

Reducing Poverty and Income Inequalities: Current Approaches and Islamic Perspective

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Abstract. The Islamic approach to reducing (income) inequalities and alleviating poverty focuses on the mechanisms historically used and succeeded in reducing inequalities. Both obligatory (*zakāh*) and voluntary (*ṣadaqāt*) mechanisms are used to motivate the rich to spend generously on poverty reduction programs. It is an obligation on the rich to pay the compulsory (*zakāh*) on their wealth but they are also encouraged to spend more above the obligatory sum by way of charity (*ṣadaqah*). In return, they are promised eternal bliss and everlasting happiness in the life to come. On the other hand, *zakāh* evasion is considered a punishable crime (in this life and the hereafter) and denying the *zakāh* altogether is equivalent to rejecting Islam. This belief in reward and punishment plays as a strong incentive and motivation for charitable behavior. Hence, effective collection and utilization of the proceeds from *zakāh* and *ṣadaqāt* are the mechanisms advocated by Islam to redistribute wealth and reduce income inequalities.

Keywords: Income inequality, Poverty alleviation, Multi-dimensional poverty, Relative poverty, Absolute poverty, International poverty line, Multidimensional Poverty Index, Capability Approach.

KAUIE Classification: N2, N3, N4, N7.

1. Overview of the Problem

Poverty is a multi-dimensional phenomenon that encompasses many factors including limited access to social service (i.e., education, health, or sanitation), low income, less calories consumed per day, and shorter life expectancy. This broad multi-dimensional aspect makes the alleviation of poverty difficult or at

best challenging. Indeed, poverty has been a global development issue for several generations with different focus at different periods. Indeed, the issue of poverty reduction has been and still is a major development challenge facing many developing countries.

The essence of poverty reduction stems from the presumption that income poverty mainly results from slow economic growth. According to World Bank research, a 1% decline in developing countries' growth rates traps an additional 20 million people in poverty. It follows, therefore, that when economic growth slows down it causes adverse implications on poverty reduction (see Ibrahim, 2010, p. 1; Hasan, Magsombol, & Cain, 2009, p. 1; Dollar & Kraay, 2002). During the past 70 years, the multilateral development banks (MDB), bilateral donors and United Nations (UN) agencies have poured in billions of dollars to stimulate growth in developing countries. The World Bank alone had disbursed more than \$500 billion dollars to finance projects in developing countries. These efforts have no doubt produced tangible results in terms of expanding access to education and health services, building capacities, building infrastructures, and enhancing access to water, sanitation, and electricity. Yet, the fruits of this "development" have hardly filtered down to the poor as the rapid increase in world income was accompanied by steady rising of world inequalities.

1.1 Poverty and Inequality

The relationship between growth and income inequality has long been an important question. The popular view is that long-run increase in income inequality not only raises social and political concerns, but also economic ones as it dampens GDP growth. In other words, growth does not mean the same thing to different people and that the benefits of growth are not equality distributed. Consequently, the lives of a vast majority of the less privileged groups of population in developing countries have not changed much as a result of this "development", and the number of poor has continued to increase in most parts of the world. Recent estimates show that this number has increased to around 1.3 billion. Meanwhile, analysis of long-term trends in world income distribution shows that the gap between the richest and poorest countries increased in alarming numbers; from about 3 to 1 in 1820 to 72 to 1 in the early 1990s (see, Saleh, 1999, p. 25-28). Hence, reducing the trend of rising inequality has become a priority for policy makers in many countries. Recent studies on inequality and poverty examine the drivers of growing inequalities, such as globalization, skill-biased technological change, and changes in countries' policy

approaches (OECD, 2015, p. 23). OECD studies also assess the effectiveness and efficiency of a wide range of policies, including education, labor market, and social policies in tackling poverty and promoting growth that is more inclusive.

1.2 Global Partnerships to Reduce Inequalities

Indeed, reducing income inequality is a global issue that has drawn the attention and responsiveness of development practitioners as well as policymakers and planning officials in many countries. Rising inequalities and the challenge of poverty reduction was and still is at the top of the development agenda worldwide.

In September 2000, world leaders came together at the United Nations headquarters to adopt the United Nations Millennium Declaration, committing their nations to a new global partnership to reduce extreme poverty and setting out a series of time-bound targets – with a deadline of 2015 – that became known as the Millennium Development Goals (MDGs) (United Nation, n.d., *We Can End Poverty*). The UN Secretary General stated,

Eradicating extreme poverty continues to be one of the main challenges of our time, and is a major concern of the inter-national community. Ending this scourge will require the combined efforts of all, governments, civil society organizations and the private sector, in the context of a stronger and more effective global partnership for development. (Ki-moon, 2008, p. 2)

On September 2015, the international community adopted 17 Sustainable Development Goals (SDGs) as a continuation of the previous MDGs. Poverty eradication and fight of hunger feature prominently on the new development goals among the SDGs (United Nations, n.d., *Sustainable Development Goals*).

2. Contemporary Efforts to Combat Poverty

Poverty has been an issue for the global development community for several generations with different focus at different periods. The research on poverty dates back to the 19th century and since then, there exist various approaches and policies to fight poverty (see, Bourguignon & Morrison, 2002). The relationship between growth, inequality, and poverty gained prominence in the 1950s and 1970s and continues to shape poverty issues. In almost all developing coun-

tries, there are concerted efforts to help the poor. A growing number of developing countries are investing in social safety nets to improve the lives and livelihoods of billions of poor and vulnerable people⁽¹⁾. Evidence now shows how safety nets' cash transfers not only help nations invest in human capital, but also serve as a source of income for the poor, improving their standard of living (Fiszbein & Schady, 2009). Recent World Bank studies show that more than 1.9 billion people in some 130 low and middle-income countries benefit from social safety net programs (World Bank, 2015, p. 1).

Moreover, national governments and their development partners have spent billions of dollars in terms of direct aid, building schools and health service facilities, constructing roads, as well as building capacities to alleviate poverty. The fact that poverty persists despite the resources devoted to alleviating it indicates the limited success of the top-down approach adopted to fighting poverty. It also raises the question of whom to blame for poverty; the poor because they do not work hard or make better decisions, or society at large for failing to provide enough resources, jobs or opportunities for the poor. Of relevance to this is the question of whether poverty is solely an economic problem or a cultural behavior⁽²⁾. Lewis (1970), Jordan (2004) and Bradshaw (2006) argue that poverty is a cultural product. It starts with an individual deficiency in physiological or mental development, and as a result, the individual becomes less educated and less healthy. As these conditions persist, the poor adapt their behaviors to create interdependent generations that sustain the culture of poverty. According to this argument, to solve the poverty problem, we must empower the poor economically through social services (i.e., education and health) to be productive. This approach to poverty reduction was adopted by the MDGs in 2000.

A counter hypothesis argues that poverty is synthetic and it is institutional and embedded in the political system. According to this theory, poverty is

(1) Social safety net programs include cash and in-kind transfers targeted at the poor and vulnerable households, with the goal of protecting families from the impact of economic shocks, natural disasters, and other crises.

(2) The question here is, can poverty be addressed as an economic problem only or as an incidence with social and cultural dimensions.

a product of policy and power distortions that generate discriminations, exclusions and injustice. To alleviate poverty, it is important to improve governance, fight corruption and eliminate market distortions. The Sustainable Development Goals (SDGs) adopted in 2015 supports this line of argument. In this paper, we argue that there are both individual as well as collective (society) responsibility for the incidence of poverty. But before dwelling on the contemporary approaches to reduce poverty, it is important to know the poverty measures used as key indicators in poverty reduction strategies.

The World Bank, for example, has two concepts of poverty: relative and absolute. According to the World Bank's Poverty Handbook (World Bank, 1993):

Relative poverty refers to the position of an individual or household compared with the average income in the country, such as a poverty line set at one-half of the mean income, or at the 40th percentile of the distribution.....*Absolute poverty* refers to the position of an individual or household in relation to a poverty line whose real value is fixed over time. (p. 14)

Another widely used definition used by the UN Commission on Sustainable Development defines poverty as a phenomenal concept with six sub-dimensions of income poverty, income inequality, access to sanitation and drinking water, access to energy and living conditions (United Nations, 2007, p. 47-50). This latter definition overlooks two important dimensions that researchers identify as crucial for poverty reduction: access to quality education and access to better healthcare. Experiences from the last two centuries show that improvement in material living conditions is closely linked to the improvement of global health and expansion of education.

2.1 Extreme Poverty in Historical Perspective

In their 2002 paper, Bourguignon and Morrison reconstruct poverty measures as far back as 1820. Using a poverty line of one dollar per day, they show that the vast majority of the world population lived in extreme poverty in 1820 and only a few enjoyed a high standard of living. However, economic growth during the last 200 years has considerably reduced poverty. According to Roser and Ortiz-Ospina (2017, p. 4), poverty fell considerably over the last two

centuries despite the fact that the population increased by seven-fold over the same period. Using the ‘monetized’ consumption and income approach, the household surveys conducted by the World Bank showed that 44% of the world population lived in absolute poverty in 1981, compared to around 75% in the 1950s. Since then, the number of population living in extreme poverty fell considerably to 11% in 2013 (Roser & Ortiz-Ospina, 2017, pp. 4-5)⁽³⁾. However, these overall figures mask enormous disparities in growth that widens gaps between regions, countries and between rich and poor since the turn of the century. By the late 1990s, the fifth of the world’s population living in the highest income countries had 86% of world GDP, compared to barely 1% for the bottom fifth (Saleh, 1999, p. 16).

Indeed, one would argue that, historically, world populations lived in conditions of extreme poverty because productivity levels were low, production techniques were simple and, hence, material living standards were low. According to this argument, when economies became more industrialized and productivity improved, incomes increased and the standards of living improved. It is important to note here that if these estimates are telling the truth, then eradicating extreme poverty is only a few years away. If the progress achieved continues at the same pace, then 2030 may witness the end of poverty as we see it today.

2.2 Poverty Measurement

Measuring poverty is a difficult proposition because poverty is defined differently at different times. One common thing about poverty is that it causes stigma, low self-esteem, contempt, and social exclusion. Because the poor have little assets and limited access to basic financial and other needs, they hardly take initiatives and have limited opportunities. According to the approach adopted by the World Bank, poverty is a concept intrinsically linked to consumption and income distribution (i.e. welfare). Whether measured in absolute or relative terms, poverty exists in all countries, but it exists at alarming rates in developing countries in Africa and south Asia, and among some

groups in industrialized countries. The following are the traditional and recently constructed measures for poverty.

International Poverty Line (IPL): The simple measure of poverty is the headcount ratio, where a poverty line is determined and the number of people living under that line are counted⁽⁴⁾. According to this approach, a minimum threshold internationally known as the “poverty line” is assumed⁽⁵⁾. Poverty lines vary across countries due to differences in standards of living, which depends on purchasing power and access to basic human needs. Hence, richer countries tend to adopt higher standard of living in defining poverty lines and vice versa for poorer countries. The World Bank established an International Poverty Line (IPL) at \$1-a-day using the standards of the poorest countries. The rationale here is that by using the standard of living of poor countries for the IPL, it is possible to capture the whole spectrum of world poverty. In recognition of relativity of poverty, it was stipulated that the \$1-a-day IPL was a benchmark for “extreme poverty” and a measure of poverty in developing countries, while \$2-a-day is the IPL for basic poverty and the measure of poverty in middle-income and developed countries.

The IPL is revised periodically to reflect more accurate estimates of cost of living in developing countries. In 2008, the IPL was revised to US\$1.25 and since 2015, the World Bank defines extreme poverty as living on less than US\$1.90⁽⁶⁾. Yet, the key difficulty in measuring global poverty using this measurement is that price levels are very different in different countries. Moreover, by focusing on meeting minimum nutrition or subsistence levels, the IPL certainly leaves out other dimensions of welfare that transcend consumption.

Multidimensional Poverty Index: The Oxford Poverty & Human Development Initiative (OPHI) and the United Nations Development Programme

(3) According to available estimates, there were 2.2 billion people living in extreme poverty in 1970, and there were 705 million people living in extreme poverty in 2015 (Roser & Ortiz-Ospina, 2017, pp. 5-6).

(4) The headcount ratio tells the share of population living with income below some minimum level.
 (5) The *poverty line*, which is also sometimes called the *poverty threshold*, is the smallest amount of money a person or a family needs to live on; to buy what is needed. People who are below this *line* are classified as poor.
 (6) See, <http://www.worldbank.org/en/topic/poverty/brief/global-poverty-line-faq>; see also, Ravallion, Chen, & Sangraula, 2009.

(UNDP) developed the Global Multidimensional Poverty Index (MPI) in 2010. MPI uses different factors to determine poverty beyond income-based lists. In other words, MPI complements traditional income-based poverty measures by capturing the severe deprivations that each person faces with respect to education, health and living standards. As such, it is a broader measure constructed from ten indicators across three core dimensions: health, education and living standards. The MPI can be used to create a comprehensive picture of people living in poverty, and permits comparisons both across countries, regions, and the world. It also permits comparisons within countries by ethnic group, urban/rural location, as well as other key household and community characteristics. The MPI is widely used to measure poverty and currently covers over 100 low and middle-income countries (Roser & Ortiz-Ospina, 2017, pp. 22-23).

Capability Approach: The capabilities approach revolves around people and sees development as the expansion of their capabilities. It aims to enhance people's well-being by expanding their capabilities. It emphasizes the importance of freedom of choice, individual diversities and the multidimensional nature of human well-being. The emphasis is not only on how people actually function, but also on their having the capabilities, which are practical choices, "to achieve outcomes that they value and have reason to value" (Sen, 1999, p. 291). According to the capabilities approach, poverty is a deprivation of basic capabilities. People get deprived of such capabilities in several ways, for example, ignorance, oppressive state policies, lack of financial resources, ill health and lack of proper education. In other words, poverty is a multidimensional phenomenon caused by the deprivation of necessities like education, healthcare, freedom, and access to financial resources. In fact, the capabilities approach provides an alternative perspective on poverty and inequality that can't be adequately addressed by the economic viewpoint.

3. Islamic Perspective to Poverty and Inequality

In the early days of Islam, poverty was wide-spread in Arabia and the majority of the people lived at or below subsistence levels. Inequalities in wealth, skills and provisions were common and access to social services did not exist. In fact, the Prophet (may the

peace and blessings of Allah be upon him) himself and many of his companions lived in poverty. Poverty and inequality were understood in the context of the Devine distribution of income. The Qur'an underscores the discrepancies in provision (wealth) as a trial for patience and forbearance. Allah Almighty says:

And Allah has favored some of you over others in provision. (Qur'an, 16:71)

This verse indicates that Allah Almighty created inequalities for a purpose. Yet, poverty and inequality are disliked to the extent that poverty is considered equivalent to disbelief⁽⁷⁾. Islam never asks people to relent to poverty and inequality but rather inspires its followers to exert efforts to minimize the disparities through legitimate Shari'ah-compliant means. Muslims are motivated to uplift their status (from poverty) by being productive and participating in economic activities that generate income. The Prophet (may the peace and blessings of Allah be upon him) was quoted as saying,

The strong Muslim is better and more beloved to Allah than the weak Muslim. (al-Naisabouri, 1991, 4:2052, *hadith* no. 2664)

He also said there is no provision better than gaining from your own efforts (i.e., hard work)⁽⁸⁾. Surely, the (physically and economically) strong Muslim is beneficial for himself, his family and for the community.

Meanwhile, Islam cherishes charitable programs designed to assist the poor and destitute and reduce income inequalities. The Qur'an exalted feeding the hungry and supporting the needy, particularly the relatives,

And give the relative his right, and [also] the poor and the traveler, and do not spend wastefully. (Qur'an, 17:26).

It also argues that the real owner of wealth is Allah and the affluent are barely trustees. As such, they are obligated to be benevolent towards the poor.

And spend out of that in which He has made you successive inheritors. (Qur'an, 57:7).

(7) Derived from: al-Bayhaqi, 2003, 9:12, *hadith* no. 6188.

(8) See, al-Bukhari, 1422H, 3:57, *hadith* no. 2072; al-Tirmidhi, 1975, 3:631, *hadith* no. 1358.

In fact, feeding the poor is highly valued, and preserving a human life is equivalent to preserving the lives of all human beings:

And whoever saves one (soul) is as if he had saved mankind. (Qur'ān, 5:32).

The Prophet (may the peace and blessings of Allah be upon him) was quoted as saying;

Avoid hell fire even with half a date. (al-Bukhari, 1422H, 2:109, ḥadīth no. 1417)

meaning the rich are exhilarated to be benevolent and compassionate to the poor.

Nonetheless, Islam makes it clear that people are responsible for improving all aspects of their living conditions; socially, economically, and spiritually.

Indeed, Allah will not change the condition of a people until they change what is in themselves. (Qur'ān, 13:11).

As such, alleviating poverty by addressing all its aspects and dimensions are encouraged⁽⁹⁾. The following are some mechanisms compatible with the Islamic view of poverty reduction.

3.1 Employment

The Islamic approach to poverty reduction goes beyond encouraging people to be benevolent towards the poor. Work is particularly preferred as a means of income generation over charity and donations. Islam raises the status of labor to the level of worship. The Prophet (may the peace and blessings of Allah be upon him) was quoted as saying,

It is better for a person to cut wood, carry it on his back to sell than asking people [for a charity]. (al-Bukhari, 1422H, 3:113, ḥadīth no. 2374)

In this respect, the Qur'ān commands its followers to exert efforts for seeking provision.

And when the prayer has been concluded, disperse within the land and seek from the bounty of Allah and remember Allah often that you may succeed. (Qur'ān, 62:10).

In addition, Islam gives high value for the development of land to increase provision. Allah Almighty states:

It is He who made the earth tame for you – so walk among its slopes and eat His provision – and to Him is the resurrection. (Qur'ān, 67:15)

The Prophet (may the peace and blessings of Allah be upon him) was quoted as saying:

When a Muslim plants a seed or nurtures a farm, whatever eats from it (human or animal) is considered a charity. (al-Naisabouri, 1991, 3:1188, ḥadīth no. 1552)

Land development for farming and cultivation would necessarily generate a demand for labor and create employment opportunities. Since high employment correlates positively with economic growth, one would argue that Islam encourages pro-poor growth; growth that creates job opportunities and enables the poor to participate in the economic process. Any growth that reduces inequalities and increases the incomes of the poor is compatible with *maqāṣid* al-Sharī'ah⁽¹⁰⁾.

3.2 Access to Financing

Islam endorses access to finance as a mechanism to increase income and reduce poverty. Access to finance, whether on a micro or macro level, is necessary for growth in any economy. In Islam, access to finance comes through different channels including *qard ḥasan* (interest-free loan), collateralized loans, and many other methods of Sharī'ah-compatible financing. The rich are motivated to extend loans for the needy and destitute. There are many verses in Qur'ān which underscore the importance of extending free loans or loans for a specified period.

Who is it that would loan Allah a goodly loan so He may multiply it for him many times over? (Qur'ān, 2:245),

It is important also to document such loans in writing to protect the property rights. Allah Almighty says,

(9) It was narrated that the Prophet (may the peace and blessings of Allah be upon him) used to supplicate by saying: "Oh Allah, I seek refuge from poverty". (al-Nasai, 1986, 8:261-262, ḥadīth no. 5460 & 5465).

(10) *Maqāṣid* al-Sharī'ah, or the objectives of Sharī'ah comprise the benefits, advantages or goals behind the revelation of Islamic Laws. These are five: preservation of property/wealth (*māl*), life (*nafs*), intellect (*ʿaql*), religion/faith (*dīn*), and lineage/progeny (*nasl*).

when you contract a debt for a specified term, write it down. (Qur'ān, 2:282)

The Qur'ān further encourages taking a collateral or security when the loan contract is not written.

And if you are on a journey and cannot find a scribe, then a security deposit [should be] taken. (Qur'ān, 2:283).

The encouragement of lending and borrowing is crucial for stimulating growth and increasing production. In particular, when the poor have access to financing (e.g., through micro-finance), inequalities will be lessened and poverty will be reduced. The success of Islamic microfinance programs in many countries (e.g., Bangladesh and Sudan) is a testimony to the effectiveness of micro loans in changing the lives of the poor.

Islam also gives high value to business (buying and selling) and trade. The Prophet (may the peace and blessings of Allah be upon him) was once asked about the best ways to earn provision (i.e., income). He replied, "...earning from own labor (effort) and any honest sale [trading]" (al-Shaibani, 2001, 28:502, *ḥadīth* no. 17265). In fact, trade was the main source of food security in Arabia during the pre-Islamic period. The Qur'ān highlighted the importance of trading between Arabia and Levant,

Their accustomed security [in] the caravan of winter and summer. (Qur'ān, 106:2).

The Prophet (may the peace and blessings of Allah be upon him) himself participated in these trading caravans during his adult age. When the first Islamic state was established in *Madinah*, many of the companions were engaged in trade as well and became professional merchants and traders. Accordingly, business and trade played important roles in improving the living conditions of the early Muslims and helped in reducing the inequalities among them. In contemporary world, the link between trade openness and growth was the subject of many empirical studies, which concluded that trade openness is positively related to economic growth. Other studies also show a positive bi-directional relationship between trade openness and the income level in the long run, thus suggesting that trade openness is both a cause and a consequence of the level of income. Accordingly, developing countries and their development partners devoted huge financial resources for trade

facilitation. Access to finance is necessary for expanding business and trade, which will translate into job creation and income generation. This will channel into programs to reduce poverty and lessen inequalities.

3.3 Safety Nets

Another effective mechanism endorsed by Islam for minimizing inequalities and alleviating poverty is *zakāh* (the third pillar of Islam). *Zakāh* is a means of income distribution as well as a relief to the poor and the deprived Muslim. Allah Almighty states,

Alms [*zakāh*] are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah; and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom. (Qur'ān, 9:60)

Some scholars went to the extent that proceeds from *zakāh* could be paid to clinics and hospitals to treat the poor, provide scholarships and stipends for poor students, and pay off the loans of indebted poor people⁽¹¹⁾. In the early days of Islam, particularly during the second century of Islam, *zakāh* played an important role in reducing poverty and minimizing inequality in income distribution. *Zakāh* was a safety net in the sense that proceeds collected through *zakāh* can be distributed as transfer payments from public services to the poor such as schooling, healthcare and feeding programs. It was mentioned that during the time of Khalifa Omar bin Abdulaziz, the *zakāh* proceeds exceeded the required needs of the eight categories specified in the verse (9:60) of the Qur'ān quoted above. So much so that the authorities (the ruler) used the excess funds to help the young poor to get married (Abu Obaid, 2007, p. 363-364).

In many countries now, there exist autonomous *zakāh* funds with special mandate to collect and distribute the *zakāh* proceeds. New and innovative methods are used to maximize the benefits for the poor including constructing homes, distributing farm seeds, production tools, food vouchers, capacity building and training programs to name a few. These

(11) See the rulings of Jordanian Iftaa Committee, rulings (*fatāwā*) No. 2713, 766, and 642, (<https://www.aliftaa.jo/SearchQuestions.aspx>); and (<http://www.islamport.com/b/2/alfeqh/fatawa>)

targeted programs proved to be effective in helping the poor to be more productive and self-sufficient and eventually moved them out of poverty. In fact, the *zakāh* is currently part of many countries' poverty reduction strategies.

The second most effective tool for minimizing inequalities and reducing poverty is *ṣadaqah* (charity). Islam promises great rewards for engaging in charitable spending. Allah Almighty says:

The example of those who spend their wealth in the cause of Allah is that of a grain that sprouts into seven ears, each bearing one hundred grains. And Allah multiplies the reward even more to whoever He wills. For Allah is All-Bountiful, All-Knowing. (Qur'ān, 2:261)

The rich are obligated and encouraged to spend generously on *ṣadaqāt* (charities), especially on feeding the hungry or extinguishing thirst. The Prophet (may the peace and blessings of Allah be upon him) was once asked about the best charity. He replied: "providing water for the thirsty" (al-Nasai, 1986, 6: 254, *ḥadīth* no. 3664). Based on this perspective, many charitable and welfare organization are currently active in digging water wells and providing sanitation facilities to the poor.

The third pillar of safety nets in Islam is *awqāf* (endowments). Historically, *awqāf* played a significant role in the socio-economic development of states and communities across the Muslim world. As charitable foundations, *awqāf* were important Islamic financial institutions that facilitated the flow of funds from philanthropists and donors to the poor as well as the public. Indeed, *waqf* was the main source of funding for social welfare services such as education, health, libraries, orphanages, and religious institutions to name a few. While *awqāf* were historically established for physical assets, such as buildings, books, gardens or water wells, the Ottomans introduced the cash *waqf*. The cash *waqf* was basically the establishment of a trust with money, the return from which would be utilized for serving the economic and social needs of the population (Cizakca, 1996, p. 393).

In today's Muslim world, the institution of *awqāf* is demoted and its role as an effective tool for socio-economic development has declined and often marginalized. As many *awqāf* properties were expropria-

ted, lost, remained undeveloped or under-utilized, the underlying wealth of *awqāf* remains largely untapped (Dafterdar, 2010, p. 1). Yet, the institution of *waqf* continues to play a role in fostering solidarity and charity in many Muslim countries and represents one of the most original and active aspects of the social and economic structures of the state. In almost all Muslim countries, a dedicated organization/department assumes the custody and oversight of *awqāf* properties. These non-for-profit organizations are responsible for preparing the disbursement programs for beneficiaries of the endowments according to the conditions set forth, propose charitable projects suitable for the endowment outlay, supervise the execution of the endowment deeds and coordinate with concerned entities in carrying out the programs and activities of the endowment revenues outlay.

4. Conclusion

This paper reviews the approaches and measurements used in the literature to measure poverty and inequality. Despite the many measures constructed and used, the fact of the matter is, no single definition or measure is conclusive because poverty is multi-dimensional and multi-faceted. Yet, the economic history of the world shows clearly that global poverty (measured by monetized consumption and income) has declined in absolute terms due to sustained economic growth. The troubling evidence is that the fruits of growth did not reach all the people equally as many people are extremely poor in relative terms.

The paper also reviews the Islamic approach to reducing (income) inequalities and alleviating poverty by focusing on the main mechanisms historically used and succeeded in reducing inequalities. Islam uses both obligatory (*zakāh*) and voluntary (*ṣadaqāt*) mechanisms to motivate the rich to spend generously on poverty reduction programs. Muslims are encouraged to be generous and supportive to each other, and constantly reminded that the true owner of wealth is Allah Almighty. In return, they are promised eternal bliss and everlasting happiness in the life to come. On the one hand, it is an obligation of the rich to pay the compulsory due on their wealth. They are also encouraged to spend more and above the obligatory sum by way of charity (*ṣadaqah*). The belief in the reward and punishment plays as a strong incentive and motivation for charitable behavior.

Hence, effective collection and utilization of the proceeds from *zakāh* and *ṣadaqāt* are the mechanisms advocated by Islam to redistribute wealth and reduce the income inequalities. On the other hand, the poor are encouraged to work themselves out of poverty and reminded that the “best earning is the one obtained through own efforts” (al-Bukhari, 1422H, 3:57, *ḥadīth* no. 2072; al-Tirmidhi, 1975, 3:631, *ḥadīth* no. 1358), and that the “upper (the giving) hand is most beloved to Allah than the lower (receiving) hand” (al-Bukhari, 1422H, 2:112, *ḥadīth* no. 1427).

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الحد من الفقر وعدم المساواة في الدخل: المناهج الحالية والمنظور الإسلامي

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البنك الإسلامي للتنمية، جدة، المملكة العربية السعودية

المستخلص. المقاربة الإسلامية للحد من أوجه عدم المساواة (الدخل) وتخفيف وطأة الفقر يركز على الآليات الناجحة المستخدمة تاريخياً في ذلك. ولتحفيز الأغنياء على إنفاقهم بسخاء على برامج الحد من الفقر تستخدم آلي الزكاة الواجبة والصدقات المستحبة. يجب على الأغنياء أن يدفعوا الزكاة على ثروتهم ولكن الإسلام يشجعهم أيضاً على إنفاق أكثر فوق مبلغ الزكاة عن طريق الصدقة. وفي المقابل، فإنهم وعدوا بالنعيم الأبدي والسعادة الأبدية في الحياة الآخوية. ومن ناحية أخرى، يعتبر التهرب من الزكاة جريمة يعاقب عليها في هذه الحياة وفي الآخرة وإن إنكار الزكاة يعتبر رفضاً للإسلام وخروجاً منه. هذا الاعتقاد في الجزاء والعقاب هو حافز ودافع قوي للسلوك الخيري. ومن ثم فإن الجمع والصرف الفعالين للزكاة والصدقات هي الآليات التي دعا إليها الإسلام لإعادة توزيع الثروة والحد من أوجه التفاوت في الدخل.