

A Study Of Unraveling Poverty Islamic Perspectives And Economic Solutions

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Abstract

In Islamic doctrine, poverty, hunger, and unemployment are recognized as detrimental conditions warranting proactive intervention. Prophet Muhammad (SAW) advocated preemptive measures to forestall widespread suffering and implored divine protection against destitution. His teachings emphasized the virtues of diligence while cautioning against excessive desires. Contemporary challenges such as interest-driven economies and job scarcity exacerbate poverty, prompting a reevaluation of economic systems. Drawing inspiration from the Prophet's life, this research advocates for currency reforms, educational enhancement, and robust job creation strategies. Islam advocates for modest living standards as a means to address poverty comprehensively. Islamic principles prescribe a multifaceted approach to poverty alleviation, emphasizing the establishment of funds and economic frameworks fostering collective responsibility, equitable wealth distribution, and sustainability. Concepts such as Awqaf, Al Minha, Fay', and Zakat are pivotal in generating sustainable income streams and redistributing wealth to bolster essential sectors like education, healthcare, and social welfare. The Islamic economic system advocates for fair and transparent financial practices through modes like Mudarabah, Musharaka, Murabaha, and Ijarah. Additionally, mechanisms like Qard al-Hasan, an interest-free loan, and obligatory maintenance by relatives serve as social safety nets for individuals in need. In essence, this research underscores Islam's comprehensive framework for poverty alleviation, promoting ethical financial conduct and charitable endeavors within a just economic paradigm.

Keywords: Islam, Alleviation, Poverty, Mudarabah, Economic reforms, Zakat.

Introduction:

Poverty is an issue that every society faces. It has existed on Earth since the very beginning of human history. Not all of humanity is inevitably exposed to the full sophistication and modernism of the contemporary era.

Approximately 1.3 million people earn less than \$1 per day and are considered to be below the poverty line. Because the consumer price index is directly related to the everyday lives of the poor, this problem is further worsened by the government's lack of responsiveness to regulate it. Even with

their meagre income, they still need to take care of their fundamental needs. The industrialists, who were occasionally implicated in jobbery, provided inventory costing, which obliged them to accept the strict price requirements. the misery of the underprivileged standout in all forms of media. Because of these characteristics, poverty gained attention from the general population. Among the effects of poverty include homelessness, sickness, and starvation. The ideas that impoverished people are prone to hardship, are not allowed to attend school, and are even not allowed to be joyful are frequently used to characterize their plight.

It has been determined that poverty is a pervasive social issue. Breaking the cycle of poverty takes time and a lot of work. Resolving a lot of current issues can be tough, particularly if the issue is no longer seen as problematic. Advocating the lives of the underprivileged is a complex endeavor that requires a lot of strategies and rightful approaches.

Poverty through the Lens of Islamic Teachings

If Islamic teachings are adhered to in letter and spirit, an analysis of Islamic doctrines and their intent to humanity would demonstrate that it is capable of offering cooperative solutions to the current political, social, and economic issues plaguing human civilization. Lack of employment, poverty exploitation, and widening disparities in income and consumption are a few of these issues. Class disputes, social instability, and confrontations between various social and political factions are the results of these. Islam has rightfully provided us with the solutions to tackle poverty through Holy Quran and the Sunnah of Holy Prophet (PBUH). The Holy Prophet (PBUH) had a model life—one that was straightforward, practical, and free of showiness. This is among the main causes of the Prophet's (PBUH) recommendations having the qualities of being the most realistic, doable, and grounded.

In Islamic teachings, unemployment, poverty, and hunger are considered the worst aspects of damaging human beings. The Prophet Muhammad (SAW) warned people about the harmful effects of being hungry and poor. Islam pays a lot of attention to reducing poverty, ending hunger, and helping those who are unemployed. It also advises people to find solutions to these problems before they become widespread in society. The idea is to take action early to prevent these issues from causing serious suffering. Poverty is a weakness and Holy Quran supports the weak and oppressed against strong and oppressors. It also chastises those who fail to defend the rights of oppressed and abused individuals. The Qur'an reprimands them, saying:

وَمَا لَكُمْ لَا تُقَاتِلُونَ فِي سَبِيلِ اللَّهِ وَالْمُسْتَضْعَفِينَ مِنَ الرِّجَالِ وَالنِّسَاءِ وَالْوِلْدَانِ الَّذِينَ يَقُولُونَ رَبَّنَا أَخْرِجْنَا مِنْ هَذِهِ الْقَرْيَةِ الظَّالِمِ أَهْلُهَا وَاجْعَلْ لَنَا مِنْ لَدُنْكَ وَلِيًّا وَاجْعَلْ لَنَا مِنْ لَدُنْكَ نَصِيرًا¹

And what is it with you? You do not fight in the cause of Allah and for oppressed men, women, and children who cry out, “Our Lord! Deliver us from this land of oppressors! Appoint for us a savior;

appoint for us a helper—all by Your grace.”

The Holy Qur'an commands the faithful to battle against these sins and to stand up for the vulnerable and the oppressed in addition to denouncing exploitation, wealth concentration, and arrogance of authority and oppression.

“Not only this; the Qur'an goes a step further and states its intention to put the weak and the oppressed in the decisive leadership position”²

Holy Quran says:

وَنُرِيدُ أَنْ نَمُنَّ عَلَى الَّذِينَ اسْتُضْعِفُوا فِي الْأَرْضِ وَنَجْعَلَهُمْ أَئِمَّةً وَنَجْعَلَهُمُ الْوَارِثِينَ³

But it was Our Will to favor those who were oppressed in the land, making them models 'of faith' as well as successors;

Early verses of Holy Quran revealed at Mecca harshly denounce the affluent's haughtiness and their disregard for the underprivileged, the destitute, and orphans.

أَرَأَيْتَ الَّذِي يُكَذِّبُ بِالدِّينِ فَذَلِكَ الَّذِي يَدْعُ الْيَتِيمَ وَلَا يَخْصُ عَلَى طَعَامِ الْمَسْكِينِ⁴

“Have you seen the one who denies the ‘final’ Judgment? That is the one who repulses the orphan, and does not encourage the feeding of the poor.”

Poverty, hunger, and unemployment are not only harmful to society but also erode moral beliefs and values. Scientific studies have demonstrated that issues like poverty and unemployment can have psychological effects. Poverty is considered a severe affliction in the worldwide healthcare system because it causes more deaths than all diseases combined. It has detrimental effects on society and can lead to significant disruptions in people's lives. The prophet (SAW) used to pray for protection from poverty.

((اللَّهُمَّ إِنِّي أَعُوذُ بِكَ مِنَ الْكُفْرِ وَالْفَقْرِ))⁵

“O Allah, I seek refuge with you from disbelief and poverty”

Another narration of Holy Prophet (PBUH) about the poverty states:

((وَالْيَدُ الْعُلْيَا خَيْرٌ مِنَ الْيَدِ السُّفْلَى))⁶

“And the upper hand is better than the lower hand.”

This narration does not mean that the rich is superior to poor or vice versa. It means that one should always be grateful to Allah Almighty if he is the one who gives away his money to the poor and not the other way around. It is because him

being rich is solely because of the will of Allah Almighty.

Poverty in Islam is considered a root to many other social illnesses because a poor man will do anything to fill his basic human needs; legally or illegally. He will beg, steal, envy or even kill in the name of fulfilling his basic needs and survival instincts. Holy Prophet (PBUH) even used the word poverty with "kufr". It is narrated by Abu Saeed Khidri:

((عَنْ رَسُولِ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ أَنَّهُ كَانَ يَقُولُ " اللَّهُمَّ إِنِّي أَعُوذُ بِكَ مِنَ الْكُفْرِ وَالْفَقْرِ " . فَقَالَ رَجُلٌ وَيَعْدِلَانِ قَالَ " نَعَمْ))⁷

The Messenger of Allah [SAW] used to say: "A'udhu billahi minal-kufri wal-faqr. (O Allah, I seek refuge with You from Kufr and poverty.)" A man said: "Are they equal?" He said: "Yes."

Allah created man and provided him with food resources on Earth. However, today, human desires have grown to the point where they want not just a little, but an excessive amount. The insatiable nature of human desires, especially the desire for more, is never fully satisfied. Prophet(SAW) said:

((لَوْ كَانَ لِأَيِّنِ آدَمَ وَآدِيَّانِ مِنْ مَالٍ، لَا يَتَغَيَّ وَآدِيَّانِ ثَالِثًا، وَلَا يَمَلَأُ جَوْفَ ابْنِ آدَمَ إِلَّا التُّرَابُ، وَيَتَوَبُّ اللَّهُ عَلَى مَنْ تَابَ))⁸

"If a man is enabled to possess two valleys full of contents, he would wish the third and noone could fill anything except to be quenched by the mud of the grave"

According to the sayings of the Prophet (PBUH), it is mentioned that the greedy desire of the eyes will ultimately be satisfied or quenched with the mud of the grave.

The world faces issues like poverty and unemployment today, just as it did in the past. The Prophet (SAW) tackled these problems by following the practical teachings of Islam. He encouraged his companions to engage in various professions and start businesses. Similar to previous prophets, the Prophet (SAW) used to highlight the example of Prophet David AS.

((مَا أَكَلَ أَحَدٌ طَعَامًا قَطُّ خَيْرًا مِنْ أَنْ يَأْكُلَ مِنْ عَمَلٍ يَدِهِ، وَإِنَّ نَبِيَّ اللَّهِ دَاوُدَ عَلَيْهِ السَّلَامُ كَانَ يَأْكُلُ مِنْ عَمَلٍ يَدِهِ))⁹

"A man did not eat better than the person, who eats himself with his own hands, Allah's prophet David used to eat from the earning of his manual labor"

In this field, the best example for us is also the life of the Prophet (SAW), he took the goats forgrazing

before the Prophet Hood and traded with Khadija's wealth, The Prophet (SAW) said:

((مَا بَعَثَ اللَّهُ نَبِيًّا إِلَّا رَعَى الْغَنَمَ " . فَقَالَ أَصْحَابُهُ وَأَنْتَ فَقَالَ " نَعَمْ كُنْتُ أَرْعَاهَا عَلَى قُرَارِيطٍ لِأَهْلِ مَكَّةَ))¹⁰

"Allah has not sent any Prophet who has not grazed the goats. The sahaba saidto the Prophet (SAW): "Have you also been graze herd?" He said, yes! Sometimes I used to graze goats on a few Qerat"

The Prophet (SAW) regarded hard work and labor with great dignity, emphasizing that engaging in hard work is superior to begging or relying on others for support.

He pointed out:

((لَنْ يَأْخُذَ أَحَدُكُمْ أَحْبَلُهُ ثُمَّ يَأْتِي الْجِبَلَ، فَيَأْتِي بِخَرْمَةٍ مِنْ حَطَبٍ عَلَى ظَهْرِهِ فَيَبِيعُهَا، فَيَكْفَى اللَّهُ بِهَا وَجْهَهُ، خَيْرٌ لَهُ مِنْ أَنْ يَسْأَلَ النَّاسَ أَغْطَوْهُ أَوْ مَنَعُوهُ))¹¹

"It's better for anyone to bundle up firewood, carry it on their back, and sell it, rather than asking someone for help, as they might choose to give or decline."

Hence, Islamic values and traditions of Holy Prophet (PBUH) guide us about the eradication of poverty and treatment towards poor.

As a whole, poverty-stricken individuals are less likely to reach their full potential in later life and are more likely to experience health issues and unemployment. A detrimental intergenerational cycle of poverty and social exclusion is created when parents pass poverty and social exclusion on to their kids. Family problems, effects on social and cultural life, and increased rates of victimization and criminality are only a few of the social repercussions of poverty. Poverty has negative economic effects such as a divided community, difficulties with housing and homelessness, and a lack of social mobility. That is why it is crucial to understand and eradicate poverty.

Causes of poverty:

It could be a test from Allah or a consequence of some mistakes people make. Sometimes, nothaving a job (unemployment) can also lead to poverty. Other times, a specific group of people might take all the money (public treasury) and not let others have a fair share, causing poverty. Some of the reasons include:

1. Interest and Usury system:

Classical economists believed that interest served as a reward for saving and that higher interest rates

would encourage more saving, leading to increased investment and economic growth. However, this perspective was challenged by economists like Keynes. An interest-based system makes wealthy individuals lazy and greedy, as they earn money without actively participating in productive activities. This, in turn, hampers the overall development and the economy's reliance on interest, or the usury system, is a major cause of hunger, poverty, and economic destruction in the country. Interest acts as a hindrance to development, making people poorer and leading to dire consequences, including death. Unfortunately, our economic system thrives on interest rates, as the entire banking system is built upon them. It's important to note that the interest system goes against the command of Allah Almighty, and it is a clear declaration of war against Allah.

Allah Almighty said in Quran:

﴿يَا أَيُّهَا الَّذِينَ ءَامَنُوا اتَّقُوا اللَّهَ وَذَرُوا مَا بَقِيَ مِنَ الرِّبَا إِن كُنتُمْ مُؤْمِنِينَ فَإِن لَّمْ تَفْعَلُوا فَأْذَنُوا بِحَرْبٍ مِّنَ اللَّهِ وَرَسُولِهِ ۖ﴾¹²

“O you, who believe, fear Allah and give up what remains of interest if you are true believers. And if you do not, then beware of a war with Allah and His Messenger”

The verse warns of potential consequences, emphasizing the importance of adhering to ethical and moral principles. The life of Prophet Muhammad (SAW) serves as a practical example of values, ethics, and principles. The Prophet's life offers various examples of addressing societal issues such as poverty, hunger, and unemployment.

2. **Dearness:**

Dearness, which happens when the government spends too much money and prints more currency, is a big reason why some people become poor. When the government prints extra money to cover its spending, the prices of things we need, like food and clothes, go up. This makes it tough, especially for people who don't have a lot of money, to buy what they need every day. As the value of our money, like the rupee, goes down over time, it means we need more money to buy the same things. Imagine before, one dollar could get four rupees, but now it's Rs 281. This makes life harder for those who don't have much money. They struggle to keep up with the rising prices, making it difficult to afford the basics. Because of this, some people stay poor, and the gap between rich and poor gets bigger. Changing how the government handles money is crucial to make things fair and give

everyone a chance for a better life. Without these changes, more people might face increased financial problems, and the cycle of poverty will continue. Real change and improvement can only happen if there is a reform in the currency system, ensuring fair coinage and equal distribution.

“If we do not change the way money is created and distributed, we change nothing.”¹³

3. **Ignorance:**

Ignorance, caused by shortcomings in the educational system, serves as a major factor contributing to poverty. When around 25% of the population lacks essential skills due to a decay in the state education system, employment opportunities become uncertain, trapping individuals in low-wage jobs. This results in a situation where only hard work is emphasized as a solution. The actual literacy rate of 50% under legal standards highlights the limited access to quality education. The importance of seeking knowledge is described in the Quran.

Allah Almighty describes the importance of education in the Quran by saying:

﴿هَلْ يَسْتَوِي الَّذِينَ يَعْلَمُونَ وَالَّذِينَ لَا يَعْلَمُونَ ۚ﴾¹⁴

“Are those who know equal to those who do not know?”

To break this cycle of poverty, there is a pressing need for significant investments in a uniform and target-oriented educational system. This approach can empower individuals with the necessary skills, opening up better job opportunities, increasing productivity, and reducing economic disparities, thereby fostering a more inclusive and prosperous society.

4. **Unemployment:**

Unemployment is a big reason for poverty in our country. Many educated people are struggling because they can't find jobs. The problem is that we don't have enough growth in industries, investments, and skills among the people. Even though we have valuable resources, corruption, and favoritism make it hard to use them properly. This stops industries from growing, and there are fewer job opportunities. Back in 1947, most people lived in rural areas, but now, with more people in cities and industries not doing well, almost half of the working population is facing unemployment or not having enough work.

The solution is to boost the growth of industries, encourage more investments, and help people learn

new skills. This way, we can create more jobs and reduce poverty in the country.

5. Luxuries:

One big reason why many people in our country are poor is because some leaders and rich folks live very fancy lives. Instead of keeping things simple, as taught in Islam, they choose to live in a very extravagant way. This fancy living causes our country to lose money and creates moral problems. The leaders, especially those in high government positions, should be helping the country, but their lavish lifestyles actually make poverty worse. In Islam, there is no concept of VIP (Very Important Person) and non-VIP. Even the Prophet of Islam, who is the most important, lived a simple life without many luxuries. He would sometimes go without a cooked meal for days.

The Prophet (PBUH) advised:

((إياك والتّم، فإن عباد الله ليسوا بالمتنعين))¹⁵

“Avoid the amenities of life, servant of Allah does not do luxury”

It underscores the principle that everyone, regardless of status, should avoid excess and extravagance in favor of a humbler and equitable way of living. In Islam, everyone is supposed to be treated the same, but these leaders don't follow that idea. They spend a lot of money on things they don't really need, like huge salaries for officials and flashy displays. This mismanagement of money leads to the country borrowing funds, making us even poorer. The contrast between the rich lifestyles of leaders and the struggles of regular people makes poverty a bigger problem.

Poverty Alleviation:

In the effort to tackle poverty, Islam provides a thoughtful and caring approach that goes beyond just money matters. Based on the teachings of the Quran and Prophet Muhammad (peace be upon him), Islam envisions a society where economic well-being is connected to fairness and kindness. The Islamic solution to poverty has two main parts:

- The idea of funds in Islam
- An Islamic economic system.

These work together to fight poverty by promoting shared responsibility, fair sharing of wealth, and a sustainable economic setup. This approach aims not only to fix the immediate issues of poverty but also to deal with the underlying causes. It highlights the importance of understanding, helping others,

and following ethical economic practices. By looking into the concepts of funds in Islam and the principles of the Islamic economic system, we can find a path toward a society that respects and supports the well-being of every person.

1. **The idea of funds in Islam:**

In Islam, the concept of funds is about sharing and caring for others. Based on the Quran and Prophet Muhammad's (PBUH) teachings, it encourages giving to those in need. These funds in Islam promote a society where wealth isn't just for individuals but a shared resource for everyone's well-being.

• **Al-Awqaf:**

Charitable trusts, or "Awqaf" in Islam, are a voluntary practice where individuals dedicate assets like money or property for community benefit. While not obligatory, Islam strongly encourages this generosity. Muslims have willingly embraced Awqaf since the time of Prophet Muhammad, even during economic challenges. Prophet (SAW) encouraged Muslims to contribute Sadqah Jaria. He said:

((إِذَا مَاتَ الْإِنْسَانُ انْقَطَعَ عَنْهُ عَمَلُهُ إِلَّا مِنْ ثَلَاثَةٍ إِلَّا مِنْ صَدَقَةٍ جَارِيَةٍ أَوْ عِلْمٍ يُنْتَفَعُ بِهِ أَوْ وَلَدٍ صَالِحٍ يَدْعُو لَهُ))¹⁶

“Upon the death of a person, their deeds conclude, save for three: continuous acts of charity, knowledge that brings benefit, and a pious child who offers prayers on their behalf.”

In this Hadith, the Prophet (SAW) said that continuous acts of charity are beneficial for man. And Awqaf is an act of charity. These trusts serve as a powerful tool to alleviate poverty by creating sustainable sources of income. People donate land, buildings, or funds, and the returns are used to establish schools, hospitals, and other facilities that cater to community needs.

Through Awqaf, Muslims actively contribute to removing poverty by supporting education, healthcare, and social welfare. This voluntary initiative, rooted in Islamic principles of charity and social responsibility, reflects the community's commitment to positive change and the well-being of the less fortunate. Charitable trusts, thus, stand as a historic and effective means within Islam to address poverty and promote collective welfare.

• **Al-Minha:**

Al Minha are special gifts practiced by the Holy Prophet (peace be upon him). They served as a way to alleviate poverty.

((تَرَى الْمُؤْمِنِينَ فِي تَرَاخُمِهِمْ وَتَوَادِّهِمْ وَتَعَاطُفِهِمْ كَمَثَلِ الْجَسَدِ إِذَا اشْتَكَى عُضْوًا تَدَاعَى لَهُ سَائِرُ جَسَدِهِ بِالسَّهْرِ وَالْحُمَّى))¹⁷

“The analogy of believers and their care, kindness, and compassion for one another is like that of a

body. If one part experiences pain, the entire body responds with restlessness and fever.”

Similar to the analogy in the hadith where believers are likened to a single body, Al Minha functions as a remedy for financial distress. The concept of Al Minha involves granting the benefits of productive assets, such as land or houses, to those in need for a specific period. Just as a body collectively responds to the pain in one of its limbs, Al Minha allows the community to come together in mutual support. By providing resources like money, animals, and tools through Al Minha, individuals can actively contribute to reducing poverty, fulfilling the shared responsibility emphasized in the analogy. This practice reflects the Prophet's vision of a society where the well-being of each member is considered, contributing to the overall upliftment and removal of poverty.

• **Al-Fay:**

Fay', in Islam, is like a special fund created from wealth obtained without fighting. This fund is divided to help different groups, such as the family of the Prophet Muhammad (SAW), orphans, and people who are poor or traveling.

((مَا أَفَاءَ اللَّهُ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَى فَلِلَّهِ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسْكِينِ وَابْنِ السَّبِيلِ كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ وَمَا آتَاكُمُ الرَّسُولُ فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا¹⁸ وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ))

“Regarding the resources bestowed by Allah upon His Messenger from the inhabitants of other lands, they are allocated for Allah, the Messenger, close relatives, orphans, the impoverished, and travelers in need. This distribution is designed to prevent wealth from concentrating solely among the affluent in your community. Adhere to whatever the Messenger (SAW) grants you and refrain from what he prohibits. Maintain a consciousness of Allah, as Allah's punishment is indeed severe.”

By doing this, Islam aims to reduce poverty and make sure that everyone in the community has enough to live a decent life. It's a way of sharing resources and taking care of those who need help the most, making society fairer and more caring.

• **Al Ghanimah:**

Al Ghanimah, or the spoils of war in Islam, is like the treasure gained from defeating an enemy during a battle.

((وَأَعْلَمُوا أَنَّ مَا غَنِمْتُمْ مِنْ شَيْءٍ فَإِنَّ لِلَّهِ خُمُسَهُ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ

وَالْمَسْكِينِ وَأَبْنِ السَّبِيلِ¹⁹

“Understand that from whatever spoils you have acquired, one-fifth belongs to Allah and His Messenger (SAW), as well as to close relatives, orphans, the needy, and travelers.”

Now, here's the interesting part: one-fifth of this treasure is shared among people who need help, like the family of the Prophet (SAW), orphans, and those who don't have much. The other four-fifths go to the brave soldiers who fought in the war. So, it's like sharing the victory wealth to take care of those who are struggling and also thanking the soldiers who protected everyone.

This way, Al Ghanimah becomes a way to fight poverty by making sure everyone gets a fairshare.

- **Rikaz:**

Rikaz refers to buried wealth discovered in unclaimed land. The person who finds it is required to pay 20% or one-fifth of the wealth. There are different opinions among jurists regarding the recipients of this one-fifth share. Some suggest it should be distributed among the recipients of Fay', while others propose it should be treated as zakat. Regardless of the distribution method, it remains a significant source of support for the needy.

- **Obligatory maintenance by relatives:**

In Islam, there's a special rule that says if you have family members who are poor and can't earn money, and you are well-off, it's your responsibility to help them. If there are more family members who can help, the responsibility is shared among them based on what they might inherit.

﴿فَاتِذَا أَقْرَبَىٰ حَقَّهُ وَالْمَسْكِينِ وَأَبْنِ السَّبِيلِ ذَلِكَ خَيْرٌ لِلَّذِينَ يُرِيدُونَ وَجْهَ اللَّهِ وَأُولَٰئِكَ هُمُ الْمُفْلِحُونَ﴾²⁰

“Give your near relatives their rightful share, and also provide for the poor and needy travelers. This is the best course of action for those seeking Allah's pleasure, and it is they who will find success.”

This rule helps make sure that even if someone is struggling, their family can support them, which is a way of fighting against poverty.

2. **An Islamic Economic System:**

The elements of the Islamic economic system are:

- Islamic mode of Financing
- Ijara
- Zakat
- Interest-free loans

Islamic mode of financing:

- **Al Mudarabah:**

Mudarabah is an Islamic financial arrangement where one party provides the capital, known as the 'rab al-maal,' while the other contributes personal effort as the 'mudarib' entrepreneur. The profit-sharing ratios are agreed upon beforehand, but in the event of losses, they are solely borne by the capital provider. The mudarib manages the business, and the capital owner doesn't interfere in its day-to-day operations. This setup reflects a partnership where the mudarib's labor and the capital owner's funds work together.²¹ Islamic banks often adopt Mudarabah, offering a model of ethical finance built on shared profits and risk, aligning with Islamic principles.

In Islamic finance, Mudarabah comes in two types: Restricted Mudarabah and Unrestricted Mudarabah.

1. **Restricted Mudarabah (Al-Mudarabah Al-Muqayyadah):**

In this type, the one providing the money (rabb-ul-mal) tells the entrepreneur (mudarib) to invest in a specific business. The mudarib has to use the funds only for that particular business, making it a more controlled arrangement.

2. **Unrestricted Mudarabah (Al-Mudarabah Al-Mutlaqah):**

Here, the mudarib has the freedom to invest the money in any business they think is good. Unlike the restricted form, there are no specific limits on the types of businesses involved, offering more flexibility but requiring a high level of trust.

This teamwork approach is used by Islamic banks to promote fair finance and shared responsibility. Mudarabah supports entrepreneurs, giving them a chance to use their skills with financial backing. Whether it's a controlled arrangement or a flexible one, Mudarabah can play a role in lifting people out of poverty by creating opportunities for economic growth.

- **Musharaka:**

Musharaka in Islamic finance means sharing. People join together by contributing money or effort to create a business. They share profits and, if there's a loss, it's divided based on contributions. All parties must agree freely and be legally capable.

In Musharaka, partners can all manage the business or decide on one manager. Silent partners get profits based on investments. There are equal partnerships where everyone has an equal say and more limited ones where contributions vary. Unlike fixed-interest loans, Musharaka depends on actual profits, promoting risk-sharing.²² Musharaka, in Islamic finance, helps fight poverty by bringing people together to create businesses. Everyone shares the profits based on their contribution. If there's a loss, it's divided too. This way, it encourages teamwork and gives everyone a fair chance. Musharaka supports equal participation, letting people work together to start businesses and share in the successes or challenges. By providing a fair and inclusive way for people to work together in business, Musharaka helps create income opportunities, making it a way to reduce poverty.

- **Murabaha**

Murabaha is an Islamic financing method where both the buyer and seller know the cost and profit of goods being sold. Islamic banks use it for interest-free financing in various sectors. The bank takes genuine commercial risk, compensating for its money's time value as a profit margin. It's not like a loan with interest, but a credit sale. The bank directly pays the seller, ensuring a valid transaction, and monitors purchases to prevent misuse. Murabaha is appealing as it allows deferred payment, but the price is fixed at the contract time, and no extra profit is allowed beyond the agreed-upon markup. It's a transparent and Shariah-compliant financing approach.²³ Murabaha, in Islamic finance, contributes to poverty alleviation by providing interest-free financing, enabling individuals to make purchases without burdening them with interest-bearing loans. This transparent and Shariah-compliant method empowers people to acquire consumer goods, real estate, and other necessities. Murabaha's structure, based on a fair profit margin, ensures that individuals can access financial support without falling into the trap of usury. By fostering responsible financial practices, Murabaha supports economic empowerment, creating opportunities for individuals to improve their living standards and break the cycle of poverty. This ethical financing approach aligns with Islamic principles, promoting social justice and inclusive economic growth.

Ijara:

Ijarah is like renting in Islamic finance. It means you can use something, like a car or a house, from an Islamic bank for a set time and price. It's a bit like leasing. There are different types, such as Operating Ijarah and Hire Purchase. Rules include deciding the rent amount upfront, setting a clear lease time, and saying what the leased thing will be used for. The owner (lessor) takes the risk of the thing, while the user (lessee) pays for any damage they cause. It's a way for people to use things without taking loans with interest, following Islamic principles.²⁴ This way, they avoid getting into debt traps. Ijarah empowers individuals by providing fair and clear ways to use resources. It opens opportunities for people to improve their lives without the burden of traditional loans, making it a positive force against poverty.

Zakat:

Zakat is a form of charity in Islam, forming one of the five pillars. Every sane, adult Muslim is obliged to pay Zakat annually, making it different from voluntary charity like Sadaqah. It amounts to 2.5% of the surplus wealth owned for one lunar year and is due from individuals who have held the minimum required amount (nisab) for that period. Additionally, Fitr Zakat is obligatory during Ramadan, applying to every household member, regardless of age or status. Zakat aims to redistribute wealth, assist the less fortunate, and ensure social justice, serving as a crucial aspect of Islamic finance.

The Allah Almighty ordered us to pay Zakat:

﴿وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ﴾²⁵

“Establish prayers and pay zakat”

Zakat, in Islam, helps fight poverty by making sure those who have more shares with those who have less. Muslims give a part of their wealth to support people in need. It's like a way of making sure everyone has enough to live a decent life. This sharing of wealth doesn't just help for the moment but also works towards stopping poverty in the long run. By following Zakat, Muslims contribute to creating a fairer and kinder society where everyone has a chance to live a better life. So, Zakat is a powerful tool in the fight against poverty in Islamic teachings.

Conclusion:

In summary, Islamic teachings, as reflected in the life of Prophet Muhammad (SAW), emphasize the urgent need to combat poverty, hunger, and

unemployment. The Prophet's practical guidance encourages everyone to work hard and contribute positively to society, highlighting the importance of various professions. Islam discourages economic practices like interest and usury, promoting ethical principles for societal well-being.

Furthermore, unchecked government spending and currency devaluation, leading to inflation and dearness, contribute to a widening wealth gap. To address this, reform in the currency system is advocated, emphasizing fair coinage and equal wealth distribution. Additionally, ignorance, resulting from shortcomings in the educational system, perpetuates poverty, making targeted investments in education crucial for breaking the cycle. The Quranic emphasis on seeking knowledge reinforces the need for a comprehensive educational approach to empower individuals with essential skills. In our country, many educated people struggle to find jobs, and this leads to a lot of poverty. The problem is that there aren't enough industries growing, and some people in charge are not using resources properly. Corruption and favoritism make it even harder for industries to grow, causing fewer job opportunities. About half of the working population is affected by this lack of jobs, especially as more people move from rural areas to cities. The solution is to help industries grow, encourage investments, and teach people new skills so they can find jobs. Another problem is that some leaders and rich people live very fancy lives, spending a lot of money on unnecessary things. This goes against the simple living taught in Islam, making poverty worse. Islam teaches a humble lifestyle, like how Prophet Muhammad (SAW) lived without luxury. Some leaders spend too much money on things they don't need, making the country borrow funds and become even poorer. To fight poverty, Islam suggests things like charitable trusts (Awqaf), special gifts (Al Minha), and ethical financial practices. Zakat and Qard al-Hasan are also important in helping people who don't have enough money. Following these principles can make our society fairer and kinder, addressing the main reasons for poverty and helping everyone have a better life.

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