

An Analysis of Pakistan's Poverty Problem from an Islamic Perspective

MUHAMMAD HUSSAIN and NASIM SHAH SHIRAZI

INTRODUCTION

Poverty is a widespread problem that particularly afflicts developing countries. A number of studies, such as Naseem (1973, 1977); Allaudin (1975); Mujahid (1978); Irfan and Amjad (1984); Cheema (1985); Malik (1988); Ercelawn (1990); Ahmad and Ludlow (1989); Havinga *et al.* (1990, 1990a); Malik (1992, 1994); Zaidi and de Vos (1993); Malik and Shirazi (1994); and Gazdar *et al.* (1994), have analysed the phenomena of poverty in Pakistan. Some of these studies are based on arbitrarily chosen poverty-lines, and others are based on poverty-lines determined on the basis of nutritional requirements or basic needs of human beings.

The incidence of poverty is greatly influenced by the poverty-line used for a particular study. Therefore, the way a poverty-line is defined is of great significance in determining the incidence of poverty.

In Islamic literature, certain limits for poverty and prosperity have been prescribed. *Fuqaha* like Imam Abu Yousuf consider a person prosperous if he owns wealth equivalent to or more than the amount of *Nisab*. A person is considered to be poor if he owns wealth less than the amount of *Nisab*.¹ *Nisab* for gold was equal to 20 *Miskals* and *Nisab* for silver was 200 *dirhams*, which were equivalent to 140 *Miskals* in weight.²

Some other *Fuqaha*, in connection with determining different lump-sum amounts of *Jizyah* to be assessed for the prosperous, the middle-class, and the poor *Zimmies*, have considered those as prosperous persons who owned wealth equivalent to ten thousand *dirhams* or more, those owning wealth equivalent to two hundred *dirhams* but less than ten thousand *dirhams*, as middle-class persons, and those owning less than two hundred *dirhams*, i.e., the amount of *Nisab*³ as poor persons.

Muhammad Hussain is Professor and Director (Research) and Nasim Shah Shirazi is Associate Professor at the International Institute of Islamic Economics, International Islamic University, Islamabad.

¹Syed Amir Ali (Translator) *Ain al Hedayah* (Lahore: Qanooni Kutab Khana), Vol.1, p. 821 and Vol. 2, p. 350 and Charles Hamilton (Translator), *Hedayah* (Lahore: Premier Book House), p. 19 and p. 148.

²In Pakistan and India, *Ulema* have converted these amounts to 7.5 *tolas* of gold and 52.5 *tolas* of silver. During the time of the Prophet (peace be upon him) and his rightly-guided caliphs, the ratio of the value of gold to silver was 1 to 7. At present, this ratio in Pakistan is about 1 to 61.

³Maulvi Khurram Ali (Translator), *Durr al Mukhtar* (Lahore: Qanooni Kutab Khana), Vol. 2, p. 502.

Keeping in view the above opinions of the *fuqaha*, the amount of *Nisab* can be used as poverty-line for ascertaining the incidence of poverty. Average of *Nisab* of gold and silver is used as poverty-line in this study.⁴ Keeping in view this poverty-line incidence, the severity of poverty and the poverty gaps are computed for overall rural and urban areas of Pakistan, and for overall areas of four of its provinces for the years 1987-88 and 1990-91. This study would be helpful in locating the poor and in ascertaining the intensity of the poverty and the poverty gap in Pakistan and in its four provinces.

IMPORTANCE OF THE STUDY OF POVERTY FROM THE ISLAMIC POINT OF VIEW

Islamic economic system strives to wipe out poverty and hunger because these might lead to apostasy and might even end up in disrupting the family and social life. The Prophet (Allah's peace be upon him) used to say "Allah, I ask Thy refuge from apostasy and poverty". Thereupon a person enquired, "Are the two similar?". The Prophet (peace be upon him) said, "Yes".⁵

Noamani (1982) has reported another *Hadith* of the Prophet (peace be upon him) that "Poverty may take a person closer to unbelief (*Kufr*)". Islam has stressed that each individual should have access to a reasonable amount of goods and services, which are necessary for sustenance of life, so that he might lead a life of peace and be able to meet his obligations and duties to Allah. Keeping in view the above-mentioned objectives of Islam, it is essential that the problem of poverty may be studied and appropriate Islamic measures for the eradication of poverty may be adopted.

METHODOLOGY AND THE DATA USED

In order to know the incidence of poverty, the first step is to determine the poverty-line and then to use some indices that give poverty estimates. For this purpose, we shall use the absolute notion of a poverty-line [see Shirazi (1994)]. As explained in the Introduction, the amount of *Nisab* has been used as poverty-line in this study. The amount of *Nisab* for the year 1987-88 comes up to Rs 14777.086, and for the year 1990-91 to Rs 14875.243. As an average household size of six (i.e., 2 adults and 4 children) is assumed by some other researchers like Ahmad (1993) and Gazdar *et al.* (1994), we have also assumed the same average household size. With a view to getting per capita poverty-lines, the above-mentioned *Nisab* based amounts were divided by

⁴As *Fuqaha* allow for mixing of silver and gold for the purposes of *Nisab*, and as our purpose is to ascertain the incidence of poverty, therefore, average of the two *nisabs* is taken as poverty-line in this study. *Nisab* is an indicator of wealth, but data on wealth is not available for the Pakistan economy. Therefore, the households' annual income equivalent to the *Nisab* is used as the proxy poverty-line for estimating the incidence of poverty in Pakistan. There are some indications in Islamic literature that wealth-equivalent to *Nisab* could be enough to sustain an average family for over a year.

⁵*Nasa'i: Sunan, Kitab al Istiadhah, Bab al Istiadhah Min Shar'l Kufr.*

six. Thus per capita *Nisab*-based poverty-lines of Rs 2462.8476 for 1987-88 and Rs 2479.2071 for 1990-91 were used in this study.

For estimating the incidence of poverty in Pakistan, we have used head-count, P_0 , poverty gap, P_1 , and Foster, Greer and Thorbecke (1984) poverty measure, P_2 , known as FGT poverty measure.

These poverty measures are explained below:

$P_0 = \frac{q}{n}$ is the head-count measure, where q is the number of households below the poverty-line and n is the total number of households. This measure gives the proportion of the poor households among the total households.

$$P_1 = \frac{q}{n} \cdot \frac{z - Y_p}{z} \quad \text{where } z \text{ is the poverty-line and}$$

where $Y_p = \frac{\sum_{i=1}^q Y_i}{q}$ and Y_i is the income of i th poor household.

P_1 is a measure of the poverty gap, and this measure gives the extent to which the incomes of the poor lie below the poverty-line as a percentage of the poverty line. This measure can be used to compute the amount of income needed to fill the poverty gap with a view to eradicating poverty.

$$P_2 = \frac{1}{n} \cdot \sum_{i=1}^q \left[\frac{Z - Y_i}{Z} \right]^2$$

P_2 gives the mean squared proportionate poverty gap, and it reflects the degree of inequality of income among the poor. The higher the value of P_2 , the greater will be the inequality of income among the poor and poverty.

The data given in the Household Income and Expenditure Survey (HIES) (1987-88) and the Household Integrated Economic Survey (HIES) (1990-91) were used in this study. The HIES is conducted by the Federal Bureau of Statistics (FBS), Statistic Division, Government of Pakistan, on an annual basis, covering both rural and urban areas in the four provinces of Pakistan except the Federally Administered Tribal Areas (FATA), military-restricted areas, district of Kohistan, Chitral and Malakand, and protected area of the NWFP. The households entirely dependent on charity are excluded from this survey. HIES 1987-88 was based on a national sample, of 18144 households. The sample size of HIES 1990-91 was 6516 households, out of which 123 households could not be covered by the FBS for various reasons. The sample size of HIES 1990-91 is small as compared to the HIES 1987-88. It is pointed out by FBS that the HIES 1990-91 data are reliable with the rural-urban breakdown only at the national

level, and the data belonging to provinces is less reliable so far as the urban-rural breakdown is concerned.

Keeping in view the above caution given by the FBS, the data for overall, rural and urban, areas of Pakistan were used in this study. For provinces, only overall data were used and their rural-urban breakdown was ignored.

INCIDENCE OF POVERTY

Using the *Nisab*-based per capita poverty-line and the HIES Data, the estimates for poverty indices, P0, P1, P2, were obtained for the years 1987-88 and 1990-91, which are reported in Tables 1 and 2. As is evident from Table 1, the estimates for the year 1987-88 show that 22.4 percent of the overall households, 12.3 percent of the urban and 26.3 percent of the rural households in Pakistan were poor in 1987-88. The highest incidence of poverty was found in Punjab (25.5 percent), followed by the NWFP (23.9 percent) and Sindh (15.3 percent), and the lowest incidence of poverty was in Balochistan (10.9 percent).

Table 1

*Estimates of Head-count (P0), Poverty Gap (P1), and FGT (P2)
Poverty Measure (P2) 1987-88*

	P0	P1	P2
Pakistan	22.4	4.5	1.4
Urban	12.3	2.2	0.005
Rural	26.3	5.4	1.7
Punjab	25.5	5.4	1.7
Sindh	15.3	2.4	0.006
NWFP	23.9	4.9	1.6
Balochistan	10.9	1.7	0.004

Table 2

*Estimates of Head-count (P0), Poverty Gap (P1), and FGT
Poverty Measure (P2), 1990-91*

	P0	P1	P2
Pakistan	13.0	3.66	3.18
Urban	7.2	2.51	3.74
Rural	15.6	4.17	2.93
Punjab	13.2	3.45	2.46
Sindh	9.1	3.30	4.20
NWFP	21.5	5.95	5.36
Balochistan	5.4	2.31	2.35

The poverty gap (P1) was 4.5 percent overall, 2.2 percent for the urban areas, and 5.4 percent for the rural areas of Pakistan. Among the provinces, the highest poverty gap was for Punjab (5.4 percent), followed by the NWFP (4.9 percent), and the poverty gap was the lowest (1.7 percent) for Balochistan. The same pattern was observed for P2 in the case of Pakistan and across the provinces.

Table 2 reports the estimates of poverty indices for the year 1990-91.

The incidence of poverty was 13.0 percent in overall, 7.2 percent in the urban and 15.6 percent in the rural areas of Pakistan in 1990-91. Across the provinces, the highest incidence was found in the NWFP (21.5 percent), followed by Punjab (13.2 percent), and the lowest (5.4 percent) in Balochistan.

The poverty gap, P1, was found to be 3.66 percent for overall, 2.51 percent for the urban, and 4.17 percent for the rural areas of Pakistan. Across provinces, the highest P1 (5.95 percent) was found in the case of the NWFP, 3.45 percent in Punjab, and 3.30 percent in Sindh; the lowest (2.31 percent) poverty gap was found in Balochistan. P2 was 3.18 for overall, 3.74 percent for the urban and 2.93 percent for the rural areas of Pakistan. The highest, P2, was found for the NWFP (5.36 percent), and the lowest (2.35 percent) for Balochistan.

TREND IN POVERTY

The comparison of estimates reported in Tables 1 and 2 shows that the incidence of poverty as reflected by the estimates of head-count, P0, significantly declined between the years 1987-88 and 1990-91. These tables show that poverty declined by 9.4 percent, i.e., from 22.4 percent in 1987-88 to 13 percent in 1990-91 in overall, 5.1 percent in the urban, and 10.7 percent in the rural areas of Pakistan.

Estimates and conclusions of other studies, such as Malik (1994) and Gazdar *et al.* (1994), indicate that the incidence of poverty in Pakistan remained stagnant during 1987-88 and 1990-91. Our study shows a declining trend in poverty. This could be due to the fact that we have used the gold and silver *Nisab*-based poverty-line, and the prices of gold and silver remained very stable between the years 1987-88 and 1990-91. Therefore, the poverty-lines estimated for the year 1987-88 and 1990-91 were not significantly different. The other studies were based on poverty-lines derived from nutritional and basic needs, the prices of which increased significantly during the period under study.

The comparison of the estimates in Tables 1 and 2 also reveals that poverty gap, P1, declined from 4.5 percent to 3.66 percent for overall Pakistan from 1987-88 to 1990-91. In the case of urban areas of Pakistan, it slightly increased, while in the case of rural areas it declined from 5.4 percent to 4.17 percent. In the case of Punjab, poverty gap declined from 5.4 percent to 3.45, while in the case of Sindh, the NWFP, and Balochistan poverty gap somewhat increased.

The comparison of the P2 estimates indicates that P2 in all cases increased, which reflects that inequality in the distribution of income among the poor has increased between the years 1987-88 and 1990-91.

REFERENCES

- Ahmad, E., and S. Ludlow (1989) Poverty, Inequality, and Growth in Pakistan. *The Pakistan Development Review* 28:4 831–850.
- Ahmad, Mushtaq (1993) Choice of a Norm of Poverty Threshold and Extent of Poverty in Pakistan. Islamabad: Ministry of Finance.
- Ali, Syed Amir (Translator) *Ain al Hedaya*. (Urdu alongwith Arabic Text). Lahore: Qanooni Kutab Khana.
- Ali, Maulvi Khurram (Translator) *Durr al Mukhtar* (Urdu alongwith Arabic Text). Lahore: Qanooni Kutab Khana.
- Allaudin, T. (1975) Mass Poverty in Pakistan—A Further Study. *The Pakistan Development Review* 14:4 431–450.
- Cheema, A. Ahmad (1985) Poverty in Pakistan: Some New Dimensions. Islamabad: Pakistan Institute of Development Economics. (Draft.)
- Ercelawn, A. A. (1990) Absolute Poverty in Pakistan: Poverty Lines, Incidence, Intensity. Karachi: Applied Economics Research Centre, University of Karachi. (Draft Paper.)
- Foster, James, Joel Greer, and Erik Thorbecke (1984) A Class of Decomposable Poverty Measures. *Econometrica* 52:3 761–766.
- Gazdar, Haris, S. Howes and Salman Zaidi (1994) Poverty in Pakistan: Measurement, Trends, and Patterns. London: STICERD, London School of Economics.
- Pakistan, Government of (1987-88) Household Income and Expenditure Survey. Islamabad: Federal Bureau of Statistics.
- Pakistan, Government of (1990-91) Household Integrated Economic Survey. Islamabad: Federal Bureau of Statistics.
- Havinga, I. C., F. Haanappel, and A. S. Louter (1990) Poverty and Inequality in Pakistan. In Rudolf Teekens, M. S. Bernard, Van Praag (eds) *Analysing Poverty in the European Community, Policy Issues, Research Options, and Data Sources*. Luxembourg: Eurostate News Special Edition.
- Havinga, I. C., F. Haanappel, A. S. Louter, and W. A. Van den Aniel (1990a). Poverty in Pakistan, 1984-85. *The Pakistan Development Review* 28:4 851–869.
- Hamilton, Charles (Translator) *Hedaya*. Lahore: Premier Book House.
- Irfan, M., and R. Amjad (1984) Poverty in Rural Pakistan. In A. R. Khan and E. Lee (eds) *Poverty in Rural Asia*. Geneva: ILO/ARTEP.
- Malik, M. H. (1988) Some New Evidence on the Incidence of Poverty in Pakistan. *The Pakistan Development Review* 27 : 4 509–511.

- Malik, S. J. (1992) Rural Poverty in Pakistan: Some Recent Evidence. *The Pakistan Development Review* 31: 4 975–995.
- Malik, S. J. (1994) Poverty in Pakistan: (1984-85, 1987-88 and 1990-91). Washington, D. C.: International Food Policy Research Institute. (Discussion Draft.)
- Malik, S. J., Muhammad Hussain, and N. S. Shirazi (1994) Role of *Infaq* in Poverty Alleviation in Pakistan. *The Pakistan Development Review* 33:4 935–952.
- Mujahid, G. B. S. (1978) A Note on Measurement of Poverty and Income Inequalities in Pakistan: Some Observations on Methodology. *The Pakistan Development Review* 17:3 365–377.
- Naseem, S. M. (1973) Mass Poverty in Pakistan: Some Preliminary Findings. *The Pakistan Development Review* 12:4 317–360.
- Naseem, S. M. (1977) Rural Poverty and Landlessness in Pakistan. In ILO Report on Poverty and Landlessness in Asia. Geneva.
- Noamani, M. Manzoor (1982) *Maaraf ul Hadith*, 5. (Karachi: Dar ul Ishaat), p. 298.
- Shirazi, N. S. (1994) An Analysis of Pakistan's Poverty Problem and its Alleviation through *Infaq* (Ph. D. dissertation). Islamabad: International Islamic University.
- Zaidi, M. A., and K. de Vos (1993) Poverty Statistics in Pakistan: Some Sensitivity Analysis. *The Pakistan Development Review* 34:4 1171–1186.