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An Analysis on the Application of Poverty Line Income and Had Kifayah for Measurement of Poverty Indicator

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Abstract

When the poverty line income (PLI) utilised only gauges poverty through the income dimension, the reported state of poverty in Malaysia is deemed unrealistic. Although the national PLI has climbed from RM 980 in 2005 to RM 2,208 in 2019, numerous other factors must also be considered to describe the true extent of poverty in the nation. The PLI is still crucial for figuring out who qualifies for aid, though. So, the purpose of this article is to examine how to measure poverty from both a traditional and an Islamic standpoint. This study employs a qualitative methodology that includes strategies for gathering data through documentation and library research. This study use a descriptive approach method for
analysis. The gathered information is then examined and clarified. This study demonstrated that the key factor used to determine poverty, namely income, is the same when assessing poverty from both perspectives. The multidimensional poverty index is also used to examine various aspects of poverty more comprehensively.

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

**Introduction**

Most emerging nations, which typically have lower revenues than affluent nations, have made efforts to end poverty earlier. The cooperation of 192 United Nations (UN) member states in the Millennium Development Goals (MDGs) to end extreme poverty and hunger is one indication of this effort. The Sustainable Development Goals (SDGs), which seek to eradicate poverty everywhere and, in any form, later took its place. For instance, Malaysia's New Economic Policy (NEP) has been successful in reducing poverty, with rates falling from 49.3 percent in 1970 to 0.2 percent in 2019. (Department of Statistics Malaysia, 2020).

The issue of poverty persists despite the implementation of numerous measures to eradicate it. After the national PLI was raised from RM 980 in 2005 to RM 2,208 in 2019, the income disparity gap is perceived to be more substantial. With this new rate, the number of impoverished households reached 405,441, or 5.6 percent of the population. The Department of Statistics Malaysia (2020) estimates that a total of 182,100 people, or 12.4% of the population in rural areas, are considered to be poor. Similar to this, there are more people living in urban areas who are poor—223,300 people—even though the percentage is significantly lower—3.8 percent. This demonstrates the necessity for efforts to end poverty to pay particular attention to the urban poor.

The crucial stage in eradicating poverty, according to Gopal et al (2021), is how poverty is perceived. The definition of poverty varies depending on the period and place, which is the cause of this. Additionally, there are many factors that contribute to poverty in a country, such as natural disasters, droughts, conflicts, and so forth, which leads to different interpretations of poverty. As a result, the current poverty assessment does not effectively detect poverty, which has an impact on the distribution of incentives and help to people in need. For instance, Laily (2017) claims that it is difficult to measure poverty. This is due to the fact that many new issues, such as data issues, interpretations of what it means to be poor, concerns about the income and basic needs of households where each member contributes a different amount, as well as those who live in poverty and vulnerable areas, are still up for debate.

Furthermore, the revelation in the report by UN representative Philip Alston that Malaysia utilised erroneous calculating techniques to determine the true level of poverty was surprising. He recommended that Malaysia's government go into a more precise computation technique. In his opinion, the government's definition of poverty is ridiculous given the current cost of living, which is RM 980. With this rate, a family of four can get by on RM 8 per day or less (Alston, 2019). Ahmed Razman Abdul Latiff, Senior Lecturer at Universiti Putra Malaysia (UPM), asserts that the definition of poverty extends beyond just material considerations based solely on household income. However, it should be expanded to include the social side by accounting for the cost of living and the impact of location (Hayati, 2017).
As a result, this article will explore how to calculate poverty by interpreting the term "poor" broadly. The disparities in how poverty is seen from a unidimensional and multidimensional point of view, as well as from the point of view of had kifayah, are also highlighted in this discussion.

Had Kifayah
Islam has used the had kifayah as a measure of poverty in addition to the standard method. Had kifayah, which means "sufficiency line" in Arabic, is a method for determining if an individual or family's spending is adequate by comparing their gross income to their necessary outlays. Had kifayah is defined by the Selangor Zakat Distribution Management Fatwa 2002 as the distribution of zakat to asnaf and poor people who must meet their actual fundamental needs (LZS, 2010).

The topic of the maqasid shariah (object of shariah) refers to the dharuriyyah needs, which are the basic and essential requirements of humans, including food, clothes, shelter, and other suitable needs (Sugeng & Asmak 2016). Mansor et al (2017) contend that in the present situation, the had kifayah's components and rates must be assessed and enhanced in light of the demands of the time. It relies on the specifics of a person, place, and period. Books, children's learning resources at the school or university level, and communication-related demands are only a few of the things that need to be reviewed in order to complete one's life in accordance with modern life. However, it is up to each state's zakat institution to decide how much to include. It is crucial to keep in mind that the hadith vary according to the number of family members and age groups present (Fahme et al., 2014).

A tool for calculating poverty is the had kifayah. It is a gauge of a person's capacity to pay for his or her fundamental requirements as well as those of any dependents, to put it simply (Talib & Ahmad, 2019). Adequacy is evaluated in relation to a family or individual's gross income and minimum expenses. This is due to the results being more precise and exact in identifying a zakat applicant's position, whether rich, poor, or impoverished. The had kifayah is defined as the distribution of zakat to asnaf and needy people who need to meet their true basic needs by the Selangor Zakat Distribution Management Fatwa of 2002. In light of this, zakat institutions should implement this method to improve the accuracy of the poor determination and the focus and management of zakat support (LZS, 2010). The 85th Federal Territory Islamic Law Consultative Committee Meeting, which was held on December 3, 2013, revised the definition of had kifayah by defining it as the minimal amount necessary to meet one's basic necessities. The line separating those required to pay zakat from those who are entitled to receive it is known as the had kifayah of zakat (Azman et al., 2017). People who have an income below the had kifayah are therefore eligible to receive zakat. People who earn more than the had kifayah must withdraw their zakat in the meantime. In other words, the level of the had kifayah is higher than the level of the underprivileged and destitute. According to a percentage standpoint, the poor make up 30% of the population, while the needy make up 80% and the had kifayah makes up 100%. (Anggoro & Asmak, 2016). Had kifayah's setting alters and transforms depending on the location and time. Consequently, the government has a say in deciding what the had kifayah is (Uwais, 2004). For instance, in Malaysia, different states have different settings for the had kifayah count.

According to Hasanah (2017), the had kifayah in Malaysia is the total quantity of necessities that can be reported to the national PLI. Homeownership, access to water and electricity, trash collection services, access to healthcare and educational services, and home furnishings and
amenities are among the basic amenities. Additionally, the Multi-Dimensional Poverty Index (MPI) method's major data source for determining poverty is access to basic facilities (Department of Statistics Malaysia, 2020). The measurement based on income or financial approach in the had kifayah is nearly identical to the PLI, the researcher discovered after closer inspection.

Six factors—food, shelter, clothes, health, education, and transportation—have been established as a measure of the had kifayah by the State Islamic Religious Council (MAIN) and the zakat institution (Talib & Ahmad, 2019). Protection, food, clothes, medical, education, and transportation are the six components of basic needs (MAIWP, 2021).

i. Expense coverage provides coverage for the entire house, including house rent, water bills, electricity bills and other related items.

ii. Meals of all food items and beverages consumed by household members, including outside the home.

iii. All forms of clothing worn by household members such as school, work and other related attire.

iv. Medicine refers to all forms of medicine taken by household members such as public hospitals, pharmacies and other related.

v. Education refers to all the education costs of household members such as tuition fees, books, and other related matters.

vi. Transportation refers to all costs paid by the household members, such as fare costs and other related costs.

Imam al-Nawawi also mentioned this aspect of the had kifayah, stating that everything, including clothing, food, shelter, and those associated, must be included. Additionally, Zulfaqar et al (2018) study covered the various kifayah components based on the opinions of ulama "fuqaha," including clothing, food, and drink, shelter, house furnishings, income earners based on credentials, horses, books, marriage, and carpentry equipment and skills. The authors also included items that are pertinent to modern life, such as home appliances, transportation, communication gadgets, computer and laptop equipment, healthcare, education in schools and universities, and medicine. The fuqaha emphasise that the had kifayah must include some essential components that people desire in order to experience the benefits of life. Food and drink, clothing, housing, and equipment, education, health, marriage, transportation, and communication tools are a few of them (Hamza, 2017). Furthermore, Mansor et al (2017) said that additional aspects of needs, such as work, a fixed amount of money for daily expenses, the cost of sustaining a family, as well as immediate demands that can lift a person out of poverty in the long run, should be considered in the had kifayah.

The zakat institution in Malaysia determines the had kifayah setting, which serves as a baseline for the bare necessities of a household in a given month. Amil Zakat will decide whether applicants are and are not eligible to receive zakat based on the determination rate (Sarah et al., 1976). However, the fundamentals of had kifayah goods must be established in accordance with the notion of maqasid Shariah and then modified to suit present-day conditions (Azman et al., 2017). One approach to the idea of maqasid Syariah is this. Researchers discovered that there is no set formula for choosing the components of the had kifayah based on earlier investigations. This is because the government is in charge of making
this decision. However, there are two crucial considerations that must be made in order to identify the had kifayah products, namely:

i. Determination based on Maqasid Syariah by taking into account the needs of daruriyyat, hajiyyat and tahsiniyyat, and

ii. Taking into account current needs and costs.

This had kifayah computation contrasts the applicant's household income with the total monthly expenditure necessary. A person is qualified for zakat aid if the overall had kifayah calculation exceeds their income (MAIWP, 2020). The requirement to issue zakat arises when the applicant's eligibility surpasses the had kifayah (Mansor et al., 2017). However, based on various factors and taking into account some challenges, people whose income exceeds the required kifayah are also qualified to receive zakat according to the following standards (LZS, 2020)

i. The employment status of the applicant is either permanent or temporary.

ii. Applicants or family members face chronic health problems, illnesses that require ongoing treatment costs or a limb disability that prevents them from actively working.

iii. Applicants are elderly or unable to work.

iv. The applicant has many dependent children.

v. Working mothers or single fathers who need additional childcare costs while working.

vi. Other difficulties identified.

As a result, the had kifayah establishes an individual's minimum required income and expenditures in Islam. However, it is not always necessary to use a precise rate (Mansor et al., 2017). This measurement is then contrasted with the western theory—the Alkire Foster method—using the Islamic methodology. The analysis's findings revealed that both approaches to satisfying fundamental human needs have markers in common. However, Islam's approach, which includes the requirement to give zakat, takes the initiative in identifying the poor and needy.

Comparison of Methods of Determining Poverty From A Conventional and Islamic Perspective

Table 1

<table>
<thead>
<tr>
<th>Determining aspect</th>
<th>Conventional</th>
<th>Islam</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Measurement</strong></td>
<td>Unidimensional and multidimensional</td>
<td>Had Kifayah</td>
</tr>
<tr>
<td><strong>Rate</strong></td>
<td>Based on the income value of the poverty line income (PLI)</td>
<td>The minimum basic needs rate is set based on the current cost of living.</td>
</tr>
<tr>
<td><strong>Indicator</strong></td>
<td>Individuals with undervalued incomes PLI and deficiencies from other dimensions are poor.</td>
<td>Determining those who are eligible to receive zakat and pay zakat.</td>
</tr>
<tr>
<td><strong>Aim</strong></td>
<td>Unidimensional only determine poor households in terms of income. Multidimensional also determines</td>
<td>Determining the adequacy of the daily basic needs of an individual and his dependents.</td>
</tr>
</tbody>
</table>
“who is poor” based on aspects of that dimension another.

According to Table 1 above, a measurement that is only one dimension is deemed to be limited in its ability to capture the realities of true poverty. Based on the Household Income & Basic Amenities Survey Report (HIS&BA) 2019 published by the Department of Statistics Malaysia, PLI is a benchmark set by the Economic Planning Unit and the Prime Minister Department in Malaysia (DOSM). People in this country are considered poor if their incomes are below the PLI. Additionally, regardless of changes or a household’s propensity to fall into poverty, the PLI number that standardises all households remains the same. As a result, a household is considered poor if its income is below the PLI value. To determine "who is poor" and the degree of poverty in a home as a whole, a multidimensional measure of poverty was created. Additionally, MPI assists in identifying exclusion in areas other than income.

The had kifayah is unique in that it distinguishes between those who qualify for zakat and those who must pay zakat. Comparing the computation of the Economic Planning Unit (EPU), which is more consistent in identifying the poor and the extremely poor based on the Poverty Line Income, to the had kifayah, which is the rate set by the zakat institution (PLI). The had kifayah also differs from the PGK and the multidimensional poverty index since it is used to assess how well an individual’s and his dependents’ daily basic needs are being met. On the other hand, PGK merely establishes the community’s al-boundaries. kafaf’s In other words, it just satisfies the community’s most basic demands. Therefore, if a home’s income is below the required rate, it will be difficult for the household to continue existing.

The multidimensional poverty index and the had kifayah are a complement to the one-dimensional measurement of poverty, or the income aspect, from the perspective of the dimension of poverty determination. Education, living conditions, and health are the dimensional components in this case of the multidimensional poverty index. The extra had kifayah in the areas of travel, food, and clothes is equivalent in this regard.

Conclusion
Based on the definition of poverty provided, it is possible to conclude that poverty is a state of deprivation, particularly of fundamental requirements such as food, health, and others, as a result of low household income levels. In essence, multidimensional measurements and had kifayah were created to supplement unidimensional metrics based solely on income and are not intended to replace these unidimensional measurements. This is due to the fact that unidimensional measurements are still required to identify persons in need of assistance. As a result, poverty must be viewed holistically, not just in terms of income, but also on a multidimensional scale. This is because an overview is required to more precisely identify disadvantaged homes. Overall, these three approaches work together to ensure that a household's fundamental needs are met to the greatest extent possible.

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