P. 17-19.

Rowntree (1901) defined families as being in ‘primary poverty’ if their ‘total earnings are insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency’. It is not surprising that biological considerations³ related to the requirements of survival or work efficiency have been often used in defining the poverty line. Accordingly, if a person is unable to meet the minimum needs, he is generally considered to be poor. However, the process of estimation of these needs in terms of various goods and services may face difficulties as different people differ in physical and mental characteristics, conditions of work, environment and social settings, age, sex, body size, climatic conditions and work activities. The common practice, however, suggests that such minimum needs include (a) physical needs considered essential for survival and working efficiency, and (b) social and conventional needs. Whereas food requirements can be estimated more accurately, the subjective influences are difficult to rule out completely.

C. Food Expenditure Approach

This approach, as an indicator of poverty and welfare, has gained wide popularity in the last two decades⁴. The writings on nutritional deprivation and hunger have made many to believe that a household would typically give priority to food in its consumption allocation. Hence, the expenditure on food may be a better guide to a household’s overall economic solvency and opulence than more variable indicators.

Following the nineteenth-century German researcher Engel, she compared the expenditure patterns of families at different income levels, and she found that lower-income families spent a greater proportion of their income on necessities. The proportion of income spent on necessities thus declined as income rose and more non-necessities were purchased. This is referred to as the ‘Engel curve’ (Figure 1)



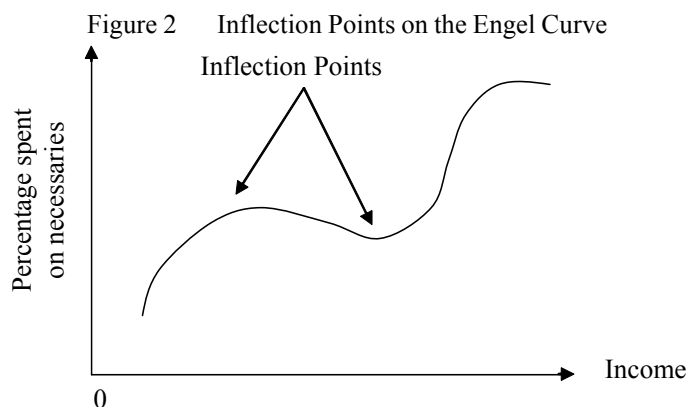
Orshansky argued that average expenditure devoted to necessities could thus be used to determine the poverty level. She suggested that people were in poverty if more

³ For detailed concept of Biological considerations, see Sen (1981), P. 11-14.

⁴ For more details, see Timmer et al. (1983), Nicholson (1987), Anand and Harris (1990), among others.

than 30 percent of the household budget was spent on food [Orshansky (1969); see Bradshaw et al. (1987), P. 173]. This provides an income proxy for poverty, based on the purchase of necessities. And of course the cut-off point need not necessarily be 30 percent, or the measure need not only be expenditure on food. For instance in Canada a level of 62 percent of spending on food, clothing and shelter has been used. However instead of fixing the point arbitrarily it could be discerned from the Engel curve itself [Alcock (1997), P. 77-78]. Engel curves are not usually a simple curve, but are more of an 'S' shape, representing more complex changes in patterns of expenditure (figure 2).

The inflection points, marked by the arrows, are where the marginal propensity to consume more of a particular type of good accelerates or slows down the 'turn over point'. Above the first point, higher income makes a wider range of expenditures possible; later points are likely to represent stages where the variety of new expenditure is exhausted and the quality of goods bought becomes an issue in determining patterns. The turnover point therefore gives the level at which choice replaces need when determining expenditure-the poverty level. Bradshaw et al. (1987) claim that it is possible to derive such a point for most household types based on expenditure on food, clothing and fuel.



In practice this is similar conception and operation to the poverty threshold derived by Townsend and others from the deprivation indicator approach. Of most significance here is the work of Van Praag and his colleagues at the University of Leyden in the Netherlands [Van Praag et al. (1982)]. Fairly complex statistical analysis was then employed to derive poverty lines from the two sets of responses, based on what the respondents had said was necessary for an adequate standard-the 'Leyden poverty line'.⁵

In an innovative model Anand and Harris (1990) have analyzed the way food expenditure can be used as an indicator of the general living standard of a household.

⁵ See Veit-Wilson (1987), p. 190-191.

Accordingly, a household may not give equal priority to preserving all types of expenditures and given the importance of food, it is not unreasonable to expect that it would attach the highest priority to preserving the expenditure on food.

Anand and Harris consider four possible indicators of living standard, (a) income per capita (b) total expenditure per capita (c) food expenditure per capita and (d) share of food in total expenditure. Their analysis of Sri Lanka data suggests food expenditure per capita to be the best guidance to the household's economic opulence. The proportionate share of food in total expenditure, in addition to above, may also be considered a useful indicator. However, it has been supported by Nichlson (1987) while it gets second ranking in Anand and Harris categorization.

D. Nutritional Level Approach

Poverty is also conceptualized in relation to only nutritional norm's, which includes calories and proteins. This concept is based on the consideration that food is the most basic of human needs. This concept of poverty/absolute poverty finds its origin in the first empirical attempt to measure poverty in a scientific way by Charles Booth (1889) in his studies of the poor in London in the later half of 19th century. Booth's work was followed by Rowntree's study of poor in York [Rowntree (1901)].

Booth considered a family to be poor if its total earnings were insufficient to obtain the minimum necessities for the maintenance of mere physical efficiency. The minimum necessities were calculated by estimating the nutritional needs of families of different items of food valued in money terms. This value was then taken as the poverty line. Any family whose earnings fell below this line was considered to be poor.

Rowntree (1901) attempted to use the independent judgment of nutritionists in order to determine a basic diet to act as a subsistence definition of poverty. He distinguished between primary and secondary poverty. Primary poverty referred to those who did not have access to the resources to meet their subsistence needs and where as secondary poverty to those who seemingly did have the resources but were still unable to utilize these to raise themselves above the subsistence level-although Rowntree distinguished between these, he referred to both as poverty.

The mechanism is, however, not as simple as described above. The criterion for measuring undernourishment has caused many debates. The traditional 'intake norms' approach involves the specification of certain nutritional norms of required intakes and a diagnosis of undernourishment if the actual intake of people fall below these norms.

This approach has come under rather severe attack in the last two decades from critics that have stressed the importance of interpersonal variation as well as adaptive adjustments influencing the relation between food intakes and achieved nutritional levels. It is suggested that the nutritional adaptations take place in such a way that body can adapt to low intakes by cutting down the nutritional needs without any effect

on body size and other features. Hence, it is claimed that many of those identified as falling below the calorie norms may, in fact, not be nutritionally deprived significantly [Sukhatme (1978, 1982)].

Dasgupta and Ray (1990), on the basis of reviewing the relevant medical literature, suggested that biological evidence did not favor the thesis of nutritional adaptation. It has been pointed out that both interpersonal differences in nutritional requirement and inter-temporal variations in intakes are accepted as real possibilities. They go on to investigate the implications of undernourishment on working capacity, unemployment and continuing poverty.

A side from above definitional problems this approach is quite useful. It has been using frequently in Pakistan by many economists and researchers.

E. Basic Needs Approach

A similar approach to minimum needs, underlined mainly by the ILO, defines poverty in terms of lack of 'basic minimum needs' (BMN). In 1976, ILO stated that creation of more jobs [through World Employment Programme (WEP)] was not enough; every employed person must earn adequate income for minimum living [ILO, (1976)]. ILO defined basic needs in quite clear terms: items of consumption (food, clothing, housing) and services (water, health, sanitation, transportation and education). The above set of items of consumption is generally regarded as the 'private basic needs' while the set of services is termed, as 'public basic needs'. According to this approach the cost of the bundle of these basic needs constitutes the poverty line, and persons with incomes inadequate to meet the cost this bundle are regarded as poor [Malik, S. (1992)].

The Streeten et al. (1978) categorizations of basic needs into a hierarchy of four groups seem to derive its rationale from similar considerations. According to the authors, wants which are essential for 'bare survival' are at the lowest level of the hierarchy of basic needs. Any individual who failed to satisfy these wants would not survive. At the next level, basic needs are those necessary for 'continual survival'. This includes the minimum amounts of food and water, medical services for protection from fatal diseases and adequate shelter and clothing.

At a third level, basic needs relate to 'productive survival', which includes higher level of food intake, better medical services and some education. Finally, at a fourth level, basic needs depend on non-material needs such as participation in making decisions.

Basic needs can be understood as the physical inputs that are usually required for individuals to achieve some functioning's. Hence, basic needs are usually defined in terms of means rather than outcomes, for instance, as living in the proximity of providers of health care services (but not necessarily being in good health), as the number of years of achieved schooling (not necessarily as being literate), as living in a democracy (but not necessarily as participating in the life of community), and so on. In

other words, basic needs may be interpreted in terms of minimum specifies quantities of such things as food, shelter, water and sanitation that are necessary to prevent ill health, undernourishment and the like [Streeten et al. (1981)].

This approach is also called non-welfarist approach and it is also not free from limitations. For example, any one who has inadequate food will be termed poor even if he is well clothed and housed, or conversely, if he is well fed, then he is termed poor only if he has inadequate clothing etc. [Srinivasun (1977)].

F. Capabilities Approach

An important consideration in poor societies is to achieve basic positive freedom. Which means, are they adequately nourished? Can they line full span of life? Can they read and communicate? An answer to such questions brings us to the work of Amartya Sen, a multidimensional economist, who has written extensively, among other fields, on the concept, methods of measurement and social philosophy of poverty. The issues raised above are adequately discussed in Sen's nation of 'capabilities' [Sen (1979, 1981, 1982, 1983, 1984, 1985, 1987, 1992, 1999)]. This concept has been dealt with in detail in his Gerry lecture 'poor relatively speaking' [Sen (1982)], Hennipman lectures on 'commodities and capabilities' [Sen (1987)] and Tanner lectures entitled 'standard of living' [Sen (1987)].

The capability approach (Non-welfarist approach) is defined by the capacity to achieve functioning's. In Sen's words (1997), the capability to function represents the various combinations of functionings (beings and doings) that the person can achieve. Capability is, thus, a set of vectors of functionings reflecting the person's freedom to lead one type of life or another. (P. 40).

What matters for the capability approach is the ability of an individual to function well in society; it is not the functionings actually attained by the person. Having the capability to achieve "basic" functionings is the source of freedom to live well, and is thereby sufficient in the capability approach for one not to be poor or deprived. Since, a less narrow definition of poverty characterizes as poor, individuals and households lacking capabilities. This refers to all individuals who are unable to achieve certain "functionings" beings and doings [Sen (1999)].

According to Sen the constituent part of the standard of living is not the good, nor its characteristics but the capability to do various things by using that good or those characteristics. In other words, freedom as expressed in basic capabilities provide the ability to achieve valuable functioning bundles any one of which can be attained (sufficient level of nutrition enabling a life free from hunger).

The capabilities approach may be viewed as a modified Rawlsian framework [Rawls (1971)]. With 'capabilities' being substituted for the 'primary goods' on which Rawls focuses his distributional rules. Capabilities also substitute for traditional utility. In this way capability mediates between object and desire, providing a new conceptual

basis from which to examine the definitions of well-being and poverty.

In this approach, poverty is interpreted as lack of capability. The operationalization of this approach is difficult, but an attempt has been made in the UNDP Human Development Reports (HDR). The capabilities approach has been criticized on the ground that it does not clearly recognize the role individual preferences play in welfare, thus taking the opposite extreme to the welfarist approach.

G. Vulnerability Approach

Insecurity is an important component of welfare and can be understood as vulnerability to a decline in well-being. The shock triggering the decline can occur at the microeconomic (household) level (for example, illness or death), at the village or community level (pollution or riots), or at the national or international level (national calamities or macroeconomic shocks). In poor rural areas, the most common risks are those affecting the harvest. Vulnerability is not necessarily unexpected but could be seasonal. The risk of illness is a prime concern of the poor everywhere [Coudouel et al. (2002)].

Vulnerability is defined here as the probability or risk today of being in poverty or of falling into deeper poverty in the future. It is a key dimension of welfare, since a risk of large changes in income may constrain households to lower investments in productive assets-when households need to hold some reserves in liquid assets-and in human capital. High risk can also force households to diversify their income sources, perhaps at the cost of lower returns. Vulnerability approach may influence household behavior and coping strategies and is thus an important consideration of poverty reduction policies. The fear of bad weather conditions or the fear of being expelled from the land they cultivate can deter households from investing in more risky but higher productivity crops and affect their capacity to generate income.

Vulnerability is difficult to measure: anticipated income or consumption changes are important to individuals and households before they occur—and even regardless of whether they occur at all-as well as after they have occurred. The probability of falling into poverty tomorrow is impossible to measure, but one can analyze income and consumption dynamics and variability as proxies for vulnerability. Such analysis could be replicated for specific non-monetary variables likely to fluctuate—for instance, health status, weight, asset ownership, and so forth. When two observations in time are available (in panel data), transition matrices can be used to map changes-improvement or decline-in household welfare.

Dercon (1999) utilizes the data from rural Ethiopia and suggests significant flows in and out of poverty, a sign of vulnerability. The probability of entering poverty increased over the years of the panel: 1986-91 in rural Pakistan, while the probability of escaping fluctuated [Baulch and Mc Culloch (1998)].

When several years of panel data are available, it becomes possible to distinguish

households according to the time they spend in poverty and the frequency to their poverty spells. There are many different ways of naming these groups, and we present only one of them here. Some households will have a very low probability of falling below the poverty line (some time referred to as the transiently poor); they are not very vulnerable, even if they do experience poverty every now and then. Others will have a higher probability of falling into poverty (some times referred to as the chronic poor); they are vulnerable. Some households will typically spend most of their time in poverty and have a high probability of falling into poverty (the persistently poor); they are very vulnerable.

In practice, surveys often suggest that the group of “not very vulnerable” or “transiently poor” households is larger than the group of the “very vulnerable” or “chronically poor”. For instance, 33 percent of households were not very vulnerable, 14 percent vulnerable, and 6 percent very vulnerable over the period 1985-90, in rural China [Jalan and Ravallion (1999)].

The World Development Report emphasized the importance of distinguishing transient poverty from chronic poverty in its 1990 edition [World Bank (1990)], although it is not as explicit in its 2000/2001 edition where “security against risk” is listed as one of the three core concepts of poverty eradication policies [World Bank (2000)]. Nevertheless, the measurement of chronic and transient poverty is relatively a less explored area of research so far.

H. An Islamic Approach

Islam offers a very moderate system for the economic betterment of society, which enables its members to establish a stable and balanced economy, free from the evils of other economic systems of the world. Islam provides equal opportunities and grants natural rights to all (i.e. right of property and freedom of enterprise); and at the same time, maintains balance in the distribution of wealth; but, in order to maintain stability in the economic system, the right to private property and economic freedom is not unlimited, but is subdued by moral and legal restrictions. Thus the economic system of Islam is based on the concept of harmony between the individuals and the social good.

At several places in the Qur'an, there is a mention of the poor and the most important beneficiaries of charitable and Zakat-based spending [Peerzade (1997)]. From the economic viewpoint, the task of defining and identifying the poor, and reflecting the essence of the Islamic Shariah, would be easy when it is approached indirectly by asking: Who is not poor? When we carefully go through the following three traditions of the Prophet, it would be clear that, in the first place, Islamic Shariah intends to adopt an integrated and unsegregated approach, and in the second place, the concept of the poor is relative and dynamic [Abu Ubaid (1986), pp.806-814].

First the Holy Prophet is reported to have said that except for three persons none should beg or seek assistance. Of the three, one is a person about whom three sane

and well-informed persons belonging to his own clan should come forward to testify that the person concerned is really poor and starving. He deserves utmost help till his condition improves, and he should stop begging the moment he is assisted. It is, thus, clear that the Holy Prophet has asked people to exercise great care in identifying the truly poor, otherwise funds might be misused by unscrupulous persons. The requirement that at least three well-informed persons of the same clan should give their testimony providing first-hand information calls for great wariness and tenacity in the identification of the poor, whose number normally happens to be more than the governments' capacity to support and rehabilitate them. So far as this tradition of the Prophet is concerned, it should be noted with great care that here poverty is not expressed in quantitative terms. Reliance is placed on the identification made by three persons. From the economic view-point, when examined in isolation, this explanation would be of little help, because in the absence of a quantitative explanation, individual judgment and interpretation are bound to differ.

The second explanation as offered by the Holy Prophet is that a person is not considered poor when his assets are equal to the value of an Uqiah, which was equal to four Dinars. It is reported on the authority of Hazrat Abu Huraira that a person came to the Prophet and sought his advice on what should be done with the one Dinar that he possessed. The Prophet asked him to spend it on himself. On being told that he had another Dinar, the Prophet asked him to spend it on his family-members (meaning wife, father and mother). When the person said that he had still one more, he was directed by the Prophet to spend it on his children. When for the fourth time the same question was repeated, the Prophet then advised him to spend it on his servants. The concerned person again sought the Prophet's advice maintaining that he had one more Dinar. The Prophet gave him the liberty to spend the same in Sadqah. Abu Ubaid, commenting on this tradition, argues that the Prophet first asked the person to spend on himself, his dependants, and servants. In other words, up to four Dinars the Prophet did not regard him as an eligible Zakat-payer and, therefore, he was not asked to exercise any charity. He was asked to pay Zakat only when he declared his possession of the fifth Dinar.

Thus, an Uqiah or assets worth 40 Dirhams provided a cut-off mark because persons owning assets below an Uqiah or 40 Dirhams were not supposed to exercise charity as they were regarded as poor. They were held eligible to receive Zakat funds. It is reported that a woman approached Hazrat Umar and requested Zakat funds. He asked: "If you have an Uqiah, it is then unlawful for you to receive Zakat. She concurred maintaining that the camel she had was more than an Uqiah in value".

Thirdly, it is reported on the authority of Suhail Ansari that the Prophet remarked that a person was preparing himself for hell-fire if in spite of being well-off he sought assistance from others. Suhail Ansari requested the Prophet to explain the meaning of his possession is sufficient for two meals for himself and his family.

Abu Ubaid is of the view that the third one is the narrowest definition of being well-off, whereas a more liberal explanation is one where it is required that assets

should be equal to one uqiah or forty Dirhams [Abu Ubaid (1986), p.814]. Jurists are of the view that it is unlawful for a person to receive Zakat funds if he possesses forty Dirhams. This view has gained acceptance. Abu Ubaid maintains that forty Dirhams or an Uqiah should be over and above personal accommodation, necessary seasonal clothing, and a servant [Abu Ubaid (1986,p.815].

The cut-off mark of one Uqiah or forty Dirhams provides us the Nisab level. This Nisab level is distinctly expressed in quantitative terms, i.e., in terms of Uqiah, Dirhams, and Dinars. Thus, from the Islamic viewpoint, a person is poor when he does not own Nisab or when he owns Nisab but it is either encumbered with debt or is unproductive. The Shariah demands that a person should first clear his liabilities and then pay Zakat. It is to the credit of Islam that some fourteen hundred years ago it expressed the poverty level in quantitative terms. This has greatly cleared the way for an objective measurement and estimation of the phenomenon of poverty.

It can be maintained also that the traditions of the Prophet implicitly explain two very common terms of modern times, i.e., “absolute poverty” and “relative poverty”. For instance, when the Prophet speaks of “foodstuff sufficient for two meals”, he is in fact referring to the notion of absolute poverty. When it is said that the value of assets in possession should be more than an Uqiah, the Prophet is visualizing the relative level of poverty. Thus, a classification is considered necessary to rehabilitate the poorest of the poor first.

At present, it is common practice to express Nisab in terms of gold and silver. In the case of a person whose assets liable to Zakat consist only of gold, the Nisab is 87.48 grams of gold. For other assets, the silver-based Nisab is followed, which means 612.32 grams of silver or cash or goods for trade or any other assets liable to Zakat under Shariah, the aggregate value of which is equal to 612.32 grams of silver. It means that a person whose saving is equal to or more than the Nisab is supposed to be an eligible Zakat-payer provided other conditions imposed by the Shariah are also satisfied. In other words, he is considered as non-poor. The same argument can be stretched to define a poor person as one whose saving, if any, is less than the Nisab. In other words, he is entitled to receive Zakat funds and other forms of assistance. He is the person whose support and rehabilitation is the collective responsibility (Fard al Kafayah) of all [Peerzade (1997)].

Since in conventional approaches, the poverty level is normally expressed in terms of a certain minimum of money income or expenditure and not in terms of savings. In other words, the notion of flow is followed and the concept of stock is not considered, as is done for Zakat purposes. In Pakistan, and many other developing countries (of which many are Muslim countries), the method adopted is as follows:

- i. Determine the minimum physical quantities (i.e., how much) of the cereals, pulses, milk, sugar, oil, etc., which are necessary for bare subsistence for an individual for a day.

- ii. Know the market price of these commodities; and
- iii. Convert the physical quantities into money terms by using the price system.

This is the minimum consumption expenditure needed by a person, per day. From this we calculate expenditure per person per month or per year. This also provides an explanation of the poverty line. However, all is not well here. This process of measurement creates certain ambiguities and difficulties. For example, if we accept the World Bank's definition of poverty as the inability of a person to attain a minimum standard of living, three issues would arise: (a) how to measure the standard of living (b) how to define the minimum standard, and (c) how to express the severity of poverty in a single index. Often household expenditure/income is suggested as an indicator of the living standards but it would not capture the consumption of or entitlement to social services, health-care, education, etc., [Muzammil (1995), p.8].

At the same time, it would be wrong to believe that the Shariah explanation of poverty would be irrelevant in the context of a universal vocalization of a minimum level income/expenditure. When we go through the three examples as given by the Prophet, it would be clear that these explanations defy the time-and-space limitations. A deeper probe of their essence would reveal that the Prophet has stressed on an integrated approach. It is necessary that these traditions of the Prophet should not be studies in isolation, i.e., one tradition separately from or independently of the other. The Shariah explanation would turn out to be far more comprehensive, integrated, and broad-based than the one expressed in terms of the daily intake of a certain minimum of calories. It is integrated in the sense that, first, the poorest of the poor (a person having food for not more than two meals) is identified (by three sane and honest persons of the same locality). Once the poorest of the poor is helped (or rehabilitated), then an Islamic state would extend help to other relatively less poor persons. All three explanations of poverty as given by the Prophet still hold good.

When compared to the level of money income/expenditure, considered necessary for deriving the poverty-line in the conventional sense, its level from the Shariah viewpoint would be quite substantial, at least seven to eight times more. This huge difference could be attributed to the conventional practice in India and other countries, which covers only the bare minimum expenditure, whereas Nisab expresses a level, which is over and above the bare minimum. The Islamic approach takes into account not only the provision of bare necessities of life to the poor but goes much further-to enable them to enjoy a reasonable standard of living [Peerzade (1997)].

III. Conclusion

In this paper, we focused on the various concepts and approaches of conventional school of thought with an alternative Islamic approach on poverty and welfare. We highlighted the issues and difficulties of conceptualizations, essential for developing and monitoring policies. Poverty has been an economic as well as social concern since time immemorial. According to their respective systems and settings, various religious,

sociopolitical and economic ideologies have provided their responses varying in thoughts and actions and with different degrees of success.

Poverty is a complex phenomenon as it is considered the comparisons of economic well-being. According to another conventional approach, if a person is unable to meet the minimum needs, he is considered to be poor. Some concentrated on food and non-food (i.e. basic needs) approaches. Most recent approaches are the capability and vulnerability approaches. It is concluded that all conventional approaches on poverty and welfare concentrate on the phenomenon, what are the basic needs of human-beings interns of food and non-food items? What is the ability of an individual to function well in society and lastly, how can minimize the probability or risk of being in poverty? All conventional approaches have difficulties in common practice.

Islamic Economic system has the most comprehensive and balanced approach on poverty and welfare. It emphasizes the moral aspects of economic policy. Concern for the poor and the destitute is the hallmark of Islamic economic agenda. In this respect Zakat (and Ushr) constitutes the most prominent and basic institution that addresses the needs of all those who are poor and needy, in the form of a permanently working social and economic security system. Zakat is not the only institution for this purpose. Poverty is approached through application of a number of instruments, which are evolved around Infaq, Nafaqate-Wajtba, Waqf, Aaqila, etc., or those that aim at eliminating different forms of exploitation, more specifically the interest on loans.

The Islamic approach is unique in that it defines the targets as well as provides the modus operandi for these goals. For instance Qur'an lays down very clearly that wealth should not circulate only among the rich of the society. This statement is then followed not merely by persuading individual but by concrete actions that ensure wider distribution of wealth and assets, other than Zakat, Ushr and Nafaqal, the institution of inheritance plays a major role in providing distributive justice.

However, the existence of poverty, even if it is relative, does not mean that it is to be tolerated and left to perpetuate. As evident from the theory of test, the well off in the society as well as the state machinery is to work hand in hand to narrow down the disparity gaps. A well-known saying of the Holy Prophet (peace be upon him) is that "Poverty might lead a person to disbelief (Kufr)." The message is thus very clear that poverty issue has to be on top of the policy agenda of the state.

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