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**Published on:** 01 Dec 1994 - The Pakistan Development Review (Pakistan Institute of Development Economics)

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## Role of *Infaq* in Poverty Alleviation in Pakistan

SOHAIL J. MALIK, MUHAMMAD HUSSAIN and  
NASIM S. SHIRAZI

### I. INTRODUCTION

A number of studies such as Naseem (1973, 1977); Allaudin (1975); Mujahid (1978); Irfan and Amjad (1984); Kruijk and Leeuwan (1985); Cheema (1985); Malik (1988); Akhtar (1988); Ercelawn (1988, 1989, 1990); Ahmad and Ludlow (1990); Havinga *et al.* (1990, 1990a); Malik (1992) and Zaidi and de Vos (1993) have been undertaken to analyse the phenomena of poverty in Pakistan.

The general picture that emerges from these studies is that although poverty is widespread in Pakistan, it is more prevalent in rural areas. Poverty increased during the 1960s, but it has been declining ever since 1970. The change in agrarian structure during the 1960s contributed towards the higher rural poverty. A respectable rate of economic growth and the increase in foreign remittances are generally mentioned as factors responsible for the decline in poverty since the 1970s. The introduction of *zakat* and *ushr* system in 1980 also played its role in this regard. However, poverty still remains one of the most serious problems in the country.

The system of *Infaq*<sup>1</sup> (spending in the path of Allah) exists in the country in one form or the other. However, so far little is known about its effectiveness as a tool for alleviating poverty. To our knowledge, no serious research has been conducted in this area to date. Only a few studies on certain aspects of the *zakat* system of Pakistan have been made, for instance, Ahmad (1983); Ali (1985); Butt (1990); Kahf (1987) and Faiz (1991, 1992). The study by Faiz (1992) was concerned mainly

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*Authors' Note:* This paper is mainly based on the Ph.D. dissertation of Mr Nasim S. Shirazi, completed at International Institute of Islamic Economics, International Islamic University, Islamabad.

<sup>1</sup>For the purposes of this paper, we define *Infaq* to include all *Zakat*, *Ushr*, *Sadaqat*, gifts and other assistance transfers to the poor. In particular, we include the HIES categories that cover gifts in kind, offerings, donations, *Zakat* and *Ushr* received by the Household by way of charity covered under Code 6303 of Part III of the HIES Questionnaire.

with the evaluation of the administrative structure and monitoring of the social and economic impact of the *zakat* and *ushr* system. Kahf's (1987) study had a limited data base and was mainly focused on the managerial aspect of the *zakat* and *ushr* system. Ahmad (1983) and Butt (1990) dealt only with the collection and distribution of *zakat* in Pakistan. Faiz (1991) and Ali (1985) dealt with some effects of *zakat* and *ushr* on poverty alleviation. The study by Faiz (1991) gives some notion of the poverty gap. However, the study is largely descriptive; no poverty line is estimated and neither are any established measures of poverty computed. Ali (1985) concludes that if the entire *ushr* collection is used in cash payments to the needy, at the rate of Rs 50 per family per month, it can benefit 1.4 million or 45 percent of what the author considers are poor families. The problem with this study is the same as that with the one by Faiz (1991). There is a need, therefore, to systematically explore the extent and possibility of poverty alleviation through the system of *Infaq*.

The objective of this paper is to estimate the effects of *Infaq* on poverty alleviation at a disaggregated level. For this purpose, we use the Household Income and Expenditure Survey data for 1987-88. The rest of the paper is organised as follows. In section two, the system of *Infaq* in Pakistan is briefly highlighted. In section three the methodology and data set are discussed. In section four the estimate of poverty are presented while the effects of *Infaq* on poverty alleviation are discussed in section five; the last section presents the conclusions of the paper.

## II. *INFAQ* IN PAKISTAN

The main purpose of *Infaq* according to Islam is to keep economic harmony in the society. *Infaq* helps the poor and the needy in the fulfilment of their basic needs and enables them to become responsible citizens of society. The Prophet Muhammad (PBUH) took measures to eradicate poverty. He encouraged his followers to give charity to the poor and the needy, so that they (followers) may be able to shun miserliness. The rightly-guided caliphs and other companions of the Prophet (PBUH) acted upon the teachings of the Prophet (PBUH) in this regard. Islamic history is full of instances, which testify to the benevolence of the Muslims towards the needy. For details, see Shirazi (1994).

It is true that no Islamic country of the present day Islamic World is practising Islamic teachings in their totality. However, one can find partial applications of some of the Islamic teachings in a number of Muslim countries. Although un-Islamic values are mixed with Islamic ones, yet the Islamic spirit is not totally absent among the individuals; many practice the Islamic teachings on *Infaq* and give charity and *sadaqat* voluntarily.

In Pakistan, even before the establishment of the official *zakat* system in 1980, people were giving *sadaqat* voluntarily to their poor and destitute relatives and neighbours, *deeni madaris* (religious schools) and other deserving institutions. Faiz (1992) reported that "in Pakistan, till June 1980, the system of *zakat* was practised on a voluntary basis, i.e., individuals used to pay their *zakat* to the needy people or institutions at their own without involving the state functionaries".

The total *zakat* and *ushr* collections in Pakistan during different years are reported in Table 1.

Table 1  
*Total Zakat and Ushr Collection*

Year	Rs (Million)		
	<i>Zakat</i>	<i>Ushr</i>	Total
1980-81	844.85	—	844.85
1981-82	798.51	—	798.51
1982-83	855.19	179.34	1034.53
1983-84	1011.33	259.40	1270.73
1984-85	1230.86	262.74	1493.60
1985-86	1439.04	247.35	1686.39
1986-87	1513.62	228.92	1742.54
1987-88	1944.18	240.69	2184.87
1988-89	2190.01	183.24	2373.25
1989-90	2444.03	140.79	2584.82
1990-91	2685.53	113.83	2799.36

Source: Central *Zakat* Administration, Ministry of Finance, Government of Pakistan, Islamabad.

### Disbursement of *Zakat*

The disbursement of the *zakat* funds by Local *Zakat* Committees<sup>2</sup> and the number of beneficiaries are given in Table 2. On the average, Rs 429 per household were disbursed among the 977659 deserving households during the period from 1980-81 to 1990-91; on the average 115405 households were rehabilitated each year and on average each rehabilitated family were given Rs 1950 as a rehabilitation grant. In addition to these beneficiaries charitable and welfare institutions also got grants from the *zakat* funds.

<sup>2</sup>At the level of Local *Zakat* Committees, at least 45 percent of the total funds are allocated for permanent rehabilitation of the poor, not more than 45 percent for subsistence allowance and not more than 10 percent are allocated for administrative expenses.

Table 2  
Disbursements of Zakat from Local Zakat Committees

Year	1	2	3	4	5	6	7	8	9	10
	Subsistence Allowance (Mill. Rs)	No. of Beneficiaries	Average Allowance per Family (Rs)	Rehabilitation Grants (Mill. Rs)	No. of Beneficiaries	Average Grant per Family (Rs)	Total Allowance (Mill. Rs)	Annual Growth (3+6) %	Total Beneficiaries (Number)	Annual Growth %
1980-81	438.442	1289489	340.01	2.566	1934	1326.78	441.008	—	1291423	—
1981-82	528.502	1287207	410.58	16.091	9214	1746.36	544.593	23.49	1296421	0.38
1982-83	279.343	1175067	237.73	82.038	46753	1754.71	361.381	-33.64	1221820	-5.75
1983-84	769.090	1245055	617.71	145.048	62983	2302.97	914.318	60.46	1308038	7.05
1984-85	533.933	953016	560.25	96.241	45703	2105.79	630.174	-31.06	998719	-23.65
1985-86	186.837	509627	366.61	158.753	113091	1403.76	345.590	-45.16	622718	-37.65
1986-87	462.926	856289	540.61	427.040	201364	2120.73	889.966	157.72	1057653	69.84
1987-88	349.270	1262129	276.73	453.050	310577	1458.73	802.320	-9.85	1572706	48.69
1988-89	320.225	926101	345.81	436.829	177312	2463.61	757.054	-5.64	1103413	-29.84
1989-90	278.675	471273	591.32	251.606	96348	2611.43	530.281	-29.95	567621	48.55
1990-91	465.639	779003	597.73	406.047	204177	1988.70	871.686	64.38	983180	73.21

Source: Central Zakat Administration, Ministry of Finance, Government of Pakistan, Islamabad.

The present *zakat* system is a good attempt at the Islamisation process of the economy. However, there are a number of loopholes at each level and *zakat* is not collected to its actual potential.

### III. METHODOLOGY AND DATA

The first step towards the measurement of poverty is the setting of the poverty line. A number of ways of determining the poverty line are available.<sup>3</sup> However, since the problem of poverty in a developing country like Pakistan is that of absolute poverty, we shall be mainly concerned with the determination of the absolute poverty line.

Since *Infaq* is one of the sources of income of the poor households, therefore, it seems more appropriate to measure the poverty lines in terms of income. In the paper, we have converted our expenditure based poverty lines into income based poverty lines by estimating the relationship between total consumption expenditures<sup>4</sup> and income. The relationship between total consumption expenditures and income is expressed in the following functional form:

$$E = \alpha + \beta \ln Y;$$

where  $E$  is monthly consumption expenditure per adult equivalent and  $Y$  is monthly income per adult equivalent. Our estimated poverty lines are reported in Table 3. After estimating the poverty lines, the next step is to measure the incidence and intensity of poverty.

#### The Measurement of Poverty and the Effect of *Infaq*

Foster, Greer and Thorbecke (FGT) (1984) proposed a class of additively decomposable measures of poverty, which have been quite widely used in the recent research. The details of the FGT poverty measures are given in Malik (1992) and Shirazi (1994). The FGT poverty measures satisfy the main axioms for a desirable poverty measure defined in Sen (1976). These measures permit the calculation of both the prevalence as well as the intensity of poverty.

<sup>3</sup>For details, see Shirazi (1994).

<sup>4</sup>The use of expenditure (especially that obtained from several categories requiring detailed prompting) as a proxy for income is more reliable particularly in the developing countries, where people do not declare their true income. Researchers prefer to work with expenditure data, because the expenditure data of Pakistan are generally found to be more reliable as compared to income data see Havinga *et al.* (1990).

Table 3  
*Poverty Lines in Terms of Income – 1987-88*

Region	Per Adult Equivalent (Rs)	Per Capita (Rs)
Overall Pakistan	263.35	208.04
Overall Punjab	255.42	201.78
Rice/Wheat Punjab	299.12	236.30
Mixed Punjab	235.48	188.38
Cotton/Wheat Punjab	234.63	185.35
Low Intensity Punjab	230.22	181.87
<i>Barani</i> Punjab	301.72	238.35
Overall Sindh	305.97	244.77
Cotton/Wheat Sindh	263.54	205.56
Rice/Other Sindh	351.20	256.96
Overall NWFP	228.33	178.09
Other NWFP (Except D. I. Khan)	229.36	178.89
Overall Balochistan	321.93	254.32

To determine the role of *infaq* in alleviating poverty in Pakistan, we estimate the FGT poverty measures, before and after subtracting *infaq* receipts from the households' income. The difference in the resulting poverty levels would indicate the effects of *infaq*.

#### Data Source

This analysis is based on the data from the Household Income and Expenditure Survey (HIES) 1987-88. This was the latest available HIES data set on tapes, when this research was conducted. The HIES is conducted by the Federal Bureau of Statistics, Statistics Division, Government of Pakistan, on an annual basis covering both rural and urban areas in four provinces of Pakistan except the Federally Administered Tribal Areas (FATA), military restricted areas and districts of Kohistan, Chitral and Malakand, and protected areas of NWFP. Moreover, the households entirely dependent on charity are excluded from this survey. However, households located in institutions such as hotels, hostels, hospitals, boarding houses etc. are included in the survey.

The unit of analysis is the household. Variations in size, age and sex composition of households are incorporated by conversion to adult equivalents using the

scale described in Ercelawn (1990).<sup>5</sup>

The HIES 1987-88 based on a national sample, covered 18144 households.<sup>6</sup> The HIES collects information on income and expenditure of households. Information on *infaq* (*zakat, ushr, sadaqat* and gifts etc.) is also collected.

The shortcomings of the HIES data sets are fairly well known. These are extensively documented in Kemal (1981) and Malik (1993). A major problem of the HIES data is the somewhat incomplete coverage of the very rich and very poor in the Survey. It is pointed out by Akmal (1992) that "HIES data has relatively incomplete coverage of the poorest households. Even more important is the fact that HIES does not cover an important section of the poor population, i.e. those not resident in a permanent abode".

Despite these limitations, the HIES data are quite comprehensive and representative; because it is based on a very large sample size that covers almost 96 percent of the total population of the country.

#### IV. INCIDENCE OF POVERTY

Table 4 presents the poverty estimates  $P_0^7$ ,  $P_1$  and  $P_2$  based on the per capita income poverty lines reported in Table 3. We note that in terms of per capita income, the incidence of poverty is considerably higher than that estimated from per capita expenditures. This is in line with the findings of the earlier studies See Malik (1992) and Shirazi (1994). The estimates in Table 4 show that 23.2 percent of overall households in Pakistan; 12.7 percent in urban areas and 27.2 percent in rural areas are poor as estimated in terms of the head-count index  $P_0$ . If we compare the proportion of poor households across provinces, we find the same poverty incidence levels in overall Sindh (28.4 percent) and in overall Balochistan (28.3 percent). As compared to these, overall Punjab has the lowest percentage of poverty (24.4 percent) followed by overall NWFP (14.8 percent).

As regards urban poverty, we observe the lowest head-count (9.7 percent) in urban NWFP and the highest in urban Balochistan (16.6 percent) followed by urban Punjab (15.1 percent). Urban poor households in Sindh are 12.6 percent of the total urban households. The estimates indicate that the  $P_0$  in rural Sindh is the highest (41

<sup>5</sup>Zaidi and de Vos (1993) find that alternative weighting schemes to get equivalence scales do not significantly affect the overall poverty results.

<sup>6</sup>Household, in the survey, may consist of a single person living alone or a group of persons who normally live and eat together while eating together implies common cooking arrangements.

<sup>7</sup> $P_0$ : Proportion of the poor.  $P_1$ : Aggregate income shortfall of the poor as a proportion of the poverty line.  $P_2$ : FGT poverty measure which shows the intensity of the poverty. The higher the value of  $P_2$ , the more severe is the poverty.



percent) and it is the lowest in rural NWFP (15.8 percent).

Among the agroclimatic zones of Punjab, the highest head-count on an overall basis is observed in the Rice/Wheat zone of Punjab (28.4 percent) followed by the Low Intensity zone of Punjab (27.6 percent). Similarly, the head-count for the rural areas of Rice/Wheat Punjab is the highest (33.3 percent), followed by the rural areas of Low Intensity Punjab (29 percent) and rural *Barani* Punjab (25.9 percent). If we compare the agroclimatic zones of Pakistan, we find the highest head-count in overall Rice/Wheat Punjab (28.4 percent) followed by overall Low Intensity Punjab (27.4 percent) and overall Rice/Other Sindh (26.6 percent). We find the lowest head-count (9.5 percent) in urban *Barani* Punjab and the highest in urban Rice/Wheat Punjab (18.5 percent). As regards the rural areas of the agroclimatic zones of Pakistan, we find the highest head-count in Rice/Other Sindh (47.0 percent) followed by rural areas of Rice/Wheat Punjab.

Table 4 also indicates that the head-count on an overall urban and rural basis in NWFP is smaller as compared to the other provinces and agroclimatic zones of Pakistan. One of the reasons for this could be that a substantial area of NWFP is not covered by the HIES. The poverty gap index ( $P_1$ ) and the FGT measure ( $P_2$ ) have more or less the same pattern as  $P_0$ . However, the values of both  $P_1$  and  $P_2$  are small, implying that the poverty gap (or the distance between the poverty line and the mean expenditures of the poor) is small and so is the most disadvantaged group of poor.

## V. ALLEVIATION OF POVERTY THROUGH *INFAQ*

The poverty measures reported in Table 4 were based on incomes that included *Infaq* (income transferred to the poor). To see the effect of *Infaq* on poverty alleviation, we subtracted the amount of this transfer (*infaq*) from the households' income and then re-estimated the poverty measures on the basis of the same poverty lines on which the estimates of Table 4 are based. We find, as expected, that poverty incidence has increased. This can be seen from Table 5. In other words, if there is no *infaq*, poverty levels are higher than those reported in Table 4.

With a view to show the impact of *infaq* on poverty alleviation, we have reported the percentage differences in the various poverty measures with and without *infaq* in Table 6. These percentages are computed as the percentage changes in poverty measures computed without *infaq* increases to those with *Infaq* using the *Infaq* estimates as base. *Infaq* has resulted in reducing poverty level in Pakistan by 2.41 percent overall from levels computed with *Infaq*; and 3.93 percent in urban areas and 1.83 percent in the rural areas based on the head-count measure

Table 4

*Head Count, Poverty Gap, Foster-Greer-Thorbecke Poverty Measure  
using Region Specific Poverty Lines (1987-88)*

		$P_0$	$P_1$	$P_2$
Pakistan	Overall	23.2	4.8	1.5
	Urban	12.7	2.3	0.6
	Rural	27.2	5.7	1.8
Punjab	Overall	24.4	5.1	1.6
	Urban	15.1	2.7	0.7
	Rural	27.5	5.8	1.9
Rice/Wheat Punjab	Overall	28.4	5.9	1.8
	Urban	18.5	3.7	1.1
	Rural	33.3	6.9	2.1
Mixed Punjab	Overall	21.0	4.2	1.3
	Urban	15.8	2.9	0.7
	Rural	22.5	4.6	1.4
Cotton/Wheat Punjab	Overall	23.3	4.8	1.5
	Urban	14.8	2.2	0.5
	Rural	25.0	5.3	1.7
Low Intensity Punjab	Overall	27.6	5.5	1.6
	Urban	18.8	3.8	1.2
	Rural	29.0	5.7	1.7
<i>Barani</i> Punjab	Overall	21.2	3.8	1.0
	Urban	9.5	2.0	0.5
	Rural	25.9	4.5	1.2
Sindh	Overall	28.4	5.6	1.6
	Urban	12.6	2.1	0.5
	Rural	41.0	8.2	2.4
Cotton/Wheat Sindh	Overall	20.4	3.4	0.9
	Urban	11.1	1.6	0.3
	Rural	23.3	4.0	1.1
Rice/Other Sindh	Overall	26.6	5.2	1.5
	Urban	12.1	2.1	0.5
	Rural	47.0	9.5	2.8
NWFP	Overall	14.8	2.8	0.8
	Urban	9.7	1.4	0.3
	Rural	15.8	3.1	0.9
Other NWFP (Except D. I. Khan)	Overall	14.4	2.8	0.8
	Urban	10.0	1.4	0.3
	Rural	15.2	3.0	0.9
Balochistan	Overall	28.3	5.0	1.4
	Urban	16.6	2.6	0.6
	Rural	29.9	5.3	1.5

Table 5

*Head Count, Poverty Gap, Foster-Greer-Thorbecke Poverty Measure after Subtracting Infaq from Households' Income Using Region Specific Poverty Lines (1987-88)*

		$P_0$	$P_1$	$P_2$
Pakistan	Overall	23.8	5.0	1.6
	Urban	13.2	2.5	0.7
	Rural	27.7	5.9	1.9
Punjab	Overall	25.0	5.3	1.8
	Urban	15.6	3.0	0.9
	Rural	28.1	6.1	2.0
Rice/Wheat Punjab	Overall	29.2	6.3	2.0
	Urban	19.1	3.9	1.2
	Rural	34.2	7.4	2.3
Mixed Punjab	Overall	21.6	4.4	1.5
	Urban	16.5	3.2	0.9
	Rural	23.1	4.8	1.6
Cotton/Wheat Punjab	Overall	24.0	5.1	1.6
	Urban	15.1	2.5	0.8
	Rural	25.8	5.6	1.8
Low Intensity Punjab	Overall	27.9	5.6	1.8
	Urban	18.9	4.2	1.4
	Rural	29.4	5.8	1.7
Barani Punjab	Overall	21.3	3.9	1.1
	Urban	9.5	2.0	0.6
	Rural	26.0	4.6	1.3
Sindh	Overall	28.6	5.7	1.7
	Urban	12.8	2.2	0.6
	Rural	41.0	8.3	2.5
Cotton/Wheat Sindh	Overall	20.5	3.4	1.0
	Urban	11.1	1.6	0.3
	Rural	23.4	4.0	1.1
Rice/Other Sindh	Overall	27.13	5.4	1.7
	Urban	12.5	2.2	0.6
	Rural	47.1	9.7	2.9
NWFP	Overall	15.0	2.9	1.0
	Urban	10.1	1.4	0.3
	Rural	15.9	3.2	1.1
Other NWFP (Except D. I. Khan)	Overall	14.6	3.0	1.0
	Urban	10.4	1.5	0.3
	Rural	15.3	3.2	1.1
Balochistan	Overall	28.7	5.1	1.5
	Urban	16.8	2.6	0.6
	Rural	30.3	5.4	1.6

Table 6

*Percentage Change in the Head Count, Poverty Gap and Foster-Greer-Thorbecke Poverty Measure (1987-88) due to Infaq*

		P <sub>0</sub>	P <sub>1</sub>	P <sub>2</sub>
Pakistan	Overall	2.41	4.93	8.62
	Urban	3.93	8.69	16.66
	Rural	1.83	3.50	5.55
Punjab	Overall	2.46	6.67	11.14
	Urban	3.31	11.11	28.57
	Rural	2.18	5.17	5.26
Rice/Wheat Punjab	Overall	2.87	6.62	9.37
	Urban	3.24	5.40	9.09
	Rural	2.70	7.24	9.52
Mixed Punjab	Overall	3.05	5.68	17.49
	Urban	4.43	10.34	28.57
	Rural	2.66	4.34	14.28
Cotton/Wheat Punjab	Overall	2.99	7.05	15.33
	Urban	2.02	13.63	60.00
	Rural	3.2	5.66	5.88
Low Intensity Punjab	Overall	1.26	2.93	2.24
	Urban	0.53	10.52	16.66
	Rural	1.38	1.75	0.0
Barani Punjab	Overall	0.27	4.76	11.65
	Urban	0.0	0.0	20.0
	Rural	0.38	6.66	8.33
Sindh	Overall	0.70	1.46	11.16
	Urban	1.58	1.78	20.0
	Rural	0.0	1.22	4.16
Cotton/Wheat Sindh	Overall	0.33	0.0	0.0
	Urban	0.0	0.0	0.0
	Rural	0.43	0.0	0.0
Rice/Other Sindh	Overall	2.01	3.65	13.17
	Urban	3.30	4.76	20.0
	Rural	0.21	2.10	3.57
NWFP	Overall	1.16	2.72	18.80
	Urban	4.12	0.0	0.0
	Rural	0.63	3.22	22.22
Other NWFP (Except D. I. Khan)	Overall	1.16	6.73	18.80
	Urban	4.0	7.14	0.0
	Rural	0.65	6.66	22.22
Balochistan	Overall	1.32	1.64	5.81
	Urban	1.20	0.0	0.00
	Rural	1.34	1.88	6.66

$P_0$ . Among the provinces, Punjab shows a decline of 2.46 percent in the urban areas. Sindh province shows a decline in poverty by 0.70 percent overall and 1.58 percent in urban areas under the impact of *infaq*. NWFP shows a decline by 1.16 percent overall and 4.12 percent in urban areas, while in Balochistan, *infaq* reduces the poverty by about 1.32 percent overall.

Among the agroclimatic zones, the highest poverty reduction with *infaq* can be seen in case of mixed Punjab (3.05 percent overall and 4.43 percent in urban areas), followed by Rice/Wheat Punjab (2.87 percent overall, 3.24 percent urban and 2.7 percent in the rural areas). Rice/Other Sindh shows a decline by 2.01 percent overall and 3.30 percent in the urban areas. It appears that the reduction of poverty under the impact of *infaq* is relatively high in Punjab than in other provinces.

Although the reduction of poverty under the influence of *infaq* in percentage terms seems to be small, yet the absolute number of households who benefited from *infaq* is quite large. For example, more than 60 thousand households moved above the poverty line in Pakistan through *infaq* in 1987-88. This is quite a large number though it is small in relation to the total number of poor households.

The most important impact of *infaq* is on the reduction in poverty gap ( $P_1$ ) and severity of poverty as shown by the  $P_2$  index. *Infaq* resulted in reduction in the poverty gap by 4.93 percent overall, 8.69 percent in the urban areas and 3.50 percent in the rural areas of Pakistan. Among the provinces, Punjab shows a reduction of poverty gap ( $P_1$ ) by 6.67 percent overall followed by NWFP (2.72 percent overall). *Infaq* reduces the poverty gap in Balochistan by 1.64 percent overall, and it reduces the  $P_1$  by 1.46 percent in overall Sindh. As far as the reduction in poverty gap in the rural areas is concerned, Punjab shows a decline by 5.17 percent followed by NWFP (3.22 percent). Except for the urban areas of Punjab and Sindh, where the reduction of poverty gap is 11.11 percent and 1.78 percent respectively, the urban areas of all other provinces show no change in the poverty gap.

Among the agroclimatic zones, the higher reduction (13.63 percent) in poverty gap is seen in the urban areas of Cotton/Wheat Punjab followed by urban areas of Mixed Punjab (10.34 percent). However, the reduction of poverty gap in all the urban areas of the agroclimatic zones are significantly higher than rural areas.

As far as the severity of poverty index ( $P_2$ ) is concerned, we observe a significant decrease. The severity of poverty decreased by 8.62 percent overall, 16.66 percent in urban and 5.55 percent in the rural areas of Pakistan. We find almost the same reduction in the severity of poverty (about 11 percent) in overall Punjab and Sindh, while it decreases by 18.8 percent in overall NWFP and 5.81 percent in Balochistan. However, we find the higher reduction in  $P_2$  in the urban areas of

Punjab (28.57 percent), followed by urban Sindh (20 percent). We also find a significant reduction in  $P_2$  in all the agroclimatic zones.

We have already pointed out that the HIES data do not cover the people, who are living solely on charity and those not resident in permanent abodes. Thus, if those people had been included in the sample, then perhaps the impact of *infaq* would have been greater.

The results indicate that had the *zakat* potential been fully realised, we could have had a more significant impact of *Infaq* on overall poverty alleviation. We must note, however, that our results are based on the assumption that *Infaq* implies a transfer from the non-poor to the poor. To the extent, that there exist transfers from the poor to the poor our results are an overestimate of the impact of *Infaq*.

## VI. CONCLUSIONS

*Infaq* helps the poor and the needy in the fulfilment of their basic needs. The Prophet Muhammad (PBUH) took measures to eradicate poverty. He encouraged his followers to give charity to the poor and the needy, so that they may be able to shun miserliness.

With the passage of time weaknesses crept into the system so that presently no Islamic state seems to follow all the dictates of the system to the letter. There is, however, no doubt that the people of all the Muslim countries including Pakistan do observe certain Islamic traditions. The giving of *alms* and gifts to help the needy on a voluntary basis is still widely practised.

This study using the HIES data for 1987-88 finds that *Infaq* does help in poverty alleviation. Its impact particularly on the poverty gap and severity of poverty index is significant. If *Zakat* and *Ushr* are fully collected according to the letter and distributed to the deserving, we can expect to root out poverty from Pakistan.

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**Comments on**  
**“Role of *Infaq* in Poverty Alleviation in Pakistan”**

The paper has a limited objective and sets about achieving it efficiently i.e. The impact of voluntary and state organised charity on various dimensions of poverty. The method is straight forward: look at various dimensions of poverty with and without *infaq* and thereby assess the impact of *infaq* on poverty alleviation. I consider this to be a very important paper.

There seems little sense in boring the reader with specific comments of detail which serve a better purpose being turned over to the authors for revision. Instead, I will focus here on the broader philosophic and research issues emanating from the paper.

## I. ISLAMIC PHILOSOPHY

### A. The Role of the State

There are two issues that the authors could profitably take up, particularly since two of the authors are at the Islamic University or the Islamic Institute. One touches on the central issue of the role of the state in Islam. Giving is an act of self-purification. If the State enforces the giving than has the spiritual objective of prescribing this giving been attained? Does Islam actually require such enforcement by the State? I have never been clear about this. On the one hand the beneficiaries are clearly specified in the Qur'an and payment for the collector is also specified. However, it is not clear that this means a role for the State. A community, say an office or a village or a *mohalla* could start a charitable trust or this could be done by an NGO such as the Edhi trust.

My own limited understanding is that all religious practices are individual acts for individual benefit. Why should the State interfere in choices given to the individual? Individuals save their own soul, and the State cannot do it for them.

Suppose that over the course of time the consensus of this community (*ijma*) is that giving should really be a voluntary act. I would still support a welfare tax since I believe the state does have an important role in poverty alleviation. However, it may be preferable not to call this tax *Zakat*. The second issue concerns the mode of giving charity.

## B. Rehabilitation vs. Handouts

Suppose the consensus is that the state should be in the business of collecting and distributing *Zakat*, there is still the issue of how best to achieve these objectives. There are two categories of recipients described in the paper; there are those getting a subsistence allowance and those getting a rehabilitation allowance. Discussing the two kinds of awards and their religious antecedents, even if in an appendix, would be useful. I also think that a brief description of the kind of use the rehabilitation awards have been put to would be useful. The average annual rehabilitation award was about Rs 2,000 in 1990-91 (Table 2).

The philosophical issue of interest here is an old one of whether it is better to provide a fishing net or give out fish in perpetuity? Does this community have the courage to engage in *ijtehad* and decide that it makes much more sense teaching people skills than to give them handouts? This is not only the sustainable option but also in keeping with the dignity of the individual. As a member of this community, I would certainly vote for the latter option.

Perhaps this government should pass on the *Zakat* funds to NRSP and other rural support programmes to ensure sustainable income security.

## II. POLICY ORIENTED RESEARCH ISSUES

This paper is currently social research which is interesting in informing us but not one with a particular policy focus. Perhaps with the given data, the authors could have a policy focus. The authors hint that somehow the *zakat* system is not living up to its potential but they never say why other than referring to but not explaining "loopholes". Some elaboration would be useful.

Let me suggest some simulation exercises that might be useful with regards to whether the system is living up to its potential and to test the claim that this welfare system could eradicate poverty. Currently the effect is a modest one, about two and a half percent reduction in poverty overall due to *infaq* (about four percent in the urban areas and two percent in the rural areas). The percentages with regards to the poverty gap and the intensity of poverty appear high because of the small base.

1. It should be possible to simulate what the total *zakat* collection ought to be given the financial and agricultural assets base. Compare this with the reported collection.
2. Estimate what beneficiaries actually receive per household (using HIES) compared to what they should be receiving even on the basis of

reported collection (some reasonable assumptions on sensitivity analysis will be needed because of the aggregate nature of the data). Simulate the potential reduction in the various dimensions of poverty compared to the actual reduction i.e. repeat the *Infaq* simulations based on 1 and 2.

Finally, there may be another policy issue. If it is possible from HIES to ascertain giving by income group, this could have bearing on tax policy. In another cultural context, it was found that the less well off gave more in relative and sometimes absolute amounts than the wealthy.

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