

Change in the Economy That Can Bring On the Demise of Poverty

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Abstract

The purpose of this paper is to inform people about poverty and the possible ways to alleviate it. In order to do so, a proper definition of poverty has to be constructed, the basics of zakat need to be explained, and the possible ways of incorporating a system similar to zakat has to be discussed. The paper transitions from defining the issue to finding a solution for it. Thus meaning that topics such as who is poor and who is not poor will be covered along with the explanation of how a religious donation system could be the model for future innovations to alleviate poverty.

Keywords: definition, zakat, system

Change in the Economy That Can Bring Out the Demise of Poverty

Poverty has always been an issue in the world. There have always been people suffering and not being able to live a sustainable life. Contrastly, there are other people living and having the luxuries of this life; the existing gap between the wealthy and the poor keeps growing. According to Robert Manduca, A Ph.D. student in the Sociology and Social Policy degree program in the Graduate School of Arts and Sciences (Reuell, 2019, para. 3), “In 1980, only about 12 percent of the population [the people living in America] lived in places that were especially rich or especially poor. By 2013, it was over 30 percent.”. This means that the middle ground, also known as the middle class, is becoming nonexistent as time goes on and more people are joining either extremes (rich or poor). Closing this gap seems near impossible due to one factor: not everybody is willing to donate to the poor. Donations could be the ultimate solution in alleviating poverty, but currently it is not working out. According to recent studies, the amount of money donated annually increased as time went by (from 1977 to 2017) but at the same time, there was a decrease in how many households donated (Osili, & Zarins, 2018). That is to say that some people do donate to the needy while others do not. If everybody who is able to donate donated, poverty can end immediately or at least be alleviated. Islam has a means of incorporating this: *zakat*. *Zakat* allows people who are eligible to donate to the poor, thus alleviating poverty. *Zakat* only applies to Muslims, so what if people (nonmuslims as well) that did not donate ended up giving money to those in need? What if there was a way to make everybody donate to those in need? In order to eliminate the issue or at least alleviate it, there has

to be a proper understanding of what poverty is, how zakat works in Islam, and the possible ways to implement it in modern day time.

First of all, what exactly is poverty? What is it that makes somebody poor? A lot of people have different approaches to identifying somebody who is poor, but there has to be certain guidelines that draw the line between those who are and are not. And even then, it is still not crystal clear due to the fact that there are so many factors that come into play. As stated by Santos (2014), “Being poor is more than just the amount of money a person has. Poverty is a multidimensional issue that concerns a person’s level of health access and coverage, available educational opportunities and quality of life” (para. 1). And as specified by Oxford Poverty and Human Development Initiative (2014), it is not just the monetary aspect that makes somebody poor, but also a lot of other factors that are taken in to determine whether they are poor or not (as cited in Santos, 2014, n.d.). In the end however, it all connects back to money, which is the means of obtaining almost anything in this world.

To determine if somebody is poor or not, the Oxford Poverty and Human Development Initiative uses a tool called “The Global Multidimensional Poverty Index”, or the Global MPI for short; it looks at people who are living in poverty, why they are living in poverty, where these people are exactly, and how this poverty changed overtime (Santos, 2014). This tool consists of 10 indicators: nutrition, child mortality, years of schooling, school attendance, cooking fuel, sanitation, drinking water, electricity, flooring, and assets which are divided into 3 categories; health, education, and living standard (Santos, 2014). According to Santos, (2014):

Regarding the kinds of poverty MPI-poor people experience, more than half are deprived from health, education and standard of living. They are the ones living in households

where educational attainment is less than five years, at least one member of the family is undernourished and at least one child has died. Inadequate sanitation posted the biggest number with 81 percent (para. 6).

As mentioned earlier, even if the guidelines/requirements do exist, it does not necessarily mean that identifying the poor from the well-off is as obvious as black and white. However, based on statistics of the Global MPI, there is a loose and simplistic definition of who is poor. One might be thinking that since there are factors included other than money (such as drinking water, flooring, education, and so on and so forth), it should not be all about money. But it is indeed all about money, considering that every one of the 10 indicators of the Global MPI is connected to money. Proper nutrition can be obtained with money by buying the foods one needs from a grocery store/supermarket. Preventing children from dying also connects to money due to the fact the children depend on access to healthcare, food, shelter, and so on and so forth, all of which are obtainable by money. Not only do the children have to stay safe and healthy, but also get an education. How would a child live their life if they did not receive an education? Without education, there are a lot of “perks” in life that cannot be obtained. Education, similar to money, is the means to a lot of features in life.

People have to go to school, it is something that cannot be skipped or ignored. But what if somebody cannot afford to get an education? Private schools are not the only type of schools that exist, and that is why public schools provide a free alternative but what happens after people obtain their high school diplomas and go to college or university? This also connects to money due to the fact that one has to afford the courses they are taking or else they would be in huge debt later on. According to Bidwell, (2017),

...Of the 2,000 colleges examined, nearly half (48 percent) were affordable to wealthy students from families with annual incomes above \$160,000, the analysis found. More than one-third of the colleges were only affordable to students with a family income over \$100,000. Students from lower income backgrounds, the analysis found, could only afford 1 to 5 percent of the colleges.(para. 3)

Now of course not everybody can afford their courses, hence why student loans exist, but at the same time one cannot expect to take college courses without paying a single cent from the start and expect to pay off the student loans once they are done with college or university. First of all, it is not guaranteed that one will find a job right after finishing their education, thus leading to unemployment and worsening their loans as interest keeps on destroying their already empty wallets. Secondly, even if one does find a job, the amount of money they will be required to pay for their loans would be astronomical, forcing them to pay off their student loans over a greater amount of time than those who originally had money in their pockets before taking the courses. This is why it is always the best idea to take college courses with at least some money in one's wallet to lessen the load of the loans. However, not everybody has access to money and that is why some people opt out of taking college courses and are stuck with their highschool diploma. As a matter of fact, the amount of poor people attending colleges is decreasing and more are depending on financial aid. According to Voa, (2017),

The American Council on Education (ACE) studies issues related to higher education. A 2015 ACE report used Department of Commerce information to show a decrease in the number of low income students enrolling in college. These men and women have little money available to pay college costs or come from poor families. The report showed the

percentage of American college students considered to be low income went from 55.9 in 2008 to 45.5 in 2013. Yet the ACE reported that spending on all forms of financial aid increased by about \$41 billion during that time.(para. 3,4).

All in all, having money for college courses is always the better option than starting with no money and having to pay off enormous debts later on in life. School attendance also connects to money due to the fact that some students might not have the means of transportation to make it to school every day. There are school buses that offer free rides, but that option is only available until one finishes high school. Even when using free transportation, sometimes a student may arrive late and the bus had already left. Whatever the case may be, there will always be a better option with a cost; a private ride. What school buses are lacking is flexibility and that is an advantage because busses cannot make an exception for every student that ride them. After high school, however, while a student is in college or university, there is no free transportation; everything comes out of that student's wallet. And if somebody does not have enough money to afford transportation, they would have to walk to their courses, which is tiresome and impractical.

Last but not least, living standards are also connected to money. Cooking fuel is obtainable with money and is necessary for almost every household. Sanitation is also dependent on money. Depending on where somebody lives, they could have a really clean living environment or a really unhygienic one. In most cases, it costs more to live in a clean environment than it is to live in an unsanitary one, hence why a lot of poor people live in the most unhygienic environments; because it is affordable. The sanitation connects to drinking water and health. Most likely, if somebody is living in a really unsanitary environment, the

drinking water will also be unsanitary and not safe to drink. Drinking this type of water could lead to many problems and side effects on the human body, making them ill or possibly shortening one's life. The only option people would have would be to boil the water to get rid of all the bad components. Electricity plays a big role in households because that is what most appliances run on and people are dependent on these everyday household appliances. Again, electricity is also obtainable by money and without it, the house is nothing more than a shelter. People who do not have access to electricity in their households are unable to use many of the features of the house such as lights, refrigerators, ovens, microwaves, televisions, and many more. Flooring is quite straightforward, with factors such as quality of the floor, its safety, potential hazards, and so on and so forth. Again, good flooring is also obtainable by means of money. Lastly, one of the indicators used to determine who is poor is assets. A lot of factors come to play when discussing the assets of somebody. In basic terms, assets are all the belongings/objects/items/property that hold value that are owned by a person or a company. An example of an asset would be a house, televisions, furniture, kitchenware, or any personal or corporal belongings.

In the end, every one of the 10 indicators of the Global Multidimensional Poverty Index is connected to money, which suggests that it is the greatest means of bringing people out of poverty. As mentioned before however, not everybody is willing to donate. Even though the magnitude of money from donations has increased, the households donating are decreasing as time goes by. To counter this, a system is needed in which all people donate to these people. The religion of Islam has such a system that ensures reasonable amounts of money are donated to the needy by multiple individuals and households: zakat.

Muslims who are eligible to donate have an obligation to donate to those in need annually. This is called zakat and it is one of the five pillars of Islam, meant to strengthen the faith and character of a specific person. (“Have a question?”, n.d). The Quran says [73:20]: “...So recite what is easy from it and establish prayer and give zakah and loan Allah a goodly loan...” Those who are eligible to donate are the adult Muslims who are sane and have wealth that is above the *nisab* -- the minimum amount of money to determine who gives zakat, also known as a threshold, currently, the nisab is approximately the value equal to 87.48 grams of gold (“Zakat FAQs,” n.d). The 87.48 grams of gold is equivalent to \$3,560 as of April 2019 (n.d). In summary, if a sane adult Muslim has enough wealth to buy 87.48 grams of gold or more, then he/she has to donate zakat to the poor. The amount of money that Muslims have to donate is 2.5% of their wealth, and this is done annually as long as the person has enough wealth that is equivalent to or greater than the value of 87.48 grams of gold. If Muslims are obligated to donate regularly why does poverty still exist? The problem is that not everybody donates, including a minority of the Muslims who are eligible to donate but do not so when it comes to zakat. By making everybody donate, non-Muslims included, it is possible to end poverty using a system similar to that of zakat. Even though poverty still exists, the amount of money that Muslims have summed up all together through zakat is astounding. Muslims make up around 22% of the world population and annually, they spend around \$200 billion to \$1 trillion in zakat (Pickup, 2017). Having said that, that is only a small percentage (of people) of the world. The effect of alleviating/ending poverty would be even greater if everybody who can donate started to donate. And that is why the implementation of a system similar to zakat would be a suitable idea for destroying poverty.

The system is simple but contains many steps to make certain that everything works out in the end. The core of it is that everybody who can donate should be donating a certain percentage of their money annually, a system similar to zakat that applies to all. The steps taken to make sure everything works out includes educating people about zakat, building connections with the poor, educating the poor on how to use money, and making transparent how the zakat is being dealt with (to make it so that people know what exactly is happening to their money step by step when they donate it). By educating people about the importance of zakat, more people will understand it better and possibly start donating if they have not already. Afterwards, these people can spread the message the importance of zakat to others who are unaware of it. This will most likely increase the amount of Muslims who donate zakat, which in return weakens poverty. Not only do institutions have to educate the people about the importance of zakat, but also build relationships with those who receive it and educate them at the same time about how to use it.

Building relationships with the poor is a very necessary exercise that needs to be accomplished because the institutions that give out zakat get to know the people they disburse the money to on a personal level. By getting to know these people on a personal level, one can better communicate with them and provide them with what they need. Also, by building relationships with the poor, one can better educate them about how to use the money they obtained through zakat properly and efficiently. By doing so, institutions can trust that the poor can manage their money on their own without any need for help or assistance. And through this act, the poor people, similar to those who were educated about zakat, could transmit the message to other poor people about how to spend the zakat money they received more wisely. Of course, if there is somebody who is still struggling on how to manage their money, then guidance can be

provided. Similar to how the institutions can trust the poor on spending their money wisely, the people (who give zakat) also have to trust the institutions in managing their zakat. Nobody would want their money to be used for a different cause other than the original purpose for giving it. Nobody would want to give their zakat to an institution and let it be used on some other matter without their knowledge. This is why trust needs to be built between the people and the institutions.

By making the institutions transparent or clear with all the actions they make with the money, people can see what is happening with it. How do they accomplish this? By reporting and giving results to the public about the effect of zakat that year and how it was distributed amongst the poor. By giving out information on the zakat, people will be reassured about what is happening with their money and need not worry about it.

In conclusion, alleviating poverty can be done by understanding what it is and the necessary actions that must be taken to do so. Everybody has their own definition of what it means to be poor, but at the same time there is a tool, known as the Global MPI, that determines whether or not somebody is poor. This tool analyzes 10 factors about a specific person; nutrition, child mortality, years of schooling, school attendance, cooking fuel, sanitation, drinking water, electricity, flooring, and assets. Based off of these 10 factors, the Global MPI decided if a specific somebody is poor. These 10 factors are all connected to money, which is why donating would be a means of bringing those who are less fortunate out of their misery. By following a system similar to that of zakat, it would be a very attainable goal. Furthermore, additional features would be added to the system such as educating people about zakat, building relationships with those who receive it and educating them on how to use it, and making the

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system transparent/clear so people know what is happening with their money. With all of these ideas set in place, there will most likely be more people leaving poverty than we have today.

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