

## The Methods of Poverty Determination Practiced by Zakat Institution in Malaysia

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To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v13-i7/17801> DOI:10.6007/IJARBSS/v13-i7/17801

**Published Date:** 16 July 2023

### Abstract

The eradication of poverty is a national development objective designed to alleviate economic imbalances. Inaccuracies in defining the most effective strategies for eradicating poverty will lead to the development of unsuccessful policies and programmes. In Malaysia, zakat institutions contribute to the endeavour by distributing zakat funds to the poor and needy. Consequently, the purpose of this study is to investigate the ways of measuring poverty utilised by zakat institutions in Malaysia. This qualitative study was conducted using

methodologies for data gathering and analysis. The methods of data collection were discovered through library study. The gathered data were evaluated using inductive, deductive, and comparative methodologies in order to provide results. According to the findings of this study, the measurement of poverty may be split into two categories: the way of measurement according to Islam based on the boundaries of kifayah, and conventional measurement, which includes the unidimensional and multidimensional methods. The measuring approach based on the had kifayah is viewed as more sophisticated in terms of an individual's basic needs and is supplementary to the measurement method based on the PGK. Nonetheless, the determination and measurement of poverty based on multidimensional approaches must also be given consideration and viewed simultaneously, as they are closely related and can improve the precision of poverty assessment.

**Keyword:** Poverty, Unidimensional, Multidimensional, Had Kifayah

### **Introduction**

The eight asnaf that have been provided as zakat from the time of Rasulullah SAW include the asnaf of the destitute and needy. In Malaysia, zakat institutions are the entities responsible for the management and administration of zakat. This is evident from the Qur'an:

*Indeed, the zakat is only for the poor, the needy, the managers of the zakat, the converts whose hearts are persuaded, to (free) slaves, those who are in debt, for the way of Allah and for those who are on the way, as a decree obligated by Allah, and Allah is All -Knowing, All -Wise. (Tawbah: 60)*

Based on the foregoing passage, Allah swt explains in the Qur'an how the asnaf of the poor and needy is determined. Nonetheless, the assessment and amount of poverty must be measured with certain techniques so that the group can be identified and assisted as effectively as feasible. Therefore, in order to distribute asnaf to the poor and needy, zakat institutions must verify that the technique for determining poverty is precise and suitable.

### **Conventional and Islamic Perspective Poverty Concepts**

To eliminate economic imbalances, eradicating poverty is the most crucial national development objective. Inaccuracies in selecting the proper concepts and methods to eradicate poverty will render planned policies and programmes ineffective. It even results in monetary, energy, and time losses for the nation. Poverty refers to the inability to attain a subsistence level (World Bank, 2018).

According to one viewpoint, the concept of poverty is separated into two categories: absolute and relative poverty (UNDP 2015). Absolute poverty is determined by income and fundamental needs such as food, clothing, and a place to live. The concept of absolute poverty disregards the issue of living quality and the unequal distribution of income in society. This notion focuses on the predicament of individuals or families who cannot fulfil their fundamental requirements, and assistance is merely meeting those needs. While the idea of relative poverty examines the relationship between the economic status of individuals and the context of income distribution based on race and area, absolute poverty examines the relationship between economic status and income. The requirements of urban communities are greater than those of rural ones, and there are enormous income disparities between urban ethnic groups. Consequently, urban poverty is more severe than in rural regions, and the PGK rate is correspondingly higher.

In addition, chronic poverty and transient poverty are further definitions of poverty. According to Rafael and Machado (2007), chronic poverty is the life of a person who has been in poverty for an extended period. In contrast, temporary poverty results from the instability of household income due to the current economic climate. In addition, there is the "invisible poor" poverty, which refers to those with a fixed income that is insufficient to pay basic needs such as food, clothing, education, rent, etc. Those who have been declared bankrupt by a court are also considered poor since they lack the ability to spend and manage assets. There are numerous interpretations and terms for the phrase "poor," but in Islam, poverty is defined as fakir and miskin. The academics of the sect have contested the definitions of fakir and miskin to differentiate them as seen in the following table.

| Mazhab  | Fakir  | Miskin   |
|---------|--|--|
| Syafie  | Not having property, not having a job to meet basic needs.   | Own property but not enough to meet basic needs                                      |
| Hanbali | Not having property, not having a job to meet basic needs.   | Own property but not enough to meet basic needs                                      |
| Hanafi  | Not begging, or overwhelmed by constant hardship, or owning sufficient property to meet basic needs. | Begging, or afflicted with difficulty for a temporary period, or not owning property |
| Maliki  | Own property but not enough to meet the needs for a year, or the same situation with the poor        | Do not have direct wealth, or the same situation as the poor                         |

On the basis of the preceding table, the fiqh scholars disagree as to which group is the most impoverished. The Syafie and Hanbali schools contend that the plight of the poor is worse than that of the poor (Al-Nawawi, 2002).

According to the Hanbali school, the fakir are individuals who have no property or less than half of the al-kifayah limitations for basic needs. The impoverished are individuals who have reached at least half of the al-kifayah level but are not totally faultless (Al-Bahuti, 1993). Both of these religions agree that the poor are those who have neither property nor a job that permits them to meet their basic needs. The poor, on the other hand, are individuals who own property but not enough to meet their needs.

However, the views of Syafie and Hanbali contradict those of Hanafi and Maliki, according to which the poor are worse off than the poor.

The Maliki school interprets the impoverished and the needy from two perspectives. According to the first viewpoint, the poor are individuals who possess property but lack basic necessities for an entire year, whereas the impoverished are those who do not own any property. According to the second theory, the two are identical ('Ulaysh and Muhamad, 1984).

There are some Hanafi scholars, including al-Hasan, who believe that the beggars are worse than the beggars. According to the second opinion of the Qatadah, the plight of the poor is worse than that of the temporarily impoverished since they are subjected to chronic hardship. According to the third viewpoint, the poor are better off since they have enough property to meet their basic necessities. While the poor are those without any possessions (al-Kasani, 2003).

### **Methods of Determination of Poverty in Malaysia**

In Malaysia, poverty is measured using the had kifayah method, the unidimensional approach, and the multidimensional method.

#### **Had Kifayah Method**

According to al Fanjari (2010), the term had kifayah is also known as al-hajah al-asliyyah and had al-ghina (the level of measurement of wealth). According to Ab Rahman et al (2018), the kifayah limit is the minimal limit of sufficiency and the minimum limit of fundamental necessities. Mansor, Hasan, et al (2014) suggest that the limit of al-kifayah is not merely a level that satisfies the demands in terms of filling the shortfall in income, but also satisfies the needs of life required to advance the quality of life.

Had Kifayah refers to the rate of economic sufficiency necessary to ensure the existence of an individual and his dependents (Anggoro & Asmak, 2016). It serves to determine the degree of needs required by the home to meet daily needs, taking into account characteristics such as household size, age group, and others (Fahme et al., 2014). Conditions and locations are identical in metropolitan, urban, and rural areas (Surtahman, 2001).

The use of this had kifayah is consistent with maqsid syariah principles aimed at safeguarding religion, life, intelligence, lineage, and human property. In addition, the had kifayah is a method for distinguishing the impoverished from those who are not destitute (Fahme et al., 2014). The need for this had kifayah is determined based on an individual's minimum requirements for daruriyyat and hajiyyat. To determine the need for had kifayah, protection, food, clothes, medical, education, and transportation are crucial factors.

The fakir and miskin are evaluated based on their incapacity to provide life's requirements. The difference between these two asnaf is the amount required to pay the rate of fundamental needs to sustain a person's well-being, such as shelter, clothing to regulate body temperature, and seumpunya, where the poor are better off than the poor. Malaysia's entire basic needs are determined by PGK (Emie, 2010)

Table of had kifayah of the states in Malaysia

| No. | States  | Town                          | Rural                       |
|-----|---|-------------------------------|-----------------------------|
| 1   | Kedah   | 960.00 (B)<br>815.00 (TB)     | Same                        |
| 2   | Pulau Pinang  | 1,110.00 (B)<br>950.00 (TB)   | Same                        |
| 3   | Johor   | 1,745.00                      | 1,645.00                    |
| 4   | Melaka  | 1,440.00                      | Same                        |
| 5   | Pahang<br>- Haouse – RM 400.00 maximum<br>- Health- RM 300.00 maximum<br>- Transportation – RM 300.00 maximum | 2,146.00 (B)<br>1,746.00 (TB) | Same                        |
| 6   | Selangor  | 2,040.00 (B)<br>1,715.00(TB)  | 1,640.00(B)<br>1,440.00(TB) |
| 7   | Wilayah Persekutuan   | 2,070.00 (B)<br>2,020.00 (TB) | Same                        |
| 8   | Perak   | 1,655.00 (B)<br>1,403.00 (TB) | 1,157.00 (B)<br>959.00 (TB) |
| 9   | Sabah   | 1,850.00                      | 1,455.00                    |

(\* B: Rumah Berbayar & TB: Rumah Tidak Berbayar)

In Malaysia, zakat institutions determine the asnaf of the poor and needy based on the Had Kifayah formula, which takes into account six fundamental elements: food, shelter, clothes, education, health, and transportation. Since the Sultan of each state has power over the state religion, the Kifayah Limit rate of each state is different when compared to the federal government's computation, which is more uniform in defining the poor and extreme poor based on the Poverty Line Income. (PGK).

### Unidimensional Method

The majority of nations have long used economic well-being as a measure of poverty to distinguish between the impoverished and the non-poor.

The measurement is focused solely on economic or financial factors; it is a unidimensional poverty measure (Norzita & Hadijah, 2014). Numerous parties, including the World Bank, employ this method of utilising income. In 1990, the World Bank established the poverty threshold at USD370 per year or USD1 per person per day (at 1985 values). This USD1 per person per day poverty line (which was raised to USD1.08 per person per day in 1993 based on the consumer price index) is an estimate of the minimum amount of money required to purchase basic essentials and sustain human life. Income refers to the continuous flow of economic resources held and received by an individual or household, whether in the form of earnings, salaries, self-employment, or other sources such as real estate, pensions, and social contributions. Increased household income improves the community's well-being, specifically life expectancy, education, and accomplishment. Those with higher wages can naturally attain a more successful quality of living than those with lower incomes (OECD, 2013). In Malaysia, the poverty measure based on the income dimension is the poverty line income (PGK). This method is used to determine absolute and relative poverty levels. PGK is the minimal total household income necessary for a family to meet its basic necessities and maintain a decent

level of living (Chamhuri, 2001). The PGK calculation includes food PGK and non-food PGK. The minimum expenditure on food PGK must account for the retail price of the food item for a month, as well as the daily caloric needs of each individual based on a balanced diet consisting of cereals, proteins, and fats, fruits and vegetables, and legumes. A household expenditure survey is used to determine the non-food PGK, which includes clothes, housing, transportation, and other costs.

Based on a study from the Malaysian Department of Statistics, the national poverty line income level for 2019 has raised to RM 2,080 per month, up from RM 980 per month under the PGK approach in 2005 and 2016. The increased setting of the poverty threshold has caused an increase in the number of impoverished households (KPWKM, 2020). A household is said to be poor if its total income falls below the PGK threshold.

Chamhuri (2001) said that PGK-based poverty measuring has a number of problems. First, the income variable does not reflect the poverty and living conditions of the entire household. Second, the PGK is incapable of describing the true nature of the poverty problem experienced by a household, regardless of whether it is below or beyond the PGK threshold. When poverty is measured based purely on money, the poverty gap will be higher.

PGK schedule in Malaysia

| Year | PGK Rate    |
|------|-------------|
| 2004 | RM 691.00   |
| 2009 | RM 800.00   |
| 2016 | RM 980.00   |
| 2019 | RM 2,208.00 |

### Multidimensional Method

Multidimensional poverty measurement techniques are deemed suitable for bridging this poverty gap (Fuad, 2019). This is further demonstrated by the government's attempts to attain all of the Sustainable Development Goals (SDGs), which include the eradication of various kinds and dimensions of poverty. Some researchers have also proposed a multi-dimensional method to eradicating poverty. Due to the limitations of a unidimensional method, this is the case (Alkire & Santos, 2009). According to (Alston, 2019), the poverty line rate in official government statistics is significantly higher than the actual rate, suggesting that the poverty measurement be re-evaluated. This is due to the fact that the fall in the national poverty rate from 0.6% in 2014 to 0.4% in 2016 does not reflect the realities of true poverty.

Those who live on less than \$1.90 or the equivalent of RM 7.95 per day are considered poor (UNDP, 2018). According to the World Health Organization (WHO), a person or family whose income is insufficient to cover basic needs is considered income poor. In reality, as many as 1.3 billion individuals in 101 countries worldwide are affected by multidimensional poverty (OPHI & UNDP, 2018). This data demonstrates that poverty is not simply caused by a lack of income or money, but is also influenced by other factors. Poverty continues and persists to this day due to the existence of these multiple dimensions. According to (Walken, R., 2015), multidimensional poverty is characterised by a variety of characteristics, including lack of financial resources, material scarcity, social class segregation, exclusion and lack of influence, and physical and psychological vulnerability. In addition, multidimensional poverty encompasses the disadvantages faced by the poor in their daily lives, such as low levels of health and education, standard of living, influence, employment, victims of violence, and living in unsafe places (OPHI).

The United Nations Educational and Scientific Organization (UNESCO) has taken attempts to evaluate poverty using multidimensional indicators in light of the circumstances described above (UNESCO, 2016). However, there is dispute about whether it is preferable to develop a multidimensional poverty index or to rely on only a few factors for measuring poverty (Walken, R, 2015).

The multidimensional poverty index is an accurate indicator of multidimensional poverty, according to (Alkire & Santos, 2010). According to the table below (UNDP, 2013), the multidimensional poverty index contains three dimensions and ten indicators.

Table of Multidimensional

|                                 | <b>Dimension</b> | <b>Indicator</b>    | <b>Measurement</b>  |
|---------------------------------|------------------|---------------------|---|
| <b>Multidimensional Poverty</b> | Education        | Finished school     | Households aged 10 years and above who have not completed within 5 years of schooling (primary school).   |
|                                 |                  | School registration | School-age children who do not go to school.  |
|                                 | Health           | Mortality           | Any child had died in the family in the five years prior to the survey.   |
|                                 |                  | Nutrition           | There are household members aged 70 and under or children who are malnourished based on official health records.  |
|                                 | Well-being       | Electricity         | No electricity  |
|                                 |                  | Sanitation system   | Poor sanitation facilities or shared with other households  |
|                                 |                  | Clean water supply  | Access or 30 minutes walk to get clean water source.  |
|                                 |                  | Floor type          | The floor of the house is based on soil, sand, feces.   |
|                                 |                  | Type of kitchen     | Using feces, wood and charcoal for cooking fuel.  |
|                                 |                  | Asset ownership     | The household does not own more than two (2) of the following assets: radio, television, telephone, computer, car animals, motorcycles, bicycles, refrigerators, cars and trucks. |

**Analysis of determining poverty based on had kifayah, unidimensional and multidimensional**

Poverty is a worldwide phenomenon. The poor and the needy are categories of individuals who are qualified to receive zakat, but their levels of hardship vary. To determine the poor and the needy, it is difficult to discover an accurate and suitable technique of measuring. This is due to the fact that poverty is always changing based on the conditions and might emerge unexpectedly. For instance, some persons are already poor since their moms or fathers were poor, while others fall into poverty suddenly due to job loss, death of the family's breadwinner, divorce, accident, or severe disease (Wan, 2020).

In Malaysia, poverty has been defined in accordance with the 2016 poverty line income (PGK), where households earning less than RM 980 are deemed poor. This PGK rate has been criticised for being insufficient and irrelevant for identifying poor folks. The evidence indicates that Malaysia's poverty rate reduced by 0.4% in 2016, despite the country's high poverty rate and low benchmark (Alston, 2019). The rise in the 2019 PGK limit to RM 2,080 enhances this unidimensional measurement to some extent. The classification of PGK by locale can assist policymakers and governments in distinguishing between the impoverished and the non-poor. This increase in the PGK rate does not, however, indicate a new issue with poverty. It may have existed in the past.

Shariah emphasises the significance of a person's basic requirements, namely daruriyyat. This requirement is essential for the continuation of human life. If basic necessities are not supplied from the moment of need to the time of emergency, human life will descend into chaos and ruin. The preservation of religion, the soul, the intellect, the family line, and property are among the essentials of Daruriyyat. The essential necessities of daruriyyat include food, clothing, a place to live, transportation, and education. These five items are the fundamental need for every individual. For instance, food and shelter are crucial to the maintenance of religion and an individual's life, yet education is crucial to the preservation of the mind. Similarly, clothing and transportation are essential for the preservation of ancestry and property. In contrast, medicine, utilities, and communication are classified as a person's supplementary needs, which, if unmet, will cause inconvenience but not endanger religion, life, intelligence, or property (Azman, 2017).

Therefore, there is no regular determination of the limit of kifayah zakat. This is due to the fact that the limitations of zakat kifayah vary according to the circumstances, time, and location. In the meanwhile, the government is responsible for determining the limit of kifayah based on ijtihad.

### **Conclusion**

On the basis of the preceding discussion, the measurement of poverty is split into two categories: the way of measurement according to Islam, which is based on the boundaries of kifayah, and conventional measurement, which includes the unidimensional and multidimensional approaches. In this instance, the measurement approach based on the limitations of kifayah is deemed more advanced in terms of an individual's basic needs and is complimentary to the measurement method based on PGK. Nonetheless, the determination of poverty based on multidimensional approaches must also be given consideration and viewed as a whole, since they are closely related and can improve the precision of poverty assessment.

### **Appreciation**

The highest appreciation is given to the Ministry of Higher Education Malaysia (MOHE) and Universiti Teknologi Mara (UiTM) for sponsoring the FRGS research grant fund (600-IRMI/FRGS 5/3 (390/2019) entitled "Multidimensional-Based Asnaf Fakir Miskin Determination Study in Zakat Institutions in Malaysia".

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