ROLE OF ISLAMIC SOCIAL SAFETY NETS IN POVERTY ALLEVIATION IN PAKISTAN

By

Abdul **Qayyum Khan**

A dissertation submitted to the
International Institute of Islamic Economics (IIIE)
International Islamic University (IIU), Islamabad, Pakistan
A partial fulfillment of the requirements for award of degree
of M.Phil (Economics)
2007. A.D (1427-28 Hijrah)

MASTER OF PHILOSOPHY
(Economics) **2007**

International Islamic University
Islamabad

TITLE: ROLE OF ISLAMIC SOCIAL SAFETY NETS IN POVERTY ALLEVIATION IN PAKISTAN

AUTHOR: ABDUL QAWUM KHAN

Professor **Dr. Nasim Shah Shirazi**
Supervisor

Dr. **Abdul Jabbar,** Assistant Professor
Internal Supervisor

Dr. Mehhoob **Ahmad,** Assistant Professor
External Supervisor

DATE OF VIVA VOCE EXAMINATION: July **31, 2007**

Acknowledgment

First of all, I am thankful to Almighty Allah who gave me courage and patience to complete my dissertation. He helped me in each and every difficult moment, which I faced during the completion of my work.

I gratefully acknowledge the valuable support and guidance received from my supervisor Dr. Nasim Shah Shirazi, Professor and Director IIIE, to complete my thesis. I cannot forget his cooperation which he provided me at each and every step to complete the research.

I am also thankful to all the teachers and staff at IIIE especially Mr. Zaheer Ahmed, Program Coordinator, who extended help to complete the task.

I express my profound sense of gratitude to my family and friends who have supported and encouraged me throughout the research work, particularly, the moral and spiritual support and guidance which I received from my father and Dr. Sayyid Tahir.

Finally, I am thankful to the staff of Federal Bureau of Statistics who provided me the data (HIES 2001-02) for this study.

Abdul Qayyum Khan

July 2007

ABSTRACT

The objective of this study is to explore the impact of ***Zakah*** along with some other variables (inheritance and dower, gifts and receipts of committees) on poverty alleviation. It is observed that the officially implemented system of ***Zakah*** has not been successful in alleviating poverty form Pakistan. Some other prerequisites in addition to ***Zakah*** are to be ensured for the said purpose. In our view, the ***Zakah*** distribution supported by other institutions like inheritance and dower, gifts and receipts of committees which are the social safety nets of Islam could eradicate the poverty more effectively.

In order to find the impacts of social safety nets on poverty alleviation, we have subtracted the income of households from their total income. The difference between the percentage of poor with social safety nets and the percentage of poor without social safety nets showed the impact of Islamic social safety nets on poverty alleviation. The results showed that the percentage of poor in the country decreased by 4.14 percent out of which 6.09 percent in urban and 3.35 percent in rural areas. The percentage of the poor in Punjab decreased by 4.91 percent out of which 6.54 percent in urban and 4.25 percent in rural areas. Similarly, it is found that the percentage of the poor in Sindh decreased by 3.01 percent out of which 5.96 percent in urban and 1.13 percent in rural areas, while the percentage of the poor in NWFP decreased by 4.05 percent out of which 4.68 percent in urban and 3.95 percent in rural areas. The percentage of the poor in Baluchistan decreased by 1.16 percent out of which 2.06 percent in urban and 0.97 percent in rural areas. Keeping in view the above stated estimates, we observed a substantial decrease in poverty both at the country and the provincial levels with social safety nets.

The role of Islamic social safety nets along with some other variables such as the number of earners in a household, head of the household's education, household size and the region the household belongs to as characteristics for determining the poverty status of the household have been explored by using the logit model. The result of the logit model show:

-That the urbanization leads less likely to be poor.

-That as the education level increases, poverty decreases.

-That as the number of earners increases, the poverty decreases.

-That the variable receipts of "*committees*" have significant effect on poverty reduction.

-That the *Zakah* and usher have insignificant impact on poverty reduction.

-That the variable gift has significant impact on poverty reduction.

-That the household size significantly increases poverty.

-That the combined effects of Islamic social safety nets have significant impact on poverty reduction.

TABLE OF CONTENTS

List of Tables

CHAPTER 1

INTRODUCTION

Poverty, a world wide phenomenon and most serious challenge to the world, is a multi-dimensional concept which cannot be defined precisely. The multi-dimensional nature of poverty is expounded in terms of income, low levels of health and education, vulnerability, voiceless-ness and powerlessness (World Bank, 200012001).

Poverty is a condition in which people have inadequate incomes, though it is hard to draw line between the poor and the non-poor. Poverty was officially defined in 1960s in the United States as an income insufficient to buy basic food, clothing, shelter, and other necessities (Samuelson, 1998).

Pakistan falls under the group of low income economies (LIE), having $ 825 or less grand national income (GNI) per capita. More than 17.0 percent Pakistani population still lives below extreme poverty and hunger i.e. below $ 1 (ppp) a day (World Bank, 2006).

As per year 2005 official poverty line in Pakistan was of Rs. 878.64 per adult per month and 23.90 percent population lives below this poverty line. Out of that 14.90 percent was estimated in urban and 28.10 percent was in rural areas of Pakistan. (Pakistan economic survey 2005-06)

Pakistan ranks low in perspective of the non-income measures; i.e. HDI rank for Pakistan was 142 while human index value was 42 percent. Adult illiteracy rate was 58.5 percent, while 10 percent Population was without sustainable access to an improved water source. (Human Development Indicators of the World Bank 2003)

A number of causes have been given for the poverty by the economists. Samuelson (1998) has pointed out two schools of thought on the causes of poverty.

> The proponents of strong government action see poverty as the result of social and economic conditions over which the poor have little control. They stress malnutrition, poor schools, broken families, discrimination, lack of job opportunities, and a dangerous environment as central determinants of the fate of the poor. According to this view, government bears a responsibility to alleviate poverty – either by providing income to the poor or by correcting the conditions that produce poverty. Another view is that poverty

> grows out of maladaptive individual behavior that is the responsibility of individuals and is properly cured by the poor themselves. Laissez-faire apologists hold that the poor were shiftless, lazy, or drunk; as a charity worker wrote almost a century ago, want of employments, as often as not, [caused by] drink: sometimes the government itself is blamed for breeding dependency upon a patchwork of government programs that squelch individual initiative. Critics who hold these views advocate that the government should cut back on welfare programs so that people will develop their own resources.

Nevertheless, in Islamic perspective, causes of poverty have been explained in a different way. Allah Almighty is the creator of poverty to test the mankind on the earth surface. Poverty and hunger are sometime natural consequences of human actions and unjust behavior. Poverty or fear of poverty should not lead to self-destruction through suicide attempts, nor should undesirable means be adopted for removing poverty (16:112,106:3-4).

According to Imam Ghazali, there are five objectives of Shari'ah: Protection of *Deen* (religion), life, reason, progeny and property. These objectives are considered as the basic needs of all the citizens (Muslim and non-Muslim) living in an Islamic state. According to Al Ghazali (2001) the roots of poverty in a society are depriving others from their lives, creating disputes among various bonds (relations), illegal possession of other's property, practice of magic, corruption, creating revolt, using narcotics, gambling, usury, cheating in weights, monopoly, complicated judiciary system and unbalanced vocations among the people.

Poverty exists when basic needs of people are not fulfilled and when needs are more than the sufficient income to fulfill these needs. This problem may rise due to control on resources by rich class and increase in population. The result is wide disparity between the have and have not. According to Ibn Taimiyyah poverty can not be removed only by providing subsistence income rather ensuring a good living standard, prohibiting interest, instituting *Zakah, kaffarat*, charity, grants by the government, *nafqar,* rights of neighbor and encouraging *halal* earning (see Sadeq, 1992).

1.1: Social Equality and Economic Inequality in Islam:

One of the basic features of Islamic Economic System is social equality vis-à-vis economic inequality. According to Tahir (2003) socially all the people are equal but economic inequality prevails in an Islamic economic system. All the people are socially equal; therefore, there are no social classes in an Islamic society whereas the superiority lies in piousness. Whosoever is more pious is more near to Allah. Islam recognizes man as vicegerent of Allah on the earth and all humans are equal in status. One of the greatest miracles of the Holy Prophet (PBUH) is that, he abolished the racism for which humans had been historically struggling over centuries (last address of the Holy Prophet). Regarding economic inequality, rich and poor are created by Allah to test the man and to run the system of this universe. Primarily, economic and other inequalities, to the natural extent are facts of this test (see Tahir, 1998). Savharvi (2001) on the basis of Quranic references states that all the people are not equal in the grades of economic subsistence. These grades are natural and a test from Allah Almighty therefore it should not divide the society in to two groups. Those who own or eam more wealth have more rights of others in their wealth. According to Rahman (1980) one of the basic principles of the Islamic economic system is economic inequality within natural limits which should not grow wider. For that matter, Islam takes steps to minimize the economic inequality. Mannan as reported by Iqbal (1988) on the basis of Quranic references states that dead level equality is ruled out in Islam. The talents and capacities of people are different so the rewards are different, therefore, income levels also differ which ultimately leads to income inequality.

1.2: Social Safety **Nets** of Islam:

The solution to poverty lies in social safety nets of Islam. On one side poverty is declared as a test while on the other side solutions and ways to get out of this test are narrated: Zakah, inheritance, ***mehr, Zakah-al-fitr***, system of ***aqilah*** (indemnity for blood money) and obligatory maintenance by relatives, are compulsory while charity, ***waqf***, **gifts**, ***miniha*** and mutual help are the recommended measures (social safety nets). According to Tahir (2002) the social safety nets to eradicate the poverty are; nafaqaat-e-wajibah, the institution of Zakah, the institutions of ***Infaq*** and ***waqf*** **and** providing the basic needs and rehabilitation programs by the state.

The distribution levels according to Tahir (2003) in an Islamic economy are preproduction level, productive activity level, post-production level, redistribution on yearly basis and redistribution at intergenerational level. The enforcement mechanism by non-formal (family, neighborhood and mosque) and formal institutions (market mechanism, Zakah, ***baitulmal,*** PLS based financial system, ***hisba,*** qadaa and ***waqf***) coexist. There is a three-tire model **i.e.** distribution of **current** production, inter-temporal distribution and redistribution of wealth and redistribution of wealth by inheritance.

According to Ibn Hazm (as reported by Sadeq, 1992) there are four forms of needs which make up the essentials of a basic standard of living for a human being: food, drink, clothing and shelter. He is of the view that state should levy taxes when *Zakah* funds are not sufficient to satisfy the basic needs e.g. enough food, reasonable clothing and shelter for poor masses. Shafi (1979) mentioned Islamic objective of the distribution of wealth as (a) the establishment of a practicable system of economy (b) enabling every one to get what is rightfully due to him (c) eradicating the concentration of wealth. He gave references of the Holy Quran about the primary and the secondary rights. The primary right belongs to the factors of production, who participate in the production process. The secondary right refers to societal share in the wealth without taking part in the production process.

Social safety nets of Islam are the institution of *Zakah* and other institutions (*infaq, waqf, inheritance, nafqat-i-wajba, mehr,* dowry, *sadaqat-al-fiter, kafrat, kafrat-al-haj,* charity, *sadaqa jaria,* gifts, debts, *qurbani, miniha* and mutual cooperation). Both are complimentary to each other and the fluctuations in one are covered by the other. These institutions have been abolished by the Muslims during recent past. It is the need of hour to revive and mobilize these divine institutions to address the socio-economic and socio-political problems of ummah and observe the impact domestically and internationally. We need to bring these institutions back in life and make these functional again. The Holy Prophet did not rely only on charity to alleviate the poverty of the *muhajirin.* He, first advised the *ansar* to use the system of *maniha* and then utilized *fay'* for the restoration of balance in the distribution of wealth in the society (Zarqa, 1992).

The Islamic state alone is not to take care of the poor and deprived masses rather it provides a complete set of social safety nets where individuals at different levels are equally responsible. Formal and informal institutions function side by side in an Islamic economy. We can conclude that all the institutions of the social safety nets are complementary to each other. These safety nets promote the individual welfare which results into the welfare of the society and vice versa.

Present research is an attempt to have an integrated look on the social safety nets of Islam and its impact on the poverty. How these could be helpful to solve the problem of our country? We can not empirically estimate all the variables mentioned above due to the non availability of the data, however, only few of these shall be tested in the regression analysis.

1.3: Objective of the Study:

The institution of *Zakah* along with other institutions like *waqf,* gifts, inheritance, infaq, dower, mehr and committees are the social safety nets of Islam. "Committees" are also playing important role in providing social safety cover in a society like Pakistan. These institutions have significant impact on the poverty alleviation. Whether Zakah alone will be sufficient to address the issue of poverty or some other covers are also needed? The institution of Zakah alone is not sufficient to meet all the needs of poor and deprived masses. This is because Zakah is not collected to its potential level. Some other prerequisites in addition to Zakah are to be ensured and fulfilled. The Islamic history tells that the institution of Zakah worked along-with some other additional religious obligations (infaq, *waqaf,* inheritance, nafqat-i-wajba, mehr, dowry, *sadaqat-al- fiter, kafrat, kafrat al* haj, charity, sadaqajaria, gifts, debts, qurbani, *miniha,* mutual cooperation and aqiqaha) to overcome the problem of poverty in the Islamic state. Thus the objective of the study is to explore the impact of Islamic social safety nets (for which data are available) on poverty.

1.4: Rationale of Work

A lot of studies have been carried out in the past discussing and explaining various aspects of the poverty. Some of the studies {Haq, et al (2000), Arif (2000), Malik and Toseef (2000), Jones (2000), Irfan (2000), Haq (2001), Qureshi and Arif (2001), Haq (2001), Malik and Nazli (2003), Jamal (2003), Anwar, et al (2004)} conducted recently have quantified poverty and have suggested some policy measures to alleviate it. However some other studies Jehle (1994), Shirazi (1995), Ahmad (2000), Nasar and Toor (2004) have quantified poverty alleviation through Zakah and Usher.

Some of the studies found that the impact of presently practiced system of Zakah on poverty is marginal. Hamdani, et-al (2004) while using the data of 302 selected sample of Pakistani household constructed a utility function to calculate the impact of religious variables as voluntary services and charitable donations. Beside this a lot of theoretical work like Akhtar (2000), Zarqa (1992), Kahf (1998), Ahmad (1992), Sadeq (1991), Tahir (2002),Tahir (2003), Iqbal (2005), Mannan (1995), Siddiqi (1988), Al-Ghazali (2001), Ghifari (1989), Ahmad(1991), Islahi(1992), and Khan(1994) gave a list of other variables in addition to *Zakah* having impact on poverty

Perhaps, so for, no study is available which has quantified the relationship between poverty and all variables mentioned above. Therefore the present study is an attempt to explore the impact of *Zahh* along with some other variables (inheritance and dower, gifts and receipts of committees) for which the data are available on poverty alleviation. In our view *Zahh* distribution supported *by* other institutions (inheritance and dower, gifts and receipts of committees) would eradicate the poverty more effectively.

CHAPTER 2

REVIEW OF LITERATURE

A large number of studies in different aspects of poverty have been conducted in Pakistan. However some of the recent studies have been reviewed.

2.1: Review of the Recent Studies

Anwar, er *al* (2004) used the methodology of Foster ,Greer and Thorbecke (1984) on the data of HIES for the year 2001-02 found that 42.9 percent of rural population lives below poverty line as compared to 26 percent of urban population(38 percent overall). Poverty is strongly correlated with lack of land which is a principal asset in the rural economy of Pakistan. Prevalence of poverty was found to be the highest (54.89 percent) among landless in rural areas of Pakistan. One percent households own more than 35 acres of the land in Pakistan. The highly un-equal land distribution is the main cause of poverty in Pakistan.

Haq (2001) using poverty lines developed by Qureshi and Arif (2001) found 20 percent households in overall Pakistan are absolute poor, 16 percent households in urban and 22 percent households in rural areas are transitory poor while 26 percent households in urban and 28 percent households in rural areas are transitory non poor. Further more, she found that in 1998-99 drop outs of children and their joining workforce, negative effect on girl's enrolment and working of poor in low paid informal sector are due to poverty.

Malik and Toseef (2000) have applied the logit model on a survey of 90 households of village Wanda Distt Bhakar. They found that less dependents, higher education, greater participation in farm and non-farm work, large area to cultivate, credit and medical facilities decrease the probability of falling below the poverty. New technology strongly decreases the poverty. Households having less alternative opportunities are on high risk of being poor. All households are split in different income groups to get poor and the poorest.

Haq (2001) links poverty with workers occupation and employment status while using the HIES data 1996-97. To find employment status, employed population is divided into three groups (self employed, employee and unpaid family helper). Wide variations are found in the incidence of poverty among different occupational groups. The highest difference is found among labourer, skilled agriculture and service workers and estimate of poverty gap and poverty severity are higher for these categories.

Qureshi K. S and Arif M.G.(2001) estimated two logit models on the PSES data to determine the level of poverty for the period of 1998-99 based on calorie intake and basic needs approaches. The results are that; greater number of earners in a household and educational attainment is critical determinant of the incidence of poverty. Employment opportunities in rural areas may reduce the risk of poverty. Policy-influenced variables are schooling and employment creation can have a significant reduction in poverty levels.

Jones (2000) explained that human development and education increases the economic growth and this is also important for a number of other reasons. She found that Pakistan educational statistics are poor. Human development has been on low priority. World Development Reports show blank data for net enrolments ratios. Pakistan needs increased educational budget, expansion of teacher training, building of new schools, generating increased demand for education and decreasing fertility.

Haq, *et al* (2000) using three logit models on the data of HIES for 1996-97 finds that agriculture still dominates in rural employment, its importance has decreased. The share of manufacturing has decreased while services, transport and construction sub-sectors have increased. Overall poverty has increased (both in rural and urban areas).Poverty is relatively higher and widespread across all groups of population in the rural areas. Poor concentrate in construction, transport and manufacturing sectors. Rural households own small enterprises. Ages, education, sex of households and household's size are major determinants of being employed in rural non-farm sector.

Irfan (2000) compares the poverty in five South Asian countries by using World Employment Report, data of ADB and the data of some individual studies. Study found that by recharging agriculture, by declining fertility, by global demographic imbalances (brain drain and international labour migration is harmful for these countries) by poverty alleviation programmes and Targeting and cost effectiveness.

Arif (2000) while using the PIHs data for 1991, 95-96, 96-97 & 98-99 of FBS and (PSES) data of PIDE for 98-99, explored the trends in poverty and its impact on primary enrolment, health status and housing conditions. He found that Poverty has increased during 90's.Primary school enrolment, health and housing conditions have decreased. Study found large gap between poor and non-poor and between rural and urban areas.

Malik and Nazli (2003) explained housing poverty and an index of poverty based on insufficient housing is adopted and applied on HIES data 1998-99. Hatch and Frederick (1998) computed a housing index with eight housing variables. The findings are that housing as poverty alleviation strategy provides opportunity, security and empowerment.

Anwar Talat (2005) while using the headcount ratio, the poverty gap index and the squared poverty gap index on the data of (HIES) 2001-2002 found that relative poverty threshold is 66.67 of national average per capita expenditure. 40.3 percent of all individuals were poor in the country. Poverty rose from 34 percent in 1984-85 to 40 percent in 2001-02 due to worsening of income distribution.

Christopher (2005) is of the view that both the direct and indirect impacts of education from abroad on poverty of developing countries are negative. It will be beneficial for the economies of poor countries if they can bring back its foreign graduates. Public policies to attract skilled and educated citizens from abroad would be more successful for those poor countries which are industrializing at a rapid rate.

Kerbo (2006) is of the view that many of the countries of east and south East Asia have ancient civilizations going back for thousands of years. Few westerners realize that east, southeast, and South Asia (primarily India) had the most economically dominant countries in the world a few centuries ago. Asia's share of global GDP was 78 percent while Europe and North America had only 9 percent from 1,000 to 1750 A.H. He explained that many of the Asian nations are still adopting the political or economic institutions shaped by their former colonial masters, or are just now removing the effects of colonialism from these institutions. To understand economic development chances today one must consider how these nations were changed in different ways during colonialism. we must consider the degree to which a developing nation has been successful in removing legacies of colonialism that have been impediments to economic development, as well as when and how these impediments were removed or reduced. He further explained that any attempt to promote sustained economic development and poverty reduction must recognize .such things as particular value orientations, traditional patterns of social organization (e.g., family systems, village organization), and social capital. Specific development policies created and implemented by national governments and international agencies must take local aspects of culture and social organization into consideration. According to him, the import substitution is the main policy against the problem of stmctural distortion in the economy. Some raw materials and even labor are taken out of the poor country and then used for advanced manufacturing of products and services in rich nations. These products or services are then sold back to the less developed country. As a result the less developed country loses the jobs and profits from the chain of economic activity. This is the distorted economy that leads to economic stagnation. He explained that a majority of the world's poor live in rural areas. For the benefit of the rural poor in developing countries, more labor-intensive and lower tech agricultural development for domestic consumption should be adopted. With more labor-intensive farm production, more food, jobs, and profits are more equally distributed in poor rural areas. The rising standards of living for these rural people will eventually create more consumers and help sustain economic development over the long term. Another major problem is related to land inequality in less developed countries. As many studies have shown, land reform policies that get more land to the cultivators themselves is one of the best ways to reduce world poverty (IFAD, 2001: Chapter 3). When peasants and farmers own their own land, farming is often more productive, agriculture is more labor intensive (which creates more farm jobs), and small farmers and peasants are able to keep more of the profits themselves and as a result poverty rates are reduced.

Thorbecke (2004) explained five unresolved issues directly or indirectly related to the dynamics of poverty.

Chronic vs. Transient Poverty: Transient poverty is significantly greater than that of chronic poverty in many parts of the developing world. The FGT measure (Foster, Greer and Thorbecke, 1984), capture poverty at one point in time and therefore ignore any possible fluctuation around average consumption. Appropriate insurance schemes (such as crop insurance) and other consumption-smoothing measures can be effective in reducing temporary poverty but chronic poverty can be reduced by significant investment in human and health capital and some redistribution of assets, particularly land. McCulloch and Calandrino (2003: 613) distinguish three types of chronic poverty: (a) mean consumption across time being below the poverty line; (b) a high frequency of being in poverty over some time (or a high probability of being poor) and; (c) a high degree of persistence in poverty. Jalan – Ravallion(1998) decomposed transitory poverty (Ti) as total poverty (Pi) minus chronic poverty (Ci) but it is not sufficiently responsive to fluctuation in consumption over time around the poverty line. Hence a number of authors have opted for the second definition of chronic poverty above namely a significant probability of being poor in any given time period.

Vulnerability and Poverty: According to Christiaensen and Boisvert (2000) poverty is concerned with not having enough now, whereas vulnerability is about having a high probability now of suffering a future shortfall. Their notion of vulnerability is the risk of a future shortfall and is expressed as a probability statement regarding the failure to attain a certain threshold of wellbeing in the future. They measure vulnerability as the probability of falling below the poverty line z, multiplied by a conditional probability-weighted function of a shortfall below this poverty line. Like FGT poverty measure they use a vulnerability-aversion parameter as such that by setting a > 1, households with a higher probability of large shortfalls become more vulnerable. McCullouch and Calandrino (2003) define household vulnerability as the probability of being below the poverty line in any given year. They postulate a normal distribution of consumption over time. Their main findings are that households remain highly vulnerable to poverty even when the average consumption lies some distance above the poverty line. In contrast, ihe determinants of vulnerability are different for households with average consumption below the poverty line compared with those above. The essence of vulnerability is the uncertainty of future income streams and the associated loss of welfare caused by this uncertainty. As Ligon and Schechter (2003: 95) put it the critical issue is that a household with very low expected consumption expenditures but with no chance of starving may well be poor, but it still might not wish to trade places with a household having a higher expected consumption but greater consumption risk. Ligon and Schechter (2003) break down vulnerability into two components reflecting poverty and risk, respectively. Elbers and Gunning (2003) show that vulnerability can change dramatically over time as a consequence of both sustained growth and adjustment to shocks. The feature of their approach is fundamental in that it incorporates the possibility of households deciding within an intertemporal framework to reduce their mean consumption to reduce consumption variability and risk. Wood (2003) referred to this trade-off as the 'Faustian Bargain'. The quest for household security can lock poor people into social structures' that reduce vulnerability but which also keeps them poor. Based on ethnographies derived from qualitative research Wood shows why many households 'stay poor' in an attempt to 'stay secure'. Elbers and gunning (2003) construct, household optimize a utility function over an infinite horizon, that incorporates either directly, or indirectly income, consumption, wealth, the capital stock, a discount factor, a parameter converting assets into income and a depreciation rate. Both income and assets are affected by shocks containing idiosyncratic and covariant components. Future shocks are unknown but the authors assume that the household knows the distribution of these shocks. They also assume that if the household perceives a change in the distribution of the shocks it will adjust its response by choosing different values of the future capital stock and hence consumption. The model solves endogenously for the household's perceived welfare (V) and a low value of V is interpreted as vulnerability. One of the important conclusions of the Elbers and Gunning exercise is that if measures of chronic poverty are based on mean consumption over time then a large part of chronic poverty could in fact reflect risk.

Determination of Poverty Line over Time and Across Countries: Ravallion and Bidani (1994) and Ravallion (1998) that in order to make valid welfare comparisons the reference basket (bundle) yielding the caloric threshold should remain constant. The monetary poverty line at any point in time is then obtained by multiplying the constant quantitative reference basket by the variable price vector to obtain z at current (nominal) prices and then deflating it by an appropriate price index to express z in real terms. The implicit assumption, when the CPI is used as a deflator, is that the prices of the goods constituting the reference bundle move in parallel with the CPI. When this is not the case the real monetary poverty line needs to be approximated taking into account the differential price evolution of basic goods as opposed to other goods and services that go into computing the CPI. For example, in Indonesia after the shock caused by the Asian Financial Crisis, rice prices (the main food staple of the poor) increased by a multiple of the CPI in 1998 necessitating major adjustments in the setting of the poverty line. The CPI does not reflect exogenous changes, quality of products, substitution effect, technological shocks, socio-economic indicators, overcompensation and changes in foreign markets. Another issue relates to the setting of the poverty lien to make comparisons over an extended period of time. The cost of a basket of goods satisfying food requirements grows with GDP per capita for several reasons: such as, changes in the range of goods consumed as income increases, rising prices of basic foodstuffs compared to prices of other goods, increasing proportion of population in urban areas where foodstuffs may be more expensive than in rural areas, and gradual disappearance of subsistence farming. It can readily be observed that basic needs expand with development-particularly at an early stage of development. For example, as the rural to urban migration occurs the new urban dwellers may have to use public transport and be charged for variety of public services that were essentially either not available or free in the villages they left behind.

Quantitative vs. Qualitative Poverty Appraisal: The qualitative (PPA) approach to poverty assessment is more inductive and subjective than the quantitative approach. The 'hands on' iterative interviewing technique generates hypothesis methodology that relies on econometric and statistical tools. These hypotheses might be either confirmed or rejected after having been subjected to quantitative testing. This process could lead to a productive dialogue between the two schools and the identification of a set of richer findings (Thorbecke, *2003)*. The use of a national or even provincial poverty line in the light of major intra-regional and in inter-village differences in socio economic conditions can distort the poverty diagnosis at the local level. Again, this illustrates the inherent conflict between the specificity and consistency criteria. It is not possible to satisfy both simultaneously. A final issue is the lack of correspondence between monetary and non-monetary indicators of poverty. How our present measures of poverty need to be modified to take on board key non-monetary indicators of poverty (Morrisson, *2002)*.

Growth. Poverty and Inequality: Foster and Szekely (2000:59) explained how growth affects poverty. One model emphasizes growth and efficiency under the idea that they eventually, improve the standard of living of the population at large, including the poor; the alternative model stresses that the state must play an active roll in determining where the benefits of development end up, since it is not clear that the poor will benefit automatically. The first methodology uses a relative concept of poverty by estimating the growth elasticity of the per capita income of individuals in the first quintile of the distribution. Dollar and Kraay (2000), and a number of other researchers, argue that the elasticity is practically one. Ravallion *(2000)* finds that the elasticity of the head-count ratio is typically higher than two. However, depending on the country, the time period being examined and the choice of the poverty line, the growth elasticity of poverty can vary over a wide range from around minus *2.5* to minus *0.5*. Clearly the pattern and structure of growth matters in how it affects poverty. Foster and Szekely *(2000)* showed that the growth elasticity of the general means can very from 1.08 to a very low *0.22* depending on the choice of *a.* They conclude that growth is good for the poor and even better for other sectors of society. This suggests a role for additional policies aimed specifically at guaranteeing that the poor share the benefits of development more proportionally.

The Foster-Szekely approach provides an important bridge to the design of welfare measures sensitive to and incorporating poverty and inequality – a high priority in the research agenda in development economies. Kanbur (2002) has argued that it is paradoxical that in a typical poverty measure such as the FGT measure the premature and preventable death of an individual in a poor household would actually reduce aggregate poverty. Kanbur and Mukherjee (2003) have made a valiant effort to modify the FGT poverty measure so that it is not 'perversely mortality sensitive'. The further development of such a measure requires confronting and resolving deep-rooted normative and even philosophical questions. As Hulme and Shephered (2003: 409) have remarked 'estimating how many years of life were "lost" and placing a value on such years is enormously problematic'. As the research frontier moves increasingly to analyze and understand better the dynamics of poverty one fruitful avenue would appear to be a greater focus on life-cycle income.

Raphaely Talia and Dora Marinova (2006) criticized the western ways for poverty alleviation. The new human agenda is based on the concepts of increased humanness, partnerships and bioregionalism which are as an alternative approach to traditional interventions. The increased humanness would be achieved by material benefits, increasing the level of human wellbeing through increasing social justice, comprehensive consultation and joint decision making, respect for local social and cultural pattern and the advancement of people through freedom of expression and impression (Coetzee, 1996). Partnership means involving local community in the planning and decision making as well as building collective responsibility and a sense of ownership of development (Frame and Taylor, 2005). Bioregionalism means development on the maintenance, creation and enhancement of local resources (Rajeswar, 2002). The poverty occurs when people do not have chances to earn money, to get educated/skills to meet basic needs and have no role in decisions making.

2.2: Conventional Social Safety Nets

Social safety nets are defined as "some form of income insurance to help people through short term stress and calamities" (World Development Report 1990).

According to Manasan (2000) social safety nets are programmes that provide assistance to the poor and non-poor (who are exposed to shocks).The role of social safety nets is to provide a protection to the poor and those (non poor) who are subject to shocks/crisis and can enter in to poverty. Social safety nets in the form of consumption are (cash and in-kind transfers, child allowances, other forms of outright income transfers, food subsidies, feeding programmes, and vouchers for various types of basic services). While social safety nets in the form of investment are public employment and credit-based livelihood programmes, these transfers prevent households from reducing investments in human capital. Formal social security schemes provide protection to, mostly workers in the formal sector. Whereas social safety nets cover mainly people in the informal sector by transferring incomes and assets, generating employment, or providing basic social services.

Morduch(1999) is of the view that poor have low income generation and are subject to economic, political, physical and natural disasters. Repeated shocks reinforce poverty. Governments need to encourage formal and informal actions to protect the poor from different disasters in such a way that former should not crowd out the latter.

Lipton (2003) while explaining the causes of poverty mentioned that the poor, in particular, and most people in developing countries in general, face six main types of downward fluctuation: violence, natural disasters, loss of gainful work, illness or injury, harvest fluctuations; and a worsening in the terms of trade between labor and the staple foods. He further stated that in designing safety nets, The key is how effectively these things will shield the poor from natural disasters, harvest fluctuations, illness and injury, and so on, the main sorts of damage to which they are prone.

Atkinson (1995) and Subbarao (1997) argued that the purpose of safety nets is to alleviate chronic and transient poverty. They identified informal and formal safety nets to cope with adverse outcomes. Barr (1994) is of the view that the role of social safety nets is not only to increase consumption per capita, but also to have a redistributive function and create political stability.

Imran Rasul *et-al* (2003) is of the view that safety nets have to play redistributive and risk reduction roles from unforeseen events. They do not only protect individuals from transient periods of poverty but also from lifetime poverty. According to him the types of social safety nets are formal and informal. Formal safety nets are transfer in cash and in kind, housing subsidies, energy subsidies and provision of jobs in public works programs by the state. Informal safety nets are provided by individuals as Zakah in Muslim society, labor transfers in India and egalitarian access to land in china. He further stated that four factors will determine the appropriate level of safety net spending are underlying distribution of productive ability, institutions for private provision, quality of government and the nature of shocks affecting the region or country.

According to K. Subbarao *et-al* (1997) Safety nets are programs that protect the households from chronic poverty and transit poverty. In some societies informal in addition to formal safety nets help to reduce the adverse outcomes in welfare.

Morduch (1999) under informal insurance mechanisms mentioned that private transfers of cash, food, and clothing are large and frequent in some countries. 40 percent of black South Africans reported either receiving or giving cash transfers (Cox and Jimenez, 1997). Cash transfers reach large numbers of urban residents in Colombia (Cox and Jimenez, 1998), Thailand (Paulson, 1995) and the Philippines, where 82 percent of urban and 89 percent of rural households report receiving transfers (Cox and Jimenez, 1995). Remittances from migrants, domestic or foreign can also be substantial (see Lucas and Stark, 1985 on Botswana and Paulson, 1995 on Thailand). Roughly two-thirds of all transfer inflows in Pakistan between 1985 and 1988 came from migrants who sent money home to their families (Foster and Rosenzweig, 1999). In the Philippines, 26 percent of urban and 13 percent of rural households received remittances from migrant parents or children (Cox and Jimenez, 1995).

Jimenez *et-al* (1996) while using the OLS regression on the data of Viet Nam Living Standards Survey (VNLSS) analysed private transfer patterns along age, household resources, demographic features of the household and characteristics of the region of residence. They found that private transfers are substantial and widespread in Viet Nam and are responsive to household resources, age, education and a variety of other characteristics. Private transfers tend to be targeted toward vulnerable households: the young, the old, low-income households and those suffered with illness. Private transfers help equalize the distribution of income. They are also sensitive to regional indicators of living standards. They found that private transfer patterns are often similar to those of means-tested public transfers raises the possibility that the two are substitutes, and that increases in the former could crowd out the latter.

Woo *et-al* (2001) while using Gini coefficient and Theil index on panel data (1995-98) of the Korea household panel survey (KHPS). They showed that per capita income inequality increased during the crisis. They divided the total income into four categories: wage, asset, transfers, and other income. The private transfers were effective social safety net devices while public transfers did not contribute in improving income inequality. Public transfer programs need to be carefully designed to prevent crowding-out effect of the more prevalent private transfers because there is a strong crowding-out relation between private and public transfers in Korea. The negative impact of the crisis on households' welfare was smaller than was originally expected because the sensible responses of households and the government played an important role in combating the crisis.

Kang (2004) by way of Probit and Tobit estimation with household-level cross-section data for 1995196 in Nepal. Regression equation used variables of private transfers, public transfers and various household characteristics. The estimation results of Probit and Tobit models show that the private transfers received were altruistically motivated while public transfers created no crowding-out effect. Although the probability of receiving private transfers decreases with household size, having more children or more elderly members of the family increases the probability as well as the amount of transfers. The age of the household head does not appear to be a significant factor. Furthermore, the study shows that public transfers did not contribute to a lowering of income inequalities among households. These findings suggest that the Government of Nepal should design its public transfer schemes in order to improve the effectiveness and efficiency of its social safety net programs.

Fang Cai *et-al* (2006) while estimating a mode! using a dataset from a recent household survey conducted in urban China in which the dependent variable is net transfers (transfers in minus transfers out), using Tobit specifications. How traditional family-based mechanisms insure elderly incomes when pension systems fail. They found that private transfers respond to low household income of retired workers when income falls below the poverty line. Second, existence of partial insurance suggests that improving the public pension system will not crowd out private transfers even at very low levels of income.

Irfan (2003) linked the social safety nets to colonial rulers who did not address the issue in a similar way in the Indian sub-continent as it was done in England. The colonial rulers adopted policies to protect employees in formal private and public sector. In the health sector measures to control epidemics were only taken. The education system was designed to produce such people who can serve in the offices of the rulers. He further explained that Pakistan does not have an umbrella institution of social security system to meet the needs of poor. In Pakistan, government, non-government organizations, mosques, financial institutions, and private transfers are the only institutions providing social safety nets. He has classified the social safety nets into five categories.

(1 Social security schemes for workers (formal sector)

(i) Pension for Government servants.

(ii) Employees old age benefits schemes such as pension in the formal private sector.

(iii) Provincial social security benefits also include medical coverage, cash benefits and pensions, and other labor welfare measures for formal sector worker.

(2 Schemes to finance small business and micro credit

(i) Pakistan poverty alleviation fund (PPAF).

(ii) Khushali bank.

(3 The transfers

(i) *Zakah* system to provide short term and long term relief to the poor.

(ii) Provision of subsidized food and shelter to the vulnerable population.

(iii) Private transfers.

(iv) Public works program for employment generation.

(v) Education and health services.

In the above package only old-age support under pensions for public and formal sector employees provides income security and social protection. The remaining transfers are a social assistance without any legal cover. The social safety nets in Pakistan have some elements of social assistance only. They do not provide income security or social protection to all the poor.

Pasha *at-al* (2007) has evaluated the seven existing schemes of social safety nets in Pakistan including three schemes (Zakat, Bait-ul-Maal and Ushr) transfer cash to the poor, subsidy (on wheat), social security scheme for low paid workers (the EOBI) and two credit programs (for housing and rural micro-credit). New proposed schemes are public works program and a food stamp scheme. The combined program coverage of all the schemes is low and shows a limited impact of social safety nets in Pakistan. Cash transfer schemes covers less than 2 million people, while majority of the poor (estimated at 35 million in 1997) remain uncovered and outside the reach of social safety nets. The total value of all the transfers in 1997-98 was less than Rs. 12 billion which is equal to only 0.4 per cent of the GDP. About Rs. 100 billion is required for a major reduction in poverty of Pakistan. The social safety nets are beyond the approach of the poor due to illiteracy, complicated procedures and the corruption. He further states that government gave low priority to social safety nets in Pakistan. Most of the schemes have weak institutional structures, their funding is limited and uncertain, their targeting is inefficient and their coverage is very small. Both government and NGOs are required to jointly work for poverty alleviation.

According to the United Nations Economic and Social Council (2006) "A central challenge is that less than 20 per cent of the world's population is properly covered by social protection. In many developing countries an affordable social protection system and social safety nets need to be put in place through innovative programs and microfinance initiatives. Social protection is a critical factor in the management of change as it can enhance the dynamism of the economy and the mobility of labor. People who face sudden loss of income without any form of protection are naturally reluctant to take the sort of risks involved in job creation and more productive employment. Social protection also helps to stabilize the economy, for example, income replacement during recessions. In the developed world, transition countries and parts of the developing world, social protection faces the problem of workforce ageing".

2.3: Review of *Zakah* Studies

Ahmad (2000) calculated estimates of *Zakah* potential on the basis of data of Pakistan, Economic Survey on national accounts for the year 1997-98, 1998-99 and 1999-00 by replicating the method of Monzer Kahf who used Z1, Z2 and Z3 for the estimation of *Zakah* potential. His estimates show that potential *Zakah* was about 40 times more than actual *Zakah* collection in 1999-2000. The said potential *Zakah* estimates could be a substitute for direct and indirect taxes.

Jehle (1994) while using the methodology of Havinga *et al* (1990) and an equivalence scale proposed by Wasay (1977) on HIES data for 1987-88 found that *Zakah* redistributes from those better off to those worse-off and achieves some reduction in income inequality, Both intra-province and inter-province component of overall inequality decline though on a small scale and a high proportion of the population in Pakistan responds to *Zakah* and charity.

Shirazi (1995) while using Logit model on HIES data of 1987-88 explored the impact of Sadaqat and other factors (size of household, Education level, No. of earners and Province of living) having significant association in determination of poverty.

Nasar and Toor (2004) have explained that how *Zakah* acts as a social safety net to fight poverty. The study based on a field survey of four districts about *Zakah* disbursement and its impact on household welfare. In the methodology survey evaluate the system of *Zakah* in both urban and rural areas, 'With and without approach' of evaluation is applied and recipients and non-beneficiaries were conducted. The study found that all recipients are below the poverty line, have large families, most of them are illiterate and having no durable goods.

2.4: *Zakah* along **with** Other Variables are the Social Safety Nets in an Islamic Economy

The following scholars have mentioned *Zakah* and other compulsory and optional measures to be insured in the society. These variables have a complete association to uplift the society in general and the poor in particular.

Zarqa (1992) gave a list of 17 tools out of which 03 are voluntary while others are compulsory and institutional under Islamic schemes for distribution and redistribution. Prohibition of interest and promotion of profit sharing, prohibition of monopoly, measures for distributing natural wealth, partnership of all citizens in certain kinds of wealth, prohibition of private preserves (enclosures),obligation of granting surplus water and renewable natural resources, inheritance ,*Zakah* ,the possible yield of *Zakah*, The potential distributive effects of *Zakah* ,*Zakah* al fitr, al-waqf , share of debtors (al-gharim in) in *Zakah* ,share of the wayfarer (ibn al-sabil) in *Zakah* , system of aqilah (indemnity for blood money) ,obligatory maintenance by relatives ,guarantee by the public treasury of a minimum level of living for each citizen, right to acquire the necessities of life.

Iqbal (2002) gave a list of institutional arrangements to address the issue of poverty. Both the public and private sectors have a balance role to play in this regard. The institution of market has to play a significant role which is supported by other divine institutions like *Zakah,* elimination of interest, Islamic rules of ownership of wealth and natural resources, law of inheritance, compulsory maintenance of certain relatives etc. He further mentions that institutions like awqaf, takaful and infaq are working subject to ijtehad.

Kahf (1998) has indicated some additional redistribution measures in addition to *Zakah*, which support the effect of *Zakah* in reducing the poverty. The most important among these measures are family support, kaffarat, providing means of livelihood to the guests/ the strangers and fard al kifayah (certain social needs that must be fulfilled by the capable members of the society).

According to Mannan (1995) the obligatory and voluntary distributive measures to reduce disparities of income and wealth are payment of *Zakah and Ushr*, prohibition of riba on both consumption and productive loans, entitlement to pure economic rent (i.e. income earned without any special effort by any one) of all members of the community or of the state, laws of inheritance, interest free loans , protection of exhaustible resources, sadaqah to the poor, cooperative insurance, philanthropic trusts (awqaf), free lending of productive assets (maa'un), legal measures against the public treasury to enforce the guarantee of minimum level of living and provision for additional taxes to ensure distributive justice.

Ahmed (1992) is of the view that in an Islamic economy when all the people are not paying *Zakah* due to poor Islamic believes and practices then the institution of *Zakah* should be supported and supplemented by other sources to meet the basic needs of the citizens. The maximum impact of the institution of *Zakah* on the overall economy will depend on the whole range of policies that are pursued in a country. Growth of an economy would be strengthened by the elimination of riba (interest) and its replacement by profit sharing modes of finance.

Ahmad (1991) on the basis of certain sayings of the Prophet stated that the family needs are fulfilled by its head while the head of the Islamic state will provide those needs which are left unfulfilled by the family heads. This is how family head and the head of Islamic state are linked in the Islamic social security system.

According to Ahmed *infaq*, *ihsan* (benevolence), *Zakah, sadaqah* (charity), and *itam* (feeding) are the measures in which *Zakah* is compulsory while others are voluntary for the welfare of the poor (See Sadeq,·2006).

According to Sadeq (1992) poverty exists when basic needs are not fulfilled and when level of needs is more than the income sufficient to fulfill the basic needs. This may rise due to taking control on resources by rich class and increase in population. The result is wide disparity between the have and have not. He further stressed that the state should levy taxes when *Zakah* funds are not sufficient to satisfy the basic needs e.g. enough food, reasonable clothing and shelter of the poor masses. The compulsory transfers according to him are *Zakah, ushr* and *sadaqatul fitr* while recommended transfers are charity and distribution through *inheritance.* In addition, the state has its role to play by imposing taxes, nationalizing key industries and providing basic needs to its citizens which have distributional implications.

According to Nazeer (1981) the measures of Islamic redistributive mechanism are feeding of the needy, giving of alms (a) voluntary alms (charity or sadaqat) (b) obligatory alms *(Zakah* or poor due) and the law of inheritance. He further mentioned that helping the poor through charity was even present before Islam. The new thing which Islam has brought is that it has created a right of poor in the wealth and property of rich in the society.

Siddiqi (1988) is of the view that provision of the basic needs of every citizen is a shari'ah obligation on the basis of Qur'an, Sunnah, caliphal precedents and endorsement by the past as well as present jurists. The individual himself, his near relatives, the neighborhood, the society and lastly the state is responsible.

2.5: Provision of Voluntarily Physical Services, Mutual Help and Cooperation as the Social Safety Nets in an Islamic Economy

The Prophet Musa and Hazrat Khizar who constructed a wall of two orphans in a village through voluntary services on the will of Allah Almighty is a clear reference of social safety nets in an Islamic society. Since the Holy Quran is a guidance for the entire humanity up to the Day of Judgment. It would be very rational to take guidance from the incidents of Qw'an for solving our contemporary problem like poverty (18:77-82).

Siddiqi (1988) gave references from life of the Prophet who appointed teachers for human resource development. The companions and the later Islamic rulers gave top priority to human resource development by appointing salaried teachers and giving stipends to the students. In addition to this attendants to blind, transport to the needy and financial grants for marriage were also provided.

Islahi (1992) gave the idea of voluntarily physical services to individual and social welfare. The examples are dedication to teaching and preaching, voluntary participation in the defence of the country, removal of hardship and planting trees.

According to Din (as reported by Iqbal, 2002) the Quran and Sunnah focus to create a free civil society of mutually caring individuals. The *irfaq* sector (*waqf* and other voluntary giving) was a social insurance order and a forceful reality in the early and later Islamic history. Even *irfaq* sector used to play an effective economic role in earlier non-muslim societies. According to Becker (1996) "charity is a form of insurance that is a substitute of market insurance and government transfers. Presumably, the rapid growth of the latter during the last 100 years discouraged the growth of charity". West is recognizing a stable social insurance system based on philanthropy and human values rather than the state supported systems. Din further mentioned that in1986 a centre of research, study of philanthropy was establishment in New York to provide a going forum for research, discussion and public education on philanthropic trends. According to the *Harvard* Business Review the number of charitable foundations in the US has doubled over the last two decades while the value of their assets has grown by more than 1,100 percent.

Ghifari (1989) gave the idea of services facilities to help the poor, needy and disable persons in an Islamic state. The companions used to serve the needed people in a secret way for the pleasure of Allah. Even the Muslim caliph used to extend different services to the poor people.

Ahmed is of the view that *manihah* is free giving of productive assets to poor for a short period. Minihah of darahim (money), riding animals, milk animals, agricultural lands fruit bearing trees and houses are reported from the sayings of the Holy Prophet (PBUH) (See Sadeq, 2006).

Mannan (1989) gave the idea of institutionalizing the voluntary services in the form of 'Sadaqah'. The surplus labours of a labour abduant country would be shifted to other sectors on voluntary basis through this institution for social capital accumulation.

Hamdani, *et-al* (2004) while using the data of 302 selected sample of Pakistani household constructed a utility function by including religious variables as time allocated for voluntary services and charitable donations. He found that donations and voluntary services are effected by age and are complements of each other. Increase in income and dish antenna has positive effect on donations. Other religious activities and increase in household size have negative effect on donations. He concluded that the role of religious beliefs, practices and convictions is as important as other economic variables in determining the resource allocation behavior of households.

According to Mannan (1989) Islamic economics is a part of the integrated model of the Islamic social framework which is based on nine criteria: (a). A fair balance between worship and work; (b). human equality; (c). mutual responsibilities and cooperation in a society; (d). distributive justice; (e). family, intra-family and collective obligations carrying individual responsibilities and accountability; (f). a balanced and beneficent use of the bounty of Allah; (g). the limited sovereignty of people in society; (h). the principle of coexistence; and (i). freedom and action and conscience.

According to Al-Ghazali (2001) the solidarity of a society is achieved by minimizing the gap between have and have not by helping its poor through charity, mutual cooperation, crop sharing, profit loss sharing, hire purchase, partnership, agency, mutual loans, credits and deposits. He suggested that the Prerequisites to Poverty alleviation are Islamic mode of financing as crop-sharing (*muzara'ah*), profit-and-loss sharing (*mudarabah*), hire purchase (*ijarah*), partnership (*musharakah*), and agency (wakalah), mutual co-operation, gift, lending and almsgiving and integrating the society through mutual love. According to him the social security for all the members of the society would be achieved through infrastructure development, promoting trade and commerce, extensive cultivation of land, excelling craftsmen products, human resource development on modem grounds, identification of corrupt verses honest, needy verses master of arts/craft (resourceful persons) and their utilization for further resources generation. He under the science of family and the management of household listed the reasons for marriage, factors compelling the abandonment of marriage, traditions of matrimony, qualities of spouses, modes of reconciliation between spouses should they violate their matrimonial obligations, procedures for divorce and mourning over the deceased spouse, nursing and upbringing of children, kindness to parents, treatment to slaves and servants, observance of obligations toward kith and kin, extending help and assistance to the poor and aid to those in adversity, respect for the chief of one's tribe or clan and the latter's obligations to look after his community, distribution of inheritance, and protection of lineage. According to him, the basic professions that are necessary to satisfy the essential human needs are defense and internal security, provision of food, supply of dress, water supply, provision of housing, import or export of goods to meet the needs of the people and collection of wealth from natural resources. He stated that the strong Government for vital interests of the society is needed for proper and equitable distribution of economic resources, fair and profitable deployment of human resources in various occupations, controlling criminal tendencies, defense, mobilizing the society for defense, public welfare through infrastructure development and spiritual guidance and moral reform.

Ghifari (1989) is of the view that Islamic social security system under informal sector is based on the institutions of home (parents and children), family (relatives) and muslim society (neighborhood, *wali* and *wasi*(executor), *wakil*(agent) and *kafil*(guardian). He classified the different measures of Islamic social security system in to obligatory and optional measures. Obligatory are binding and the defaulter is criminal in Islam. The obligatory is further classified in to positive and prohibitive measures. Positive measures includes law of inheritance, *kaffarat*(expiation money), {kaffara al-zihar, kaffara *al-yamin, kaffara* al-haj and *kaffara al-sayd*}, guardianship, maintenance of relatives{ maintenance of children, maintenance of parents, maintenance of other relatives, maintenance of animals}, will and *sadaqa al-fitr.* Prohibitive measures include interest, concentration of wealth, hoarding and black marketing. The optional measures are optional charities, debt without interest, gift, lending, trusteeship and civic obligation (right of neighborhood, right of drinking water, right of wayfare, right of drainage, right of water course).

Savharvi (2001) categorized optional charities, trusts, gift deeds, wills, *qarz-e-hasana*, *aariyat* and *amanat* are morally desirable responsibilities of an individuals in socio-economic order of Islam.

Alhabshi (2006) is of the view that poverty is associated with the concept of ***Zakah*** nisab. Those who do not meet the nisab requirement are considered poor and hence are eligible to receive ***Zakah.*** According to Alhabshi, the sources of funds for the poor are ***Zakah,*** charities, trust or endowments (al-awqaf), gifts (al-maniha), al-fay, spoils of war (al-ghanimah), treasures (rikaz), obligatory maintenance by relatives, guarantee by the public treasury of minimum level of living for each citizen and rights to acquire necessities of life.

Tahir (2006) gave the idea of negative social implications of ***riba*** as temporary economic hardship for poor masses, selfishness, social fragmentation, class-based society, bonded labor/ peasantry and socially un-optimal allocation of resources. The negative economic impacts are inflation, unemployment, prolongs period of decline and readjustment in the economy and demise of socially beneficial projects. He further stated that the denial of riba will lead to replacement of ***riba-based*** loan transactions by alternative economic arrangements (trading, leasing, *musharakah,* **mudarabnh** and share cropping etc) with flow of funds tied to flow of assets would result greater integration between real and financial sectors of economy, less inflation and more employment by solving modern economic ills by getting to the bottom of the problem.

According to Syed (2006), ***Zakah*** is the most important institution, which is supported by *infãq,* ***nafaqat*** *al-wàjibah* and the prohibition of ***riba*** for implementing the concept of social security in Islam.

Akhtar (2000) suggested equitable growth, sustainability, utilization of internal resources, Islamic sources of financing, institution of guarantee agency and welfare budget beside social sector development as an Islamic strategy for poverty alleviation.

2.6: Zakah, Infaq and Qurbani (slaughtering animals at the **Eid** of hajj) as the Social Safety Nets in an Islamic Economy

According to Khan (1994) the measures for poverty alleviation are ***Zakah,*** *infaq, kaffarat* (feeding or clothing to poor or fasting) and the provision of basic necessities for all along with implementing the Islamic punishments. *Hayat tayyiba* (to live a good life) is the objective of life in which economic relationships are based on *adl* (justice) and ***ihsan*** (equity) while economic activity is organized on the basis of mutual help and cooperation. Contracts, commitments and oaths must be fulfilled in social and economic dealings. Hajj is a source of support for the people and a main event in the economic life of people of Arabia since the times of Prophet Abraham. The four months of hajj were considered a sign of peace for flourishing and economic activity. A chain of economic activity which had been used as a source to help the poor from slaughtering of animals during hajj.

According to Jelsoft enterprises Ltd (2006), the *Zakah, sadaqah* and *qurbani* (slaughtering animals at the *eid* of *hajj*) are the religiously approved methods of managing the economy and finance. These are the important economic tools in an Islamic state. In the process of *qurbani*, there is a flow of wealth (cash +kind) from haves to have-nots. This institution is a part of social safety nets in Islamic frame work.

Islahi (1992) gave main components of the voluntary sector of an Islamic economy as voluntary or recommended charity, gift and grant, *al wasiyah* (a will in the legacy), *al ariyah* or *al qard* (lending), *al nadhr* (the vow or dedication), *al waqaf* (endowment) and cooperative associations. Compulsory payments are *Zakah, sadaqaf al fitr* and expenditure on relatives.

Zarqa (1992) presented the outstanding example of the Holy Prophet who did not rely only on charity to alleviate the poverty of *muhajirin.* He, first advised the *ansar* to use the system of *maniha* and then utilized *fay'* for the restoration of balance in the distribution of wealth in the society.

According to Zarqa (1992) the Islamic strategy for distribution is moderate and flexible in which both voluntary and permanent measures are utilized. The permanent measures are *Zakah*, *Zakah* al *fitr*, participation in the ownership of some forms of natural wealth and the system of inheritance. The voluntary measures are the use of *fays* for the rectification of distribution, obligatory maintenance by near relatives, the right to acquire necessities, and guarantee of basic needs by the public treasury.

2.7: Review of the Studies which Linked Islamic Development and Poverty

According to Mannan (as reported by Iqbal, 1988) the major causes of poverty in the Muslim countries are: colonial exploitation, colonial legacy, economic dualism, financial dualism, market system and regional disparities and discrimination. Islamic solutions to the problem of poverty are: Providing guarnteed minimum provision, institutional and non-institutional reforms, redistribution through *Zakah,* family *nafqats,* provision of certain social goods and services and inheritance.

Yousri (2005) is of the view that the western development policies are based on modem capitalism and socialism and their adoption in Muslim countries resulted into failure. The reason behind is that the Muslim countries have a particular culture which cannot be separated from their economic system. Islamic economic system is different from modem capitalism as well as from socialism. It combines private with public ownership and material with spiritual objectives under the given religious rules and values. When the value system is different, targets will differ and policies needed would be different. He further mentions that the blind adoption of western development models is one of the most important factors behind the chronic problems of economic and social underdevelopment in Muslim countries. The secular development theories have neglected the question of "what ought to be" and focused only on "what actually exists".

Sirageldin (2000) gave the idea of generating the human skills and knowledge required for new technologies and innovations, in addition to transform the economic, social, legal, and cultural environment. Without such transformation, negative developmental patterns emerged.

According to Tahir (1995) an experiment of more than four decades proved that the borrowed values of the developed countries failed in the developing countries. Islamic concept of economic development is the provision of fundamental economic rights, improvement of the moral, social, and institutional bases, economic growth by a constant distribution of income or a reduction in economic inequalities, no deviation from the original divine mandate, a strong defense and pace with the ever-changing times.

According to Ahmad (1994) the goals of development policy would be: (a) human resource development as per the Islamic value system; (b) expansion of useful production (abundant production of supply of food and basic items of necessity at reasonable prices, defense requirements of the Muslim world and self-sufficiency in the production of basic capital goods and heavy machinery); (c) improvement of the quality of life (through moral uplift, employment creation, broad based system of social security, equitable distribution of income and wealth, cheap housing and transport and priority to education); (d) balanced development (e) development of new technology suited to the conditions of the Muslim countries; (f) reduction of outside dependence and greater integration of the Muslim world.

Sadeq (2006) defined the economic development in Islam "as a balanced and sustained improvement in material and non-material well-being of man that is not complete without a high moral standard resulting from Islamic values. It is a factor in the welfare of human being in the life hereafter as in this worldly life". He further gave eleven recommendations for poverty alleviation form the Muslim countries. a) achieving high economic growth through efficient and full utilization of material and human resources. b) human resource development on modem grounds based on Islamic ethical values. c) adopting labor intensive technology in labor abundant poor Muslim countries. d) reducing regional and racial disparities. e) A minimum wage with legal cover. f) institutionalizing Al-Hisbah to stop illegal economic activity. g) enhancing cooperation among the Muslim countries through trade, investment and factor movement. h) labor scare Muslim country should import workforce from labor abundant Muslim country. i) extending technical cooperation among the Muslim countries. j) extending the role of Islamic development bank to the poor Muslim countries. k) establishment of international ***Zakah*** fund to transfer excess ***Zakah*** from advance Muslim countries to the poor one.

Manan (1989) gave nine conditions for development in an Islamic framework. a) mass participation and sharing in economic activities though the establishment of Islamic social banking at grass-root level. b) using distributive consideration for determining production priorities. c) humanizing the lines of production. d) humanizing the lines of distribution and consumption. e) institutionalizing the obligatory, Islamic tools of redistribution of income. f) institutionalizing the Islamic voluntary sector. g) provision for future generations. h) increasing the level of economic cooperation. i) increasing the levels of regional, economic and monetary integration.

Manan (1989) stated that Muslim countries adopted irrelevant development models of the advanced countries. The Muslim countries having different resource endowments are facing different pmblems. Every poor Muslim country needs an indigenous development model based on its own problems.

Pakistan was founded on the basis of Islamic ideology. Both the Objective Resolution (1948) and the 1973 constitution clearly state that policies/ plans according to Quran and Sunnah will be implemented in the country. Pakistani society is an Islamic society. In past conventional policy variables have been implemented to solve our economic problems. One of the major reasons for the failure of the conventional policies is not being religious based. According to Siddiqui (1996) it is the need of time to design policies while keeping in view the religious commitments of the society. The social, cultural and religious factors must be taken in to account in our policies. Only religious oriented policies would success as the people of Pakistan are committed to the Islamic way of life. Historical and religious background of the area shows that people of this region have always been looking for convenient and natural way of life.

Asad (2006) while discussing the failure of modem economies said that as a theory, its main principles are empirically false, no predictive power for shocks depression and no touch neither with ethical and the feeding of the poor. More than 11 million children die every year duet to hunger poverty and most research in economies is not relevant to solving real life economic problem.

Niazi (1977) gave the concept of gradualism for implementation of the Quranic socio-economic order in a country. He further argued that systems were not changed instantly in human history. The concept of Islamic socio-economic justice implies a gradual change in the social structure. The economics of Islam aims at the happiness of Islamic society on the basis of equality, brotherhood and justice through evolutionary process.

According to Ibn al-Qayyum (as reported by Sadeq, 1992) social evils (falsehood, dishonesty, fraud, corruption etc.) creating instability and frustration in the society stop economic progress. While the Islamic values create security in the society by promoting co-operation in production and general prosperity.

2.8: The Institution of *Waqf* as a Social Safety *Net* in an Islamic Economy

Siddiqi (1988) gave the idea of establishing orphanage, free hospitals, free educational institutions, guest houses for way fares and finally the insurance(for old age, temporary unemployment, sickness and industrial accidents etc) financed by philanthropic organizations and voluntary associations.

According to Salih (1999), the institution of *waqf* has played an important role in economic and social development in the Islamic history. It financed mosques, education and research centers, including building schools, institutes and colleges, libraries, caring for nurseries and *katateeb* (traditional schools for reading and writing), provided medical care and fully equipped hospitals, among other charitable purposes. Waqfeven financed the entire needs of the education sector. All the poor, the needy, the wayfarer, the disabled, and the prisoners of war used to be benefited from the social services of the waqf It also financed the defense and security in addition to basic social services. Salih further proposed launching of development projects1 investment and financing of *waqf* properties and distribution of their benefits is subject to ijhtad.

Cizakca (2002) is of the view that all over the vast Islamic world, social services for society have been financed and maintained for centuries through the institution of *waqf* (Crecelius, 1995). He further stated that the *waqf* was the most important voluntary institution for poverty alleviation in the Islamic world by freely providing social services (health, education, municipal services, etc.,) which ultimately resulted in a better distribution of income in the favor of poor masses. Voluntary donations made by the rich people were the sources of funds and the Islamic state was not needed to impose taxes. According to him, free provision of essential services to society through waqf system will solve the modem economic problems by reducing the government expenditure, budget deficit, government borrowing, curbs the 'crowding-out effect' and leads to a reduction in interest rate and promotes private investment and growth in the economy. He gave the idea of financing essential services to the society through waqfsystem instead of government taxation which is severely limited by the Quran. The budget studies of 16'' century Ottoman Empire confirmed that these services have been financed by the *waqfs,* while the government expenditure was limited to military spending (Barkan, 1953). He further stated that a lower tax burden will increase in consumers' and producers' surpluses and have a positive impact on aggregate production and reduce the different costs by reducing inflationary pressures. Lower consumer prices will promote the non-inflationary growth (Wanniski, 1975). He further gave the idea that the waqfcan completely solves the problem of the under-supply of public goods which is often observed in conventional economics [Cizakca, (1998), Bates, (1995)]. According to him, Islam encourages both the private accumulation of capital and its redistribution. The process of capital redistribution at the individual level is attained through inheritance. At the institution level, capital redistribution is achieved through *waqf* (Cizakca, 2000). He stated that according to the classical sources of Islam, the state's role is limited to defense, law and order while all other services are supposed to be provided through the waqfsystem. Another important role for the state is to ensure that waqfsystem is functioning properly. The state can ensure this by providing a well functioning judicial system and guaranteeing the property rights of waqfs (see Iqbal, 2002).

Islahi (1996) gave different examples of uwqaf from Islamic history of various public works and welfare activities. They are places of worship, defense, help to the wayfarer and road services, food and lodging for the poor, water resources, education, preaching, hospitals, celebration and adornment of tombs, marriage provisions for the poor, release of captives, support of handicapped, inner purification centers and research institutes. He further stated that the institution of *awqaf* provided a substitute for the state's role in the earliest period of Islam. Provision of certain public benefits, social needs, helping to As'hab *al Suffa* (companions engaged in learning), provision of drinking water and preparations for different wars were financed through waqfand voluntary contributions. Later on when the Islamic state was formed in Medina, it was supported by the *waqf* institution in the provision of public goods. The waqf institution protected the Islamic identity, culture and system of education in Muslim countries during colonialism.

According to Ahmed, the institution of waqfis to transfer the resources from private to collective ownership and to enhance the voluntary spending for the welfare of the poor people. (See Sadeq, 2006)

Boud Jellal (as reported by Anwar and Haneef, 2005) is of the view that the *waqf* has played an important role in the Islamic history. Three-quarters (3/4) of all arable land in the former Ottaman Empire belonged to *awqaf*. In Algeria, under French occupation, waqfcomprised half (1/2) of the lands of the country. In Egypt in 1949, about one eight of the agricultural land belonged to this category. In addition to this the department of public works, bridges, roads, mosques, schools, libraries, etc were established by the institution of waqf Haj infrastructure (roads and roadhouses) were established by the wife of Harun al-Rashid from Baghdad to Mecca for pilgrims out of her single *waqf*. He further mentioned that the role of third sector is getting importance in the most developed nations. In the United States, the third sector represented 6.8 percent of GDP with total revenue of $31.59 billions during 90's. The third sector is playing a more important role in those countries where government efforts are not sufficient to eradicate poverty. As the gap between the rich and the poor is increasing in the world, the need for third sector is required more. The income of the rich who represent 20 percent of the world population, increased from 70 percent to 85 percent of total world income during the last thirty years. As a result the gap between the rich and the poor is widening in modem economies, the need for third sector is emerging. He has proposed to invest the monetized resources of waqfinto profit-earning projects. The mobilized funds should be invested in different sectors to minimize the risk of loss. This process would generate a continuous flow of revenues from waqfresources and would serve the Muslim society for generations.

According to Bhatti (2003), there are 45,000 nonprofit citizen organizations working with more than six million members, and more than a quarter of a million staff in Pakistan. The operating cash revenue of these organizations is close to Rs. 16 billion. An amount of Rs.70.5 billion was given to charities in 1998. They are providing religious education, sports activities, religions rites, lobbying for civic amenities, running neighborhood vocational centers, national human rights advocacy organizations, graveyard management committees and running hospitals.

According to the first 'National Survey of Individual Giving 1998' charitable donations or volunteer time aggregates to Rs.70 billion in a year. The volunteering rate is 58.The said survey estimated individual giving Rs.30billion which comprised Rs.14 billion in Zakah and Rs.16 billion in non-*Zakah* donations in Pakistan for the year 1998. Donations of gifts-in-kind amounted to Rs.11 billion and 1.6 billion hours of time was volunteered the same year. The total value of time volunteered was Rs.29 billion. Adding these estimates, the Pakistani people gave over Rs. 70 billion in money, gifts-in-kind and time.

2.9: Summary

We can summarize that a lot of Islamic economists have presented the idea that Zakah along with additional variables will solve the problem of poverty. However some of them have indicated the voluntary physical services, mutual help and cooperation to solve the problem of poverty. Another school of thought has proposed to mobilize the institution of waqfto solve the problem of poverty. The role of third sector is highly recognized in Islam. It has played significant role in the Islamic history for the provision of social services. It is the need of time to activate the third sector for alleviating the poverty. Some Muslim economists are of the view that the adoptions of western development policies in our country are the major cause of poverty. In their view, our resource endowments are different, values, culture and traditions are different. Hence, we need Islamic development policies to be implemented. By integrating all the measures as Zakah and other variables, provision of voluntary physical services, mobilizing the institution of *waqf,* activating the third sector and adopting the Islamic development policies would solve the problem of poverty in Pakistan. Some studies have pointed out that about Rs.70 billion annually are given in charity in the form of money, gifts in kind and time. The adoption of western development policies for poverty alleviation in poor countries is even criticized by the secular writers. They strongly recommend to adopt the local values, traditions and culture for poverty alleviation policies.

The social security means programs and schemes designed by law to provide economic security and social assistance and welfare for an individual and his family. Social security systems may vary from country to country, from time to time, from nation to nation and from economic system to economic system. When the earnings have stopped because the worker has retired or died, or is disabled, benefits payments are made from the social security funds to replace part of the earnings which the family has lost. In addition to this social service and medical care is provided to the needy, aged, widows, young children, the disables and the unemployed.

The modem concept of social security came into common use throughout the world in the first half of the 20th century. In most countries, until late in the 19th century, the relief of poverty was made by private charity, churches, workmen provident associations or the government which was acting under poor law. In 1883-84 Germany, was the first European country which introduced a modem form of social security. It was a contributory health insurance program (Sickness Insurance), a national compulsory accident insurance program and old age pensions. Germany's example was soon followed by Austria and Hungary and by the early years of the 20th century public opinion in most European countries had come to favor some means of providing old age pensions for the needy and of dealing with some contingencies as sickness and unemployment among workers.

The social security is a fundamental human need. **An** individual is subject to certain risks like sickness, death, disability, disease, unemployment, fire, flood, storm, accidents, and the financial loss. The sufferings from these events take the victim and his dependants towards poverty. The economic situation of the affected people becomes so unsound that they need economic help. Hence un-foreseen events risks are the reasons which create the need for social security. He further stated that the modem concept of social security is in the form of old-age pension, unemployment benefit, sickness benefit, death grant, disability allowance and family allowance. The laws of social security got initiated in Europe at the end of the last century. Before 1883, co-operative movements among workers were functioning on private arrangements basis. Most of the European countries started making laws by the beginning of the 20th century. In America, the Workman's Compensation Act was passed in 1908. The Congress passed the Social Security Act in 1935. .

Social safety nets of Islam are based on faith, wider circulation of wealth and natural economic inequalities. Rich and poor are created by Allah to test the man in this worldly life and to run the system of this universe.

Allah is the creator of different *Ahwal* (conditions) to test the man. He the Almighty is the real and actual creator of all the creations. The above mentioned un-even events are created by Him.

An individual is subject to certain risks in the society. He can suffer natural disasters, sickness, death, disability, disease, unemployment, and the financial loss. How can he be protected from these risks? He needs support and protection of others. Here comes the role of social safety nets and therefore the purpose of the study is to quantify the impact of all these variables on poverty alleviation.

CHAPTER 3

METHODOLOGY

This study is the extension of the model estimated by Shirazi (1994).His model is as follows.

$Log (P_i / _{1-} P_{i)} = \alpha_0 + \alpha_1 D_{sind} + \alpha_2 D_{NWFP} + \alpha_3 D_{Blch} + \alpha_4 D_{ED2} + \alpha_5 D_{ED3} + \alpha_6 D_{ED4} + \alpha_7$ Infaq+ $\alpha_8 D_{En1} + \alpha_9 D_{En3} + \alpha_{10} D_{En4} + \alpha_{11}$HSIZ

Where
P =1: if household is poor
0: othenvise

D_{Sind} = 1: if the province is Sindh
0: otherwise.
D_{NWFP} = 1: if the province is NWFP
0: otherwise.
D_{Blch} = 1: if the province is Balochistan
0: otherwise.
D_{ED2} = 1: if the educational level is primary but less than middle
0: otherwise.
D_{ED3} = 1: if the educational level is middle to intermediate
0: otherwise.
D_{ED4} = 1: if the educational level is degree and higher
0: otherwise.
Infaq = The amount of infaq
D_{En1} = 1: if no earner
0: otherwise.
D_{En3} = 1: if two or three earners
0: otherwise.
D_{En4} = 1: if four and above earner
0: otherwise.
HSIZ = Household size

We have extended the Logit[2] model by adding variables such as *Zakah* and ***usher,*** inheritance and dower, gifts and receipts of *committees* (ZUS, ID, Gift and RC) which are the social safety nets of Islam. The provincial dummies are replaced with the urban dummy while dummies of earners are merged into a single dummy of earner. We have also estimated the impact of the above stated variables on poverty by including with and without these variables in the households' total income.

---

[2] This is the standard model. Details are available in Appendix .A

3.1: Model to be Estimated

$$\text{Log}\left(\frac{P_i}{1-P_i}\right) = \alpha_0 + \alpha_1 Durb + \alpha_2 D_{ED2} + \alpha_3 D_{ED3} + \alpha_4 D_{ED4} + \alpha_5\, ZUS + \alpha_6 D_{Ern} + \alpha_7 HSIZ + \alpha_8\, ID + \alpha_9\, Gift + \alpha_{10}\, RC$$

Dependent Variable: **Pi** = probability of ith individual of being poor

Independent Variables:

According to our model we have ten independent variables which are as under:

Durb = 1: if the household lives in urban area (Dummy of urban)
0: otherwise.
D_{ED2} = 1: if the educational level is primary but less than middle
0: otherwise.
D_{ED3} = 1: if the educational level is middle to intermediate
0: otherwise.
D_{ED4} = 1: if the educational level is degree and higher
0: otherwise.
ZUS = The amount of Zakah and usher

D_{Ern} = 1: if earner (dummy of earner)
0: otherwise.
HSIZ = Household size

ID = The amount of Inheritance and Dower

Gift = Gift (monetary + non-monetary)

RC = Receipts of *committees*[3]

3.2: RESEARCH HYPOTHESIS

The *Zakah* along with other variables like inheritance and dower, gifts and receipts of committees will lead to eradicate the poverty.

[3] ***Committees:*** Interest free pooling of funds by few individuals to finance their economic activities. This pooling of funds can be on daily, weakly or monthly basis in a village, organization or an institution where members know each other from every aspect. For example, when a group of twenty members are agreed to pool their money out of their salaries/incomes in an organization/ institution then they select one member as treasury who collects the funds and give to each member on pre agreed *tum or* on the basis of ballot. Any member can withdraw from this pooling with the permission of other members or by providing an alternative member after having cleared the previous accounts.

Due to security situation prevailing in FATA, 8 sample villages were not enumerated. Similarly, 90 sample households were not covered due to non-response/closed/non-contact and non-cooperation from the respondents in this Survey.

The number of sample primary sampling and secondary sampling units covered in the survey are as follows:

Province/Area	Sample **PSUs**			**Sample SSUs**		
	Urban	Rural	Total	**Urban**	**Rural**	Total
Punjab	206	230	436	2432	3668	6100
Sindh	128	136	264	1534	2174	3708
NWFP	72	116	188	857	1842	2699
Balochistan	52	88	140	623	1406	2029
A.J& Kashmir	16	28	44	192	443	635
Northern Area	12	20	32	144	317	461
FATA	0	16	16	0	255	255
Islamabad	14	08	22	167	128	295
TOTAL	**500**	**642**	**1142**	**5949**	**10233**	**16182**

Stratification Plan:

Stratification scheme is adopted keeping in view the geographical level of estimates to be built-up and to control the variation in the under study characteristics of the survey population. The detail of the scheme is as under.

Urban Area:

With respect to the urban areas each of Karachi, Lahore, Gujranwala, Faisalabad, Rawalpindi, Multan, Sialkot, Sargodha, Bahawalpur, Hyderabad, Sukkur, Peshawar, Quetta and Islamabad being large size cities have been treated as independent stratum. Each of these cities has further been sub-stratified according to low, middle, high-income groups based on the information collected in respect of each enumeration block. After excluding the population of large sized cities the remaining urban population in each defunct administrative division in all provinces has been grouped and treated as an independent stratum. Each of Azad Jammu & Kashmir, FATA and Northern Areas has been considered as independent strata separately.

Rural Area:

In the rural areas, the population of each district in Punjab, Sindh and N.W.F.P Provinces has been grouped together to constitute a stratum. For Balochistan province each of defunct administrative Division has been taken as a stratum. Azad Jammu & Kashmir FATA and Northern Areas have been considered as independent strata in rural areas separately.

Sample Design:

A two-stage stratified sample design has been adopted for this survey.

Selection of primary sampling Units (PSUs).

Enumeration blocks in the urban domain and mouzas/dehs/villages in rural domain. have been taken as primary sampling units (PSUs). Sample PSUs from each ultimate stratum/sub-stratum have been selected by probability proportional to size (PPS) method of sampling scheme. In this survey population of rural areas and households for urban areas have been adopted as measure of size for selecting Primary Sampling Units (PSUs) from the strata/ sub-strata formed in urban and rural sub-universes of the survey.

Selection of Secondary Sampling Units (SSUs):

Households within each sample Primary Sampling Units (PSU) have been considered as secondary sampling units (SSUs). 16 and 12 households have been selected from each sample village and enumeration block respectively by random systematic sampling scheme with a random start.

CHAPTER 4

RESULTS

We are interested to explore the role of Islamic social safety nets for poverty alleviation of a household. We also want to evaluate the role of some other characteristics having significant association with the poverty. In our estimation the role of Islamic social safety nets is explored along with the number of earners in a household, head of the household's education level, household size and the region the household belongs to as characteristics for determining the poverty status of the household. We have used the logit model for evaluation of the role of different characteristics that determine the poverty status of household.

We expect that education in general has a negative impact on poverty. It decreases the poverty by increasing the earning and income opportunities. Education by enhancing the skills of people increases the earning capacity of an individual and also enhances a possibility of getting a job.

It is also expected that as the number of earner in the household increases its poverty would decrease. The reason is that each and every earner is expected to contribute positively to the household income.

As poverty is related with insufficient income of the poor masses, hence the basic problem is how to increase their income. Any transfer from formal or informal sources will result in increasing the income of the poor and would help in getting them out of poverty. Thus the inheritance and dower, receipts of ***committees, Zakah*** and ***usher*** and gifts ***(ID,*** RC, ZUS and Gift) would decrease the poverty.

The household with large family size has a greater probability of being poor. As the family size goes on increasing, poverty would also increase by increasing the dependency ratio.

4.1: The Poverty Status of Households

Poverty estimates have been shown in table 4.1

Table 4.1: Percentage of poor by Province

And Urban-Rural Break down

Province	Region		Total
	Urban	Rural	
Punjab	26.86	39.31	35.72
Sindh	22.73	48.84	38.66
NWFP	34.26	48.05	46.03
Baluchistan	28.57	42.12	39.76
Total	26.01	43.01	38.09

Note: The poverty line of Rs.748.56 has been used to estimate headcount ratio.

Source: Our Estimates

The table shows that overall poor in the country are 38.09 percent out of which 26.01percent live in urban and 43.01percent in the rural areas. The overall poor in the province of Punjab are 35.72percent out of which 26.86 percent live in urban and 39.31 percent in rural areas. The overall poor in the province of Sindh are 38.66 percent out of which 22.73 percent live in urban and 48.84 percent in rural areas. The result shows that the worst position of the poor is in rural Sindh which is 48.84 percent where as the minimum poor lies in urban Sindh which is 22.73 percent. The overall poor in the province of NWFP are 46.03 percent out of which 34.26 percent live in urban and 48.05 percent in rural areas. The poorest province of the country is NWFP. The overall poor in the province of Baluchistan are 39.76 percent out of which 28.57 percent live in urban and 42.12 percent in rural areas.

Table **4.2:** Mean poverty gap **(in** percentage)

Province	Region		Total
	Urban	Rural	
Punjab	5.94	8.45	7.72
Sindh	3.91	11.17	8.34
NWFP	6.29	9.28	8.84
Baluchistan	5.32	7.39	7.03
Total	5.25	9.13	8.01

Source: Our Estimates

In table 4.2, the mean poverty gap is calculated. The overall mean poverty gap in the country is 8.01 percent out of which 5.25 percent is in urban and 9.13 percent is in rural areas. In the province of Punjab the overall mean poverty gap is 7.72 percent out of which 5.94 percent is in urban and 8.45 percent is in rural areas. The highest mean poverty gap is in rural Sindh which is11.17 percent and 3.91 percent in urban areas out of an overall of 8.34 percent. In the province of NWFP the overall mean poverty gap is 8.84 percent out of which 6.29 percent is in urban and 9.28 percent is in rural areas. In the province of Baluchistan the overall mean poverty gap is 7.03 percent out of which 5.32 percent is in urban and 7.39 percent is in rural areas. The Baluchistan is relatively better in mean poverty gap.

Table **4.3:** Square poverty gap (in percentage)

Province	Region		Total
	Urban	Rural	
Punjab	1.95	2.70	2.48
Sindh	1.02	3.64	2.62
NWFP	1.70	2.59	2.46
Baluchistan	1.40	1.87	1.79
Total	1.60	2.84	2.48

Source: Our Estimates

In table 4.3 the square poverty gap is taken to see the absolute values, but luckily, we do not find any negative value which means almost same results. The overall square poverty gap in the country is 2.48 percent out of which 1.60 percent is in urban and 2.84 percent is in rural areas. The highest square poverty gap is in Sindh where 3.64 percent in rural andl.02 percent in urban areas from an overall of 2.62 percent. In the province of Baluchistan the overall square poverty gap is 1.79 percent out of which 1.40 percent is in urban and 1.87 percent is in rural areas. This shows that the lowest square poverty gap is in Baluchistan.

4.2: The Impact of Social Safety Nets on Poverty Alleviation

In order to find the impact of social safety nets on poverty alleviation, we have subtracted the income of households from their total income. The results are presented in the tables given below.

Table 4.1-A:

Percentage of poor with social safety nets

	Region		
Province	Urban	Rural	Total
Punjab	26.86	39.31	35.72
Sindh	22.73	48.84	38.66
NWFP	34.26	48.05	46.03
Baluchistan	28.57	42.12	39.76
Total	26.01	43.01	38.09

Table 4.1-B:

Percentage of poor without social safety nets

	Region		
Province	Urban	Rural	Total
Punjab	33.39	43.56	40.63
Sindh	28.69	49.97	41.67
NWFP	38.95	52.00	50.09
Baluchistan	30.63	43.09	40.92
Total	32.10	46.36	42.23

Table 4.1-C: Difference with and without Social Safety Nets.

	Region		
Province	Urban	Rural	Total
Punjab	6.54	4.25	4.91
Sindh	5.96	1.13	3.01
NWFP	4.68	3.95	4.05
Baluchistan	2.06	0.97	1.16
Total	6.09	3.35	4.14

In table 4.1-A, the percentage of poor with social safety nets and in table 4.1-B, the percentage of poor without social safety nets is presented. The difference of table 4.1-A and table 4.1-B is given in table 4.1-C. To see the impact of social safety nets, the results in table 4.1-C show that the percentage of poor in the country decreased by 4.14 percent out of which 6.09 percent in urban and 3.35 percent in rural areas. The percentage of the poor in Punjab decreased by 4.91 percent out of which 6.54 percent in urban and 4.25 percent in rural areas. The percentage of the poor in Sindh decreased by 3.01 percent out of which 5.96 percent in urban and 1.13 percent in rural areas. The percentage of the poor in NWFP decreased by 4.05 percent out of which 4.68 percent in urban and 3.95 percent in rural areas. The percentage of the poor in Baluchistan decreased by 1.16 percent out of which 2.06 percent in urban and 0.97 percent in rural areas. Hence the percentage of poor both at the country and the provincial levels is decreased with social safety nets. The results in table 4.1-C support our hypothesis that social safety nets of Islam have a significant impact on poverty reduction.

Table 4.4: Results of the Logistic regression model

Logistic regression

					Number of obs	= 14653
					Wald chi2(10)	= 690.39
					Prob > chi2	= 0.0000
Log pseudo likelihood = -8774.2332					Pseudo R2	= 0.0987

pgap	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf.	Interval]
durb	-.51575	.0556347	-9.27	0.000	-.6247919	-.4067081
ed2	-.4495975	.0687913	-6.54	0.000	-.5844259	-.3147691
ed3	-1.1333	.0685849	-16.52	0.000	-1.267724	-.9988765
ed4	-1.919106	.1970759	-9.74	0.000	-2.305368	-1.532845
dern	-.4829748	.0979475	-4.93	0.000	-.6749483	-.2910013
id	-.0000148	.0000124	-1.19	0.233	-.0000392	9.54e-06
rc	-.0000473	.0000144	-3.27	0.001	-.0000756	-.000019
zus	.0000247	.0000751	0.33	0.742	-.0001224	.0001718
gift	-.0000269	9.76e-06	-2.75	0.006	-.000046	-7.75e-06
hhsize	.1158366	.0101458	11.42	0.000	.0959512	.1357219
cons	-.9740466	.0845233	-11.52	0.000	-1.139709	-.808384

The table 4.4 reflects results of logistic regression. While interpreting the results of the table 4.4, marginal effects of the logistic regression estimated in table 4.5(see page 49) are also considered. **As** the sign of the odd ratio in table 4.4 simply tells either positive or negative relation. It does not tell the individual effect of a variable. In table 4.5, we have estimated the individual effect of a variable keeping other constant. Hence both the tables 4.4 and 4.5 are considered for the interpretation of the results.

4.3: Interpretation of Results

Results Regarding Dummy of Urban:

In this regression, the dummy for urban areas is taken into consideration where as the dummy for rural areas is taken as reference point. The coefficient of the odd ratio of urban dummy is -0.51 and is highly significant with Z value -9.27. There is 11.43 percent less poverty in urban areas as compared to rural areas. The 95 percent confidence interval of the urban dummy shows that the poverty in the urban areas is ranging from 9.11 percent to 13.76 percent lower then the rural areas. This result shows that urbanization has strong impact on poverty reduction.

Results Regarding Dummies of Education:

No education level is the reference for the dummy of the education. The ed2, ed3and ed4 are the dummies for the primary, middle to inter and higher levels of education respectively. The level of education can play a significant role to reduce the poverty. The primary educated people as compared to no education are 9.80 percent less likely to be poor. The dummy for primary level of education is significant. The coefficient of the odd ratio is -0.44 and is highly significant. Its confidence interval shows that by improving education from no education to primary education will reduce the poverty from 7.0 percent to 12.57 percent. The ed3 is the dummy for middle to inter level of education. The coefficient of the odd ratio is -1.13 and is highly significant. It reduces 22.9 percent poverty as compared to no education level. If education level is improved from primary to inter, it will reduce 13.1 percent poverty. Its confidence interval shows that ed3 can reduce poverty ranging from 20.63 percent to 25.20 percent. The ed4 is the dummy for higher education. The higher educated people are 29.76 percent less likely to be poor. The coefficient of the odd ratio is -1.91 and is highly significant. Its confidence interval shows that by improving education from no education to higher education would reduce the poverty ranging from 26.62 percent to 32.91 percent. If education level is improved from inter to higher, it will reduce 6.8 percent poverty. This result shows that as the more education level is attained it has stronger impact on the poverty reduction.

Results Regarding Earner Dummy:

In the dummy of earner, no earner is taken as reference point. The number of earners also plays a significant role in the reduction of poverty. The dummy of earner has the coefficient of the odd ratio -0.48 which shows that it has a significant effect on the reduction of poverty. More specifically by including an earner in a household will reduce poverty by 10.31 percent. The confidence interval of the earner dummy shows that by including the earner in a household will reduce the poverty ranging from 6.56 percent to 14.05 percent. The result shows that as the number of earner in a household increases the poverty level decreases.

Results Regarding the Variable inheritance and dower:

The variable ID (inheritance and dower) has the coefficient of the odd ratio -0.0000148 which shows that it helps to reduce poverty but is insignificant. Although the coefficient has proper sign yet its value is very low. The reason is that only 58 households out of a total of 14707 households are the recipients of inheritance and dower. Hence the value of the coefficient is not very much encouraging.

Results Regarding ***the*** Variable receipts of ***committees:***

The variable, rc (Receipts of committees) has the coefficient of the odd ratio -0.0000473 which shows that it reduces the poverty and is significant. Although the coefficient has proper sign and is significant yet its value is very low. The reason for small effect is that only 335 households are the recipients of ***committees*** out of a total of 14707 households.

Results Regarding the Variable ***Zakah*** and ***Usher*:**

The variable, ***ZUS*** (Zakah and Usher) has the coefficient of the odd ratio 0.0000247 with positive sign and is insignificant. The variable of *Zakah* and Usher is not significant because only 276 households out of a total of 14707 households were the recipients.

Results Regarding the Variable **of** gift:

The variable gift has the coefficient of the odd ratio - 0.0000269 which shows that it helps to reduce the poverty and is also significant. Although the coefficient has proper sign and is significant yet its value is very low. The reason for small effect is that only 1128 households are the recipients of gifts out of a total of 14707 households.

Results Regarding the Variable HH **Size:**

The variable household size has the coefficient of the odd ratio 0.11 which shows that it has a significant effect in increasing poverty. This suggests that as the household size increases the probability of a household being poor increases. The confidence interval of the household size shows that by increasing a member in the household will increase the poverty ranging from 2.19 percent to **3.13** percent.

Table 4.5: Marginal Effects of the Logistic regression model

```
Marginal effects after logit
      y  = Pr(pgap) (predict)
         =  .35858761
------------------------------------------------------------------------------
variable |      dy/dx    Std. Err.     z    P>|z|  [    95% C.I.   ]      X
---------+--------------------------------------------------------------------
   durb*|  -.1143119      .01186    -9.63   0.000  -.137566 -.091058   .289901
    ed2*|  -.0980876      .01412    -6.95   0.000  -.125756 -.070419   .149469
    ed3*|  -.2291713      .01166   -19.66   0.000  -.252023   -.20632   .211193
    ed4*|  -.2976493      .01605   -18.55   0.000  -.329104 -.266195   .048449
   dern*|  -.1031104      .01911    -5.40   0.000  -.140557 -.065664   .051981
      id|  -3.41e-06      .00000    -1.19   0.233  -9.0e-06  2.2e-06   120.033
      rc|  -.0000109      .00000    -3.29   0.001  -.000017 -4.4e-06   500.244
     zus|   5.68e-06      .00002     0.33   0.742  -.000028   .00004   17.9971
    gift|  -6.18e-06      .00000    -2.75   0.006  -.000011 -1.8e-06   354.834
  hhsize|   .0266427      .00239    11.13   0.000    .02195  .031336   8.64335
------------------------------------------------------------------------------
```

Table 4.5 shows the marginal effects of the logistic regression. In marginal effects, we check the individual results of a variable keeping others constant. In the Logit model the slope coefficient of a variable gives the change in the log of the odds associated with a unit change in that variable, while holding all other variables constant.

Table 4.6: Results **of the** logistic regression **by** combining variables(id+rc+zus+gifts)

Logistic regression				Number of obs	=	14653
				Wald chi2(7)	=	694.76
				Prob > chi2	=	0.0000
Log pseudo likelihood = -8778.2309				Pseudo R2	=	0.0983

pgap	Coef.	Robust Std. Err.	z	P>|z|	[95% Conf.	Interval]
durb	-.5201219	.055695	-9.34	0.000	-.6292822	-.4109616
ed2	-.4486944	,068732	-6.53	0.000	-.5834066	-.3139822
ed3	-1.134284	,0685425	-16.55	0.000	-1.268625	-.9999431
ed4	-1.91396	,1968095	-9.72	0.000	-2.299699	-1.52822
dern	-.4802329	.0979955	-4.90	0.000	-.6723005	-.2881653
combine	-.0000323	7.29e-06	-4.43	0.000	-.0000466	-.000018
hhsize	.1155171	.0101399	11.39	0.000	.0956433	.1353909
cons	-.9695924	.0844698	-11.48	0.000	-1.13515	-.8040347

Table 4.6 shows the combine effect of logistic regression. While interpreting the results of the table 4.6, marginal effects of the logistic regression estimated in table 4.7(see page 51) are also considered. As the sign of the odd ratio in table 4.6 simply tells either positive or negative relation. It does not tell the individual effect of a variable. In table 4.7, we have estimated the individual effect of a variable keeping other constant. Hence both the tables 4.6 and 4.7 are considered for the interpretation of the results. Individually the variables inheritance and dower, receipts of ***committees, Zakah*** and ***usher*** and gifts did not show a significant result. We take the combine effect of all these variables. The result shows that the combine effect is significant. The coefficient of the odd ratio of the combined effect is -0.0000323 with Z value -4.43 which is significant. The marginal effect of the combine variables is -0.00000744 and its confidence interval is -0.001 percent to -0.0004 percent. We have analyzed the combine effect of the social safety nets of Islam [ID+ZUS+Rc+Gift]. The results in tables 4.6 and 4.7 show that all the dummies and the variable of household size are significant having almost same values on the same pattern as explained in tables 4.4 and 4.5 above. It means that the combine effect decrease

the poverty. The significance of combine effect supports our hypothesis that the social safety nets of Islam are important and significant determinants for the alleviation of the poverty.

Table 4.7: Marginal effects after combine logistic regression

```
Marginal effects after logit
      y  = Pr(pgap) (predict)
         =  .35932155
```

variable	dy/dx	Std. Err.	z	P>|z|	[95% C.I.]		X
durb*	-.1153592	.01189	-9.71	0.000	-.138655	-.092064	.289901
ed2*	-.0980114	.01413	-6.94	0.000	-.125697	-.070326	.149469
ed3*	-.2296306	,01165	-19.70	0.000	-.252471	-.20679	.211193
ed4*	-.2977276	.01611	-18.48	0.000	-.32931	-.266145	.048449
dern*	-.1026976	.01917	-5.36	0.000	-.14026	-.065135	.051981
combine	-7.44e-06	.00000	-4.45	0.000	-.000011	-4.2e-06	993.107
hhsize	.0265931	.0024	11.10	0.000	.021897	.031289	8.64335

Table 4.7 shows the marginal effects of the logistic regression. In marginal effects, we check the individual results of a variable keeping others constant. In the Logit model the slope coefficient of a variable gives the change in the log of the odds associated **with** a unit change in that variable, while holding all other variables constant.

CHAPTER 5

SOCIO ECONOMIC PROFILE OF THE HOUSEHOLDS AND IMPACT OF SOCIAL SAFETY NETS OF ISLAM

In this chapter, we will like to find the impact of social safety nets on households having different characteristics by income groups.

Table 5.1: Impact of Inheritance and Dower by income group on Rural and Urban Areas

Group-id	Urban	Rural	Total	Percentage of Urban	Percentage of Rural	Percentage of Total
Non Recipients	**4,297**	**10,352**	**14,649**	**29.22**	**70.39**	**99.61**
>1000 & <=10000	5	9	14	0.04	0.06	0.10
>10000 & <=50000	11	31	42	0.07	0.21	0.28
>50000 & <=100000	1	1	2	0.01	0.01	0.01
>100000	0	0	0	0.00	0.00	0.00
Recipients	**17.41**	**40.46**	**57.87**	**0.12**	**0.28**	**0.39**
Total	4.314	10,393	14,707	29.33	70.67	100

The table 5.1 explains the recipients of inheritance and dower in rural and urban areas by income groups. The recipients are 0.39 percent in overall out of which 0.12 percent are in urban while 0.28 percent in rural areas. It means that recipients are more in rural areas as compare to urban areas. Most of the receipts are in the income range of 1000 to 50000.

Table 5.2: Impact of Receipts of ***Committees*** by income group on Rural and Urban Areas

Group_rc	Urban	Rural	Total	Percentage of Urban	Percentage of Rural	Percentage of Total
Non Recipients	4,122	10,251	14,372	28.03	69.70	97.73
less than 1000	5	7	11	0.03	0.04	0.08
>1000 & <=10000	75	72	147	0.51	0.49	1.00
>10000 & <=50000	95	60	155	0.65	0.41	1.05
>50000 & <=100000	15	3	18	0.10	0.02	0.12
>100000	**3**	1	4	**0.02**	0.01	0.03
Recipients	**192.47**	**142.06**	**334.53**	**1.31**	**0.97**	**2.27**
Total	4,314	10,393	14,707	**29**	71	100

The table 5.2 explains the recipients of committees in rural and urban areas. In urban areas, recipients are 1.31 percent while in rural areas they are 0.97 percent out of an overall of 2.27 percent. It means that these receipts are more in urban areas as compare to rural areas. Hence the beneficiaries from this head are more in urban as compare to the rural areas. Most of the receipts are in the income range of 10000 to 50000.

Table 5.3: Impact of ***Zakah and Ushr*** by income group on Rural and Urban Areas

Group_zus	Urban	Rural	Total	Percentage of Urban	Percentage of Rural	Percentage of Total
Non Recipients	**4,261**	**10,170**	**14,431**	**28.97**	**69.15**	**98.13**
less than 1000	43	161	204	0.29	1.09	1.39
>1000 & <=5000	9	59	68	0.06	0.40	0.46
>5000 & <=10000	0	2	2	0.00	0.01	0.01
>10000 & <=20000	1	0	1	0.00	0.00	0.00
>20000	0	1	1	0.00	0.01	0.01
Recipients	**53.29**	**222.29**	**275.58**	**0.36**	**1.51**	**1.87**
Total	4,314	10,393	14,707	29.33	70.67	100

The table 5.3 explains the recipients of ***Zakah*** and ***usher*** in rural and urban areas. The total recipients are 1.87 percent out of which 0.36 percent is in urban while 1.51 percent is in rural areas. It means that these receipts are more in rural areas as compare to urban areas. Hence the beneficiaries from this head are more in rural areas as compare to the urban areas. Most of the ***Zakah*** and ***Usher*** receipts are in the income range of less than 1000.

Table 5.4: Impact of Gifts by income group on Rural and Urban Areas

Group_gift	Urban	Rural	Total	Percentage of Urban	Percentage of Rural	Percentage of Total
Non Recipients	3,944	9,635	13,579	26.82	65.51	92.33
less than 1000	146	372	518	0.99	2.53	3.52
>1000 & <=10000	172	307	479	1.17	2.09	3.26
>10000 & <=50000	49	74	123	0.33	0.51	0.84
>50000 & <=100000	3	3	6	0.02	0.02	0.04
>100000	0	2	2	0.00	0.01	0.01
Recipients	**369.84**	**757.78**	**1,127.62**	**2.51**	**5.15**	**7.67**
Total	4,314	10,393	14,707	29.33	70.67	100

The table 5.4 explains the recipients of **gifts** in rural and urban areas. The total recipients are 7.67 percent out of which 2.51 percent are in urban while 5.15 percent are in rural areas. It means that these transfers are more in rural areas as compare to urban areas. Most of the gift receipts are in the income range of less than 1000 to 10000.

Table 5.5: Combined Impact of (ID+ZUS+Rc+Gift) by income group on Rural and Urban Areas

Group_comb	Urban	Rural	Total	Percentage of Urban	Percentage of Rural	Percentage of Total
Non Recipients	3,734	9,333	13,067	25.39	63.46	88.85
less than 1000	166	466	633	1.13	3.17	4.30
>1000 & <=10000	238	406	644	1.62	2.76	4.38
>10000 & <=50000	149	177	326	1.01	1.20	2.21
>50000 & <=100000	24	8	32	0.16	0.06	0.22
>100000	3	3	6	0.02	0.02	0.04
Recipients	**580.07**	**1,059.84**	**1,639.92**	**3.94**	**7.21**	**11.15**
Total	4,314	10,393	14,707	29.33	70.67	100

The table 5.5 explains the recipients of combine receipts of (ID+ZUS+Rc+Gift) in rural and urban areas. The overall recipients are 11.15 percent out of which 3.94 percent are in urban while 7.21 percent are in rural areas. It means that the combine receipts are more in rural areas as compare to urban areas. So the beneficiaries from combined receipts are more in rural areas as compare to the urban areas. Most of the receipts are in the income range of less than 1000 to 10000.

Table 5.6: Impact of Inheritance and Dower by income group on Earners and No-Earners

Group_id	No earner	earner	Total	Percentage of No earner	Percentage of earner	Percentage of Total
Non Recipients	13,564	1,085	14,649	92.23	7.38	99.61
>1000 & <=10000	14	0	14	0.10	0.00	0.10
>10000 & <=50000	41	1	42	0.28	0.01	0.28
>50000 & <=100000	2	0	2	0.01	0.00	0.01
>100000	0	0	0	0.00	0.00	0.00
Recipients	**56.40**	**1.47**	**57.87**	**0.38**	**0.01**	**0.39**
Total	13,621	1,086	14,707	92.61	7.39	100

The table 5.6 explains the recipients of inheritance and dower between no earners and earners. The total recipients are 0.39 percent out of which 0.38 percent are no earners while 0.1 percent are earners. It means that these receipts are taken more by no earners as compare to earners. So the beneficiaries from these receipts are more non earner as compare to the earners. Most of the receipts are in the income range of 10000 to 50000.

Table 5.7: Impact of Receipts of *Committees* by income group on Earners and No-Earners

Group_rc	No earner	earner	Total	Percentage of No earner	Percentage of earner	Percentage of Total
Non Recipients	13,295	1,078	14,372	90.40	7.33	97.73
less than 1000	11	0	11	0.08	0.00	0.08
>1000 & <=10000	144	3	147	0.98	0.02	1.00
>10000 & <=50000	149	5	155	1.01	0.04	1.05
>50000 & <=100000	17	0	18	0.12	0.00	0.12
>100000	4	0	4	0.03	0.00	0.03
Recipients	**325.83**	**8.70**	**334.53**	**2.22**	**0.06**	**2.27**
Total	13,621	1,086	14,707	92.61	7.39	100

The table 5.7 explains the recipients of ***committees*** between no earners and earners. The total recipients are 2.27 percent out of which 2.22 percent are no eamers while 0.06 percent are eamers. It means that these receipts are more among no earners as compare to earners. So the beneficiaries from these receipts are more no eamers as compare to the earners. Most of the receipts are in the income range of 1000 to 50000.

Table 5.8: Impact of *Zakah and Ushr* by income group on Earners and No-Earners

Group–zus	No earner	earner	Total	Percentage of No earner	Percentage of earner	Percentage of Total
Non Recipients	13.401	1,030	14,431	91.12	7.01	98.13
less than 1000	173	31	204	1.17	0.21	1.39
>1000 & <=5000	45	24	68	0.30	0.16	0.46
>5000 & <=10000	1	1	2	0.01	0.01	0.01
>10000 & <=20000	0	0	1	0.00	0.00	0.00
>20000	1	0	1	0.01	0.00	0.01
Recipients	**219.36**	**56.22**	**275.58**	**1.49**	**0.38**	**1.87**
Total	13,621	1,086	14,707	92.61	7.39	100

The table 5.8 explains the recipients of *Zakah* and ***usher*** between no earners and earners. The total recipients are 1.87 percent out of which 1.49 percent are no earners while 0.38 percent are earners. It means that these receipts are taken more by no earners as compare to earners. Most of the receipts are in the income range of less than 1000.

Table 5.9: Impact of Gifts by income group on Earners and No-Earners

Group_gift	No earner	earner	Total	Percentage of No earner	Percentage of earner	Percentage of Total
Non Recipients	12,628	951	13,579	85.86	6.47	92.33
less than 1000	473	44	518	3.22	0.30	3.52
>1000 & <=10000	409	70	479	2.78	0.47	3.26
>10000 & <=50000	104	19	123	0.71	0.13	0.84
>50000 & <=100000	4	2	6	0.03	0.01	0.04
>100000	2	0	2	0.01	0.00	0.01
Recipients	**992.40**	**135.22**	**1,127.62**	**6.75**	**0.92**	**7.67**
Total	13.621	1,086	14,707	92.61	7.39	100

The table 5.9 explains the recipients of gifts between no earners and earners. The total recipients of gift are 7.67 percent out of which 6.75 percent are no eamers while 0.92 **percent** are earners. **It** means that the gift receipts are taken more by no earners as compare to earners. So the no earners are more beneficent than the eamers from the gifts receipts. Most of the receipts are in the income range of less than 1000 to 10000.

Table 5.10: Combined Impact of (ID+ZUS+RC+Gift) by income group on Earners and No-Earners

Group_comb	No earner	earner	Total	Percentage of No earner	Percentage of earner	Percentage of Total
Non Recipients	12,151	916	13,067	82.62	6.23	88.85
less than 1000	575	58	633	3.91	0.39	4.30
>1000 & <=10000	566	77	644	3.85	0.53	4.38
>10000 & <=50000	293	33	326	1.99	0.22	2.21
>50000 & <=100000	30	3	32	0.20	0.02	0.22
>100000	6	0	6	0.04	0.00	0.04
Recipients	**1469.17**	**170.74**	**1639.92**	**9.99**	**1.16**	**11.15**
Total	**13,621**	**1,086**	**14,707**	**92.61**	**7.39**	100

The table 5.10 explains the recipients of combine receipts of (ID+ZUS+Rc+Gift) between no earners and earners. The total recipients are 11.15 percent out of which 9.99 percent are no earners while 1.16 percent are earners. It means that the combine receipts are taken more by no earners as compare to earners. Hence no eamers are benefiting more as compare to earners from the social safety nets of Islam. Most of the receipts are in the income range of less than 1000 to 10000.

Table 5.11: Impact of Inheritance and Dower by income group on Education Levels

Group_id	No education	primary but < 8	middle to inter	Degree & Higher	Total
Non Recipients	**8,719**	**2,065**	**3,131**	**734**	**14,649**
>1000 & <=10000	10	1	3	0	14
>10000 & <=50000	28	7	3	4	42
>50000 & <=100000	1	1	0	0	2
>100000	0	0	0	0	0
Recipients	**39**	**8**	**7**	**4**	**58**
Total	8,758	2,073	3,137	738	14,707

Percentages

Group_id	No education	primary but < 8	middle to inter	Degree & Higher	Total
Non Recipients	**59.29**	**14.04**	**21.29**	**4.99**	**99.61**
>1000 & <=10000	0.07	0.00	0.02	0.00	0.10
>10000 & <=50000	0.19	0.05	0.02	0.03	0.28
>50000 & <=100000	0.01	0.01	0.00	0.00	0.01
>100000	0.00	0.00	0.00	0.00	0.00
Recipients	**0.26**	**0.06**	**0.04**	**0.03**	**0.39**
Total	59.55	14.10	21.33	5.02	100

The table 5.11 explains the recipients of inheritance and dower between no education and different educational levels. The total recipients are 0.39 percent out of which 0.26 percent have no education, 0.06 percent have primary, 0.04 percent have inter and 0.03 percent have higher levels of education. The more beneficiaries from these receipts are those who have no education. Most of the receipts are in the income range of 1000 to 50000.

Table 5.12: Impact of Receipts of *Committees* by income group on Education Levels

Group_rc	No education	primary but < 8	Middle to inter	Degree & Higher	Total
Non Recipients	**8,619**	**2,028**	**3,017**	**709**	**14372**
less than 1000	4	4	4	0	11
>1000 & <=10000	54	21	66	6	147
>10000 & <=50000	74	20	40	21	155
>50000 & <=100000	8	0	7	3	18
>100000	**0**	**0**	4	0	4
Receipts	**140**	**46**	**120**	**29**	**335**
Total	8,758.23	2,073.26	3,137.45	738.06385	14,707

Percentages

Group_rc	No education	primary but < 8	middle to inter	Degree & Higher	Total
Non Recipients	**58.60**	**13.79**	**20.52**	**4.82**	**97.73**
less than 1000	0.03	0.02	0.03	0.00	0.08
>1000 & <=10000	0.37	0.14	0.45	0.04	1.00
>10000 & <=50000	0.50	0.14	0.27	0.14	1.05
>50000 & <=100000	0.06	0.00	0.05	0.02	0.12
>100000	0.00	0.00	0.02	0.00	0.03
Recipients	**0.95**	**0.31**	**0.82**	**0.20**	**2.27**
Total	59.55	14.10	21.33	5.02	100

The table 5.12 explains the recipients of ***committees*** between no education and different education levels. The total recipients are 2.27 percent out of which 0.95 percent have no education, 0.31 percent have primary, 0.82 percent have inter and 0.20 percent have higher levels of education. The more beneficiaries from these receipts are those who have no education. These receipts are increasing if the education level is increased from primary to inter. Most of the receipts are in the income range of 1000 to 50000.

Table *5.13:* **Impact** of ***Zakah*** and ***Usher*** by income group **on** Education Levels

Group_zus	No education	primary but <8	middle to inter	Degree & higher	Total
Non Recipients	**8,532**	**2,047**	**3,116**	**736**	**14,431**
less than 1000	173	20	9	2	204
>1000 & <=5000	52	5	11	0	68
>5000 & <=10000	1	0	1	0	2
>10000 & <=20000	1	0	0	0	1
>20000	0	1	0	0	1
Recipients	**226**	**26**	**21**	**2**	**276**
Total	8.758	2,073	3,137	738	14707

Percentages

Group_zus	No education	primary but < 8	middle to inter	Degree & Higher	Total
Non Recipients	**58.01**	**13.92**	**21.19**	**5.00**	**98.13**
less than 1000	1.18	0.13	0.06	0.01	1.39
>1000 & <=10000	0.36	0.04	0.07	0.00	0.46
>10000 & <=50000	0.00	0.00	0.01	0.00	0.01
>50000 & <=100000	0.00	0.00	0.00	0.00	0.00
>100000	0.00	0.01	0.00	0.00	0.01
Recipients	**1.54**	**0.18**	**0.14**	**0.01**	**1.87**
Total	59.55	14.10	21.33	5.02	**100**

The table 5.13 explains the recipients of *Zakah* and ***usher*** between no education and different education levels. The total recipients are 1.87 percent out of which 1.54 percent have no education, 0.18 percent have primary, 0.14 percent have inter and 0.01 percent have higher levels of education. The ***Zakah*** recipients decrease as the education level increase. The more beneficiaries from ***Zakah*** receipts are those who have no education. Most of the receipts are in the income range of less than 1000.

Table 5.14: Impact of Gifts by income group on Education Levels

Group_gift	No education	primary but < 8	middle to inter	Degree & Higher	Total
Non Recipients	**8,101**	**1,917**	**2,882**	**679**	**13579**
less than 1000	322	73	102	22	518
>1000 & <=10000	261	71	119	27	479
>10000 & <=50000	72	13	29	10.287411	123
>50000 & <=100000	2	0	4	0	6
>100000	0	0	2	0	2
Recipients	**657**	**156**	**256**	**59**	**1128**
Total	8,758	2,073	3,137	738	14707

Percentages

Goup_gift	No education	primary but < 8	middle to inter	Degree & Higher	Total
Non Recipients	**55.09**	**13.04**	**19.59**	**4.62**	**92.33**
less than 1000	2.19	0.49	0.69	0.15	3.52
>1000 & <=10000	1.78	0.48	0.81	0.19	3.26
>10000 & <=50000	0.49	0.09	0.19	0.07	0.84
>50000 & <=100000	0.01	0.00	0.03	0.00	0.04
>100000	0.00	0.00	0.01	0.00	0.01
Recipients	**4.47**	**1.06**	**1.74**	**0.40**	**7.67**
Total	59.55	14.10	21.33	5.02	100

The table 5.14 explains the receipts of gifts between no education and different education levels. The total recipients are 7.67 percent out of which 4.47 percent have no education, 1.06 percent have primary, 1.74 percent have inter and 0.40 percent have higher levels of education. The more beneficiaries from these receipts are those who have no education. These receipts are increasing if the education level is increased from primary to inter. Most of the gift receipts are in the income range of less than 1000 to 10000.

Table 5.15: Combined Impact of (ID+ZUS+RC+Gift) by income group on Education Levels

Goup_comb	No education	primary but < 8	middle to inter	Degree & Higher	Total
Non Recipients	**7,795**	**1,855**	**2,768**	**649**	**13,067**
less than 1000	429	84	99	20	633
>1000 & <=10000	343	93	176	31	644
>10000 & <=50000	177	40	77	31	326
>50000 & <=100000	13	1	12	6	32
>100000	0	0	5	0	6
Recipients	**963**	**218**	**370**	**89**	**1,640**
Total	8,758	2,073	3,137	738	14,707

Percentages

Group–comb	No education	primary but < 8	middle to inter	Degree & Higher	Total
Non Recipients	**53.00**	**12.61**	**18.82**	**4.41**	**88.85**
less than 1000	2.92	0.57	0.67	0.14	4.30
>1000 a <=10000	2.33	0.63	1.19	0.21	4.38
>10000 a <=50000	1.21	0.27	0.53	0.21	2.21
>50000 & <=100000	0.09	0.01	0.08	0.04	0.22
>100000	0.00	0.00	0.04	0.00	0.04
Recipients	**6.55**	**1.49**	**2.51**	**0.61**	**11.15**
Total	59.55	14.10	21.33	5.02	100

The table 5.15 explains the recipients of combine receipts of (ID+ZUS+Rc+Gift) between no education and different education levels. The total recipients are 11.15 percent out of which 6.55 percent have no education, 1.49 percent have primary, 2.51 percent have inter and 0.61 percent have higher levels of education. The more beneficiaries from these receipts are those who have no education. However these receipts are increasing if the education level is increased from primary to inter. Most of the receipts are in the income range of less than 1000 to 50000.

Table 5.16: Impact of Inheritance and Dower by income group on Household size

Group_id	<=3 members	>3 & <=5	>5 & <=7	>7 & <=10	>10 & <=20	>20 members	Total
Non Recipients	**1,847**	**3,375**	**3,999**	**3,638**	**1,716**	**75**	**14,649**
>1000 & <=10000	0	5	2	3	5	0	14
>10000 & <=50000	2	7	12	17	5	0	42
>50000 & <=100000	0	1	1	0	0	0	2
>100000	0	0	0	0	0	0	0
Recipients	**2**	**12**	**15**	**20**	**9**	**0**	**58**
Total	1,849	3,387	4,014	3,658	1,725	75	14,707

Percentages

Group_id	<=3 members	>3 & <=5	>5 & <=7	>7 & <=10	>10 & <=20	>20 members	Total
Non Recipients	**12.56**	**22.95**	**27.19**	**24.74**	**11.67**	**0.51**	**99.61**
>1000 & <=10000	0.00	0.03	0.01	0.02	0.03	0.00	0.10
>10000 & <=50000	0.01	0.05	0.08	0.11	0.03	0.00	0.28
>50000 & <=100000	0.00	0.01	0.01	0.00	0.00	0.00	0.01
>100000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Recipients	0.02	0.08	0.10	0.13	0.06	0.00	0.39
Total	12.57	23.03	27.29	24.87	11.73	0.51	**100**

The table 5.16 explains the receipts of inheritance and dower on different household size. The overall recipients are 0.39 percent of the total. These receipts are increasing with the increase in house hold size. Most of the receipts are in income range of 1000 to 50000.

Table 5.17: Impact of Receipts *of Committees by* income group on Household size

Group_rc	<=3 members	>3 & <=5	>5 & <=7	>7 & <=10	>10 & <=20	>20 members	Total
Non Recipients	**1,813**	**3,316**	**3,905**	**3,576**	**1,690**	**73**	**14372**
less than 1000	1	1	5	4	0	0	11
>1000 & <=10000	15	26	56	41	8	1	147
>10000 & <=50000	18	39	40	33	23	1	155
>50000 & <=100000	2	3	9	3	2	0	18
>100000	0	**2**	0	0	1	0	4
Recipients	35	71	109	**81**	35	**2**	335
Total	1,849	3,387	4,014	3,658	1,725	75	14707

Percentages

Group_rc	<=3 members	>3 & <=5	>5 & <=7	>7 & <=10	>10 & <=20	>20 members	Total
Non Recipients	**12.33**	**22.54**	**26.55**	**24.32**	**11.49**	**0.49**	**97.73**
less than 1000	0.01	0.01	0.03	0.03	0.00	0.00	0.08
>1000 & <=10000	0.10	0.18	0.38	0.28	0.06	0.00	1.00
>10000 & <=50000	0.12	0.27	0.27	0.22	0.16	0.01	1.05
>50000 & <=100000	0.01	0.02	0.06	0.02	0.01	0.00	0.12
>100000	0.00	0.02	0.00	0.00	0.01	0.00	0.03
Recipients	***0.24***	***0.48***	***0.74***	***0.55***	***0.24***	**0.01**	**2.27**
Total	12.57	23.03	27.29	24.87	11.73	0.51	100.00

The table 5.17 explains the receipts of ***committees*** for different household size. The total recipients are 2.27 percent. These receipts are increasing with the increase in family size of greater than 5 and less than 7 members and then decrease for higher size. Most of the receipts are in the income range of *1000* to 50000.

Table 5.18: Impact of *Zakah* and *Usher* by income group on Household size

Group_zus	<=3 members	>3 & <=5	>5 & <=7	>7 & <=10	>10 & <=20	>20 members	Total
Non Recipients	**1,795**	**3,324**	**3,935**	**3,598**	**1,705**	**75**	**14,431**
less than 1000	38	43	57	49	16	0	204
>1000 & <=5000	15	20	21	10	2	0	68
>5000 & <=10000	0	0	1	1	0	0	2
>10000 & <=20000	0	0	1	0	0	0	1
>20000	0	0	0	0	1	0	1
Recipients	54	**63**	***79***	**60**	**20**	**0**	**276**
Total	1,849	3.387	4,014	3,658	1,725	75	14.707

Percentages

Group–zus	<=3 members	>3 & <=5	>5 & <=7	>7 & <=10	>10 & <=20	>20 members	Total
Non Recipients	**12.21**	**22.60**	**26.75**	**24.46**	**11.60**	**0.51**	**98.13**
less than 1000	0.26	0.29	0.39	0.34	0.11	0.00	1.39
>1000 & <=10000	0.10	0.14	0.14	0.07	0.02	0.00	0.46
>10000 & <=50000	0.00	0.00	0.01	0.01	0.00	0.00	0.01
>50000 & <=100000	0.00	0.00	0.00	0.00	0.00	0.00	0.00
>100000	0.00	0.00	0.00	0.00	0.01	0.00	0.01
Recipients	**0.36**	0.43	**0.54**	**0.41**	**0.13**	**0.00**	**1.87**
Total	12.57	23.03	27.29	24.87	11.73	0.51	100.00

The table 5.18 explains the receipts of ***Zakah*** and ***usher*** for different household size. These receipts are increasing with the increase in family size of greater than 5 and less than 7 members and then decrease for higher size. Most of the receipts are in the income range of less than 1000.

Table 5.19: **Impact of Gifts by income group on Household size**

Group gift	**<=3 members**	**>3 & <=5**	**>5 & <=7**	**>7 & <=10**	**>10 & <=20**	**members**	**Total**
Non Recipients	**1,658**	**3,089**	**3,719**	**3,418**	**1,621**		**13579**
less than 1000	**68**	**134**	**149**	**119**	**47**		
>1000 & <=10000	97	135	115	93	37		**479**
>10000 & <=50000	25	29	28	23	19	0	123
>50000 & <=100000	0	0	2	4	0	0	6
>100000	0	0	0	2	0	0	2
Recipients	**191**	**298**	**295**	**239**	**104**	**1**	**1128**
Total	1,849	3,387	4,014	3,658	1,725	75	14707

Percentages

Group_gift	<=3 members	>3 & <=5	>5 & <=7	>7 & <=10	>10 & <=20	>20 members	Total
Non Recipients	**11.28**	**21.00**	**25.29**	**23.24**	**11.02**	**0.50**	**92.33**
less than 1000	0.47	0.91	1.02	0.81	0.32	0.00	3.52
>1000 & <=10000	0.66	0.92	0.79	0.63	0.25	0.01	3.26
>10000 & <=50000	0.17	0.20	0.19	0.15	0.13	0.00	0.84
>50000 & <=100000	0.00	0.00	0.01	0.03	0.00	0.00	0.04
>100000	0.00	0.00	0.00	0.01	0.00	0.00	0.01
Recipients	**1.30**	**2.02**	**2.01**	**1.63**	**0.70**	**0.01**	**7.67**
Total	12.57	23.03	27.29	24.87	11.73	0.51	100.00

The table 5.19 explains the receipts of gifts for different household size. The total recipients are 7.67 percent. These receipts are increasing with the increase in family size of greater than 5 and less than **7** members and then decrease for higher size. Most of the receipts are in the income range of less than 1000 to 10000.

Table 5.20: Combined Impact of (ID+ZUS+RC+Gift) by income group on Household size

Group_comb	<=3 members	>3 & <=5	>5 & <=7	>7 & <=10	>10 & <=20	>20 members	Total
Non Recipients	**1,595**	**2,990**	**3,553**	**3,283**	**1,575**	**71**	**13,067**
less than 1000	87	148	185	162	52	0	633
>1000 & <=10000	118	166	179	131	48	2	644
>10000 & <=50000	46	73	84	72	48	1	326
>50000 & <=100000	2	7	13	8	2	0	32
>100000	0	2	0	2	1	0	6
Recipients	**254**	**397**	**461**	**375**	**150**	**3**	**1,640**
Total	1,849	3,387	4,014	3,658	1,725	75	14,707

Percentages

Group_comb	<=3 members	>3 & <=5	>5 & <=7	>7 & <=10	>10 & <=20	>20 members	Total
Non Recipients	**10.85**	**20.33**	**24.16**	**22.32**	**10.71**	**0.49**	**88.85**
less than 1000	0.59	1.00	1.26	1.10	0.35	0.00	4.30
>1000 & <=10000	0.80	1.13	1.21	0.89	0.32	0.01	4.38
>10000 & <=50000	0.32	0.50	0.57	0.49	0.33	0.01	2.21
>50000 & <=100000	0.01	0.05	0.09	0.05	0.01	0.00	0.22
>100000	0.00	0.02	0.00	0.01	0.01	0.00	0.04
Recipients	**1.72**	**2.70**	**3.13**	**2.55**	**1.02**	**0.02**	**11.15**
Total	12.57	23.03	27.29	24.87	11.73	0.51	100.00

The table 5.20 explains the recipients of combine receipts of (ID+ZUS+Rc+Gift) for different household size. The total recipients are 11.15 percent. The result shows that the combine receipts are increasing with the increase in household size. These receipts are increasing with the increase in family size of greater than 5 and less than 7 members and then decrease for higher size.

CHAPTER 6

CONCLUSION AND POLICY RECOMMENDATIONS

In this study the role of Islamic social safety nets (ZUS + ID + Gifts + RC) was explored to alleviate the poverty by using the micro data of PIHS 2001-2002.

Our main findings from the regression analysis are as follows:

First finding is that rural poverty is more than the urban poverty in all the provinces of Pakistan. NWFP is the poorest province of the country having **46.03** percent poor population out of which 48.05 percent lives in rural and **34.26** percent in urban areas.

Second finding is that the urban dummy is significant and has negative effect on poverty. It means urbanization leads less likely to be poor.

Third finding is that all the three dummies of education are significant and have negative effect on poverty. As the education level increases, poverty decreases.

Fourth finding is that the dummy of earner is significant and have negative effect on poverty. As the number of earners increase, the poverty decrease.

Fifth finding is that the variable ID (inheritance and dower) has negative and insignificant impact on poverty reduction.

Sixth finding is that the variable RC (receipts of committees) has negative and significant effect on poverty reduction.

Seventh finding is that the variable Zus (*Zakah* and *Ushr*) has insignificant impact on poverty.

Eighth finding is that the variable gift has negative and significant impact on poverty reduction.

Ninth finding is that household size has positive and significant impact on poverty.

Tenth finding is that the combined effect of Islamic social safety nets (ZUS + ID + Gifts + RC) is negative and has significant effect on poverty reduction.

On the basis of the results of this study, we can conclude that Pakistani society has a positive response to the social safety nets of Islam. The religious values have deep roots in our society. The people of Pakistan are committed to the Islamic way of life and they response positively to Islamic values.

The social safety nets of Islam can be used as a mean for social solidarity, integrity and social order in our society. Strong social safety nets of Islam would promote a strong society in Pakistan. A combination of both formal and informal social safety nets can address the issue of poverty at a larger scale.

The results of study indicated that majority of the poor lives in rural areas which means that rural development should be taken in to consideration on top priority. The extension of the Islamic social safety nets in the form of waqf and voluntary services of different categories to the rural areas which will bring prosperity for the poor masses.

Policy Recommendations:

- Social safety nets of Islam should be implemented by the government of Pakistan.
- A necessary legislation should be made in this direction.
- The institution of philanthropy should be activated by the government.
- The Islamic concept of NGOs and third sector should be promoted to alleviate the poverty.
- Voluntary physical services should be mobilized to provide the free social services to the poor masses.
- The institution of *waqf* should be activated on modem lines for poverty alleviation.
- Self financed system from the educational institutions should be switched over to the voluntary sector.
- Cheap houses should be constructed for the homeless and landless people through the institution of voluntary spending.

- A detailed survey of the voluntary donations, *waqf* institutions and other charity activities should be conducted by the FBS.
- The media should highlight the importance of the social safety nets of Islam.
- Free educational and health institutions should be established through *waqf* institution.
- Rural philanthropic centers should be established where cash, in-kind and voluntary services should be mobilized to uplift the rural poor.
- Rural infrastructure development through voluntary sector should be initiated. **A** combination of the government and the rural voluntary sector should be started for this purpose.
- Free technical training and vocational training centers in the rural areas for unskilled and poor workers should be started through voluntary sector.
- Disasters and emergencies management teams should be trained at national and local levels by imparting technical training to handle the disasters through voluntary sector.
- To achieve a social order in the society, all the formal and informal institutions of the social safety nets should function side by side.
- The variable receipts of the committees have shown a significant effect on poverty. It is suggested that it should be utilized as an alternative tool for micro-financing of the different projects in the country.

Limitation and further Scope of the Study:

The estimates of the social safety nets (ZUS + ID + Gift + RC) in the present study are limited to one period which is the HIES of 2001-02. The result should be compared for more than one period to see their impact over time. Present study ***only*** estimated four variables of the social safety nets of Islam in addition to education levels, earners, rural urban location and household size. The HIES data 2001-02 is silent about the other potential variables of Islamic social safety nets e.g. *nafaqats*, voluntary services, mutual help, interest free loans, sadaqah *al fitr*, qurbani and other heads of charity and voluntary donations. A detail survey about the potential Islamic social safety nets is required at the national and local levels which would be the further scope of this study. Up to what an extent these social safety nets can decrease the poverty would be the scope of further study.

Another problem with the data of HIES is that, people did not truly reflect their incomes due to many reasons. Similarly, they feel shy and hesitation to disclose the income receipts of "*Zakah*" and other voluntary donations. This fact is reflected in the HIES data 2001-02 where ***Zakah,*** inheritance and dower receipts have not been reported correctly.

The further scope of the study would be:

To calculate the potential of voluntary donations in cash and in kind separately.

To calculate the potential of voluntary services of various categories.

To calculate the potential of charity in the month of Ramazan, *sadaqa al fitr* **and** *qurbani.*

To calculate the potential of third sector from Islamic point of view.

A comparison between the formal and informal social safety nets at the national and local levels.

To calculate the potential of religious festivals and their impact on poverty.

To analyse the impact of Islamic values on different socio-economic directions.

REFERENCES

The Al- Quran (16:112), (106:3-4), (2:155), (10:24), (6:151), (17:31), (10:23), (10:24), (89:17), (6:50), (30:33), (39:49), (42:48), (94:5-6) and (2:155)

Ahmad Khurshid (1994), "Islamic Approach to Development" Institute of Policy Studies, Islamabad, Pakistan pp. 27-30

Ahmad Mehboob(2003), "Estimation of Potential Zakat in Pakistan and its Impact on Income Distribution and Poverty Alleviation" Issue no. XI, 1424 A.H. A.D. pp. 71-93. Annual Journal of the International Islamic University Islamabad, Pakistan.

Ahmad Ziauddin (199111412 A.H), "Islam, Poverty and Income Distribution" the Islamic Foundation Leicester,U.K..

.... (1992), "Public Finance and Fiscal policy in an Islamic Perspective" Lectures on Islamic Economics. IDB(IRTI), Jedah, Kingdom of Saudi Arabia pp -379

Akhtar Muhammad Ramzan (2000), "Poverty Alleviation on a Sustainable Basis in the Islamic Framework". Pakistan Development Review 39(4) Part II, P 631-647.

Al Ghazali, al mustasfa min 'ilm al usul, vol.1 p.286, Bulaq, Egypt, 1322 A.H.

Al-GHAZALI Muhammad (2001), "The Socio-Political Thought of Shah Wali Allah" The International Institute of Islamic Thought, (Pakistan) Islamabad. pp. 60,62-63,66-67, 159-160,161- 164

Alhabshi Datuk Sayyed Othman(2006), "poverty Eradication from Islamic Perspectives" retrieved from http:llvlib.unitarklj 1.edu.my/staff-publications/datuk/JOURNAL.pdf

Anwar, Talat Sarfaraz K. Qureshi, and Hammad Ali, (2004), "Landlessness and Rural poverty in Pakistan" The Pakistan Development Review, 43:4 Part II. pp. 855-874.

Anwar, Talat (2005), "Prevalence of Relative Poverty in Pakistan" The Pakistan Development Review 44:4 Part II. pp. 1111-1131.

Arif G. M. (2000), "Recent Rise in Poverty and Its Implications for Poor Household in Pakistan" The Pakistan Development Review 39:4 Part II. pp. 1153-1170.

Azid Toseef and Shahnawaz Malik (2000), "Impact of Village-specific, Household-specific, and Technological Variables on Poverty in Punjab". The Pakistan Development Review, 39:4 Part II pp. 793-806.

Bhatti Zubair (2003),"Pakistan, Back Ground Paper" Asia Pacific Philanthropy Consortium (APPC) Conference sep 5-7,. pp-208-209, retrieved from http:/lwww.asianphilanthropy.org/pdfs/conferencelpist 1.pdf

Cai, Fang; Giles, John; Meng, Xin. (2006), "How Well Do Children Insure Parents Against Low Retirement Income? An Analysis Using Survey Data from Urban China". Journal of Public Economics, vol. 90, no. 12.pp.2229-55

Centre for philanthropy, "Pakistan: Philanthropy overview", retrieved from http://www.asianphilanthropy.org/countries/Pakistan/overview.html

Cheema Iftikhar Ahmed (2007), "Revisiting the poverty line 2000-2001, Discussion paper series No.2, retrieved from www.crprid.org

Colclough Christopher (2005), "Does Education Abroad Help to Alleviate Poverty at Home? An Assessment" The Pakistan Development Review 44:4 Part I pp. 439-454.

Cox, Donald; Fetzer, John; Jimenez, Emmanuel (October 1995 Revised May 1996) "Private Safety Nets through Inter-Household Transfers the Case of Viet Nam", Boston College Department of Economics, Boston College Working Papers in Economics: 330, 1996, 32 pages

Encyclopedia Brintannica (1968), Volume 20, Encyclopedia Britianica Inc. P.762

Thorbecke Erik (2004), "Conceptual and Measurement Issues in Poverty Analysis". Discussion Paper No.2004/04, Winder, United Nations University.

Gavin W. Jones (2000), "Human Resources, Poverty, and Regional Development" The Pakistan Development Review 39:4. Part I pp. 389-430

Geoffrey A. Jehle (1994), "Zakat And inequality: Some Evidence from Pakistan" Review of Income and Wealth. Series 40, Number. 2.

Ghifari Noor Muhammad (1989),"Social Security in Islam" Atiq Publishing house 55-urdu nagar, Multan road, Lahore-25 , PP 36, 65-76, 79-101

Hamdani Syed Nasir Hussain, Eatzaz Ahmad and Mahmood Khalid (2004), "Study of Philanthropic Behaviour in Divine Economics Framework" The Pakistan Development Review 43:4 Part II. pp. 875-894.

Haneef Mohamed Aslem & Muhammad Anwar (2005), "Studies in Islamic Economics in The 21st Century" Shariah Foundations, Theory and Institutions. International Islamic University, Malaysia, pp-249-250,257

Haq Rashida (2000),"Rural Non-agriculture Employment and Poverty in Pakistan" The Pakistan Review 39:4 Part II. pp. 1089-1110

.... (2001), "Occupational Profile of Poverty in Pakistan. The Pakistan Development Review. 40:4.

Human development indicators of the World Bank (2003) (PP- 148)

Ibrahim B. Syed (2006) "Social Security in Islam" Islamic Research Foundation International, Inc7102 W. Shefford lane Louisville, KY 40242-6462 E-MAIL: IRFI@INAME.COM WEBSITE: http://www.irfi.org

Iqbal Mnuwar (2002), "Islamic Economic Institutions and the Elimination of Poverty",The Islamic Foundation Leicester, UK. pp.12- 13,193- 194,263-266

Iqbal Munawar (1988), "Distributive Justice and Need fulfillment in an Islamic Economy" International Islamic University lslarnabad Pakistan, pp. 304,332-333

Irfan M.(2000), "Poverty in South Asia" The Pakistan Development Review 39:4 Part II pp. 1141-1151.

Irfan Mohammad (2003), "Poverty and Social Safety Nets" A Case Study of Pakistan MIMAP technical paper series no. 15, Pakistan Institute of Development Economics (pp.7-9).

Islahi Abdul Azim (1996), " provision of public goods: Role of the voluntary sector (Waqf) in Islamic history" Islamic Research And Training Institute Islamic Development bank Jeddah, Saudi Arabia Seminar Proceedings series-No.30. pp 369-371,375-376

Ismail Sirageldin (2000), "Elimination of Poverty: Challenges and Islamic Strategies" Islamic Economic Studies, Vol. 8, No. 1, October, pp. 10-11

Jamal Haroon (2003), "Poverty and Inequality during the Adjustment Decade: Empirical Findings from Household Surveys" The Pakistan Development Review 42:2 pp. 125-135

Jelsoft Enterprises Ltd. *(2000-2007)*, *"Zakah* and Sadaqah" The Tamil E-library on the Net, retrieved from http://www.ummah.net/fonun/archive/index.php/t-97521.html.,vBulletin

Jonathan Morduch (1999), "Between the State and the Market": Can Informal Insurance Patch the Safety Net? The World Bank Research Observer, vol. 14, no. 2, pp. 187–207.

K. Subbarao et al. (1997), " Safety net programs and poverty reduction": lessons from cross-country experience / [prepared by] The International Bank for Reconstruction and Development/ THE WORLD BANK 1818 H Street, N.W. Washington, D.C. 20433. pp 2-3

Kahf, Monzer(1998), "*Zakah* and obligatory expenditures in Islam" Lessons in Islamic Economics VOLUM 2 Seminar proceeding 41,IDB (IRTI), Jedah, Kingdom of Saudi Arabia. (pp 538-540).

Kang, Sung Jin; Lee, Man Woo (2001), "Income Distribution and Public Transfers as Social Safety Nets in Korea". Journal of Economic Development, vol. 26, No.2, pp 61-75

Kerbo, Harold R. *(2006)*, "World Poverty: Global Inequality and the Modem World System", The McGraw-Hill Companies, Inc. New york, Ny, 10020. USA. pp 54, 140, 245-247, 250-251,251-252

Khan Muhammad Akram (1994), "Economics of Quran", Lahore Library & Information Managament Academy. pp 22-30

Manan M.A. (1989), "Economic Development and Social Peace in Islam", Ta-Ha Publishers Ltd., 1 Wynne Road, London Sw9 OBB. pp.19-21,41,80

Mannan Muhammad Abdul (1992), "Islamic Economics Theory and Practice" Hodder and Stoughton the Islamic Academy, Cambridge, Ch. 7, pp 270-271.

Michael Lipton (2003), "The Role of Safety Nets in Social Policy: Roundtable Discussion" World Bank Social Safety Nets Primer Launch

N. Gujarati Domoda (2003), "Basic Econometrics" fourth edition, McGraw-hill/Irwin. pp595-597

Naizi Kauser (1977), "Economic concepts in Islam" M. Ashraf Kashmiri Bazar, Lahore. First Edition, pp. 41,46

Nazeer Mian M (1981), "The Islamic Economic System: A Few Highlights" Pakistan Institute of Development Economics, pp. 12, 21-23

Nazli Hina and Sohail Malik (2003), "Housing: Opportunity, Security, and Empowerment for the Poor" The Pakistan Development Review 42:4 Part II pp.893-908.

Pakistan Economic Survey (2005-06), Government of Pakistan, pp-55

Pasha Hafiz A., Sumaira Jafarey, Hari Ram Lohano, (2007) "Evaluation of social safety nets in Pakistan". Research Report No.32

Rahman Afzal-ur (1980), "Economic Doctrines of Islam" Vol. I Islamic Publications Ltd. Lahore Pakistan.2nd Edition, (pp6-7)

Rosario G. Manasan (2000), "Social Safety Nets in the Philippines: Analysis and Prospects" (pp-5) Strengthening Policies and Programmes on Social Safety Nets, retrieved from http://www.unescap.org/esid/psis/publications/spps/08/part1.pdf

Sadeq Abul Hasan Muhammad (1990), "Economic Development In Islam" Pelanduk Publications. Chapter Four pp 60-72.

.... (1992), "Readings in Islamic Economic Thoughts" Longman Malaysia Sdn. Bhd. pp. 68,136-137, 159

.... (2006), "Development Issues in Islam" International Islamic University Malaysia Research center. IIUM. pp. 3,314-315,335-336

Salih Siddig Abdelmageed (1999), "the challenges of poverty alleviation in IDB member countries" retrieved from http://www.kantakji.org/fiqh/Files/Economics/Poverty.pdf

Samuelson, Paul A (1998), "Economics" Boston: Mc Graw-Hill, 16th Edition pp. 392,399

Sarfraz K. Qureshi and G. M. Arif (2004) "Profile of Poverty in Pakistan", MIMAP. Pakistan Institute of Development Economics. Islamabad.

Savharvi Maulana Hafz-ur-Rehman (2001), "The Economic System of Islam" Idara-e-Islamiat Lahore, Karachi-Pakistan. pp. 42-43,323-332

Shafi Mufti Muhammad (1979), "Distribution of wealth in Islam" 6th Edition Ashraf Publications Karachi pp.7-9.

Shirazi Nasim Shah (1995), "Determinants of Poverty in Pakistan" Pakistan Economic and Social Review Volume XXXIII, Nos. 1&2 pp 91-110.

Siddiqi Muhammad Nejatullah (1988), "Guarantee of a Minimum Level of Living in an Islamic State", Distributive Justice & Need Fulfilment in an Islamic Economy,IIIE, Islamic Foundation U.K.pp-257, 259-260, 263

Siddiqui Muhammad Ayub (1996), "Alternative Credit policies for Agricultural Development: A case for participatory investment" Journal of Rural Development & Administration Vol:XXVIII,NO.2. pp. 68

Sung Jin Kang (2004), "Are private transfers crowded out by Public transfers? The case of Nepal". The Developing Economies, XLII-4: 510–28.

Tahir Sayyid (1995), "Islamic Perspectives on Economic Development" The Pakistan Development Review, 34: 4 part II.

.... (1998), "Distribution in Islam" lessons in Islamic Economics, volume (2), seminar proceedings No.41, IDB, IRTI, and Jeddah.

.... (2002), "Islam and Poverty: the Approach, Policy Framework and Economic policy Agenda" IIIE, IIUI. (Typescript), PP-27.

.... (2003), "Dynamics of an Islamic Economy" IIIE, IIUI. (Typescript), pp-2.

.... (2003), "Fundamental Economic Rights" The Framework and the Rights in the shari,ah. IIIE, IIUI. (Typescript), pp-4.

.... (2006), "The Divine Will on Riba" IIIE, IIUI. (Typescript), pp.15-18

Talia Raphaely and Dora Marinova (2006), "The New Human Agenda: An Empowering Approach to Poverty Alleviation", Institute for Sustainability and Technology Policy, Murdoch University. Western Australia.

Timothy Besley, Robin Burgess and Imran Rasul (2003), Social Protection Discussion Paper Series No. 0315 Benchmarking Government Provision of Social Safety Nets Social Protection Unit Human Development Network The World Bank. pp 3-4, 6-7

Toor Imran Asharaf and Abu Nasar (2004), "*Zakah* as a social safety net, Pakistan Economic and Social Safety Net. Exploring the Impact on Household Welfare in Pakistan" Pakistan Economic and Social Review, Volume XLII, No.1 & 2(2004), pp. 87-102

United Nations Economic and Social Council Informal Preparatory Meeting on the Theme off the 2006 High—Level, Segment off ECOSOC 4--5 April 2006, United Nations Head quarters, New York

United states social security Administration, Department health, Education and Welfare: Your Social Security U.S Government Printing Office, Washington 25, Dc. (P.1)

World Development Report (1990), the World Bank, Oxford University Press, Karachi, PP -90

.... (2006), the World Bank, Oxford University Press, Karachi, PP -291,295

Yousri Abdel Rehman, (2005), "Economic Development: A Critique of Secular Theories and an Introduction to an Islamic theory". (Typescript) pp. 1-2, 9-11.

Zaman Asad (2006), "Response to Comments on Islamic Economics: Problems and Prospects" (IEPP). Market Forces Joumal of Management, Informatics and Technology. Pakistan Air Force Karachi Institute of Economics and Technology. Vol. 2 No. 3, pp-235

Zarqa Mohammad Anas (1992), "Distributive Justice In Islam" Lectures on Islamic Economics IDB(IRTI), Jeddah, Kingdom of Saudi Arabia PP-147-157.

APPENDIX-A

Logit Model: It is a regression model in which the dependant and explanatory variables are qualitative in nature. Since OLS poses several problems in estimating such models.The linear probability model (LPM) is as under:

$Y_i = \beta_1 + \beta_2 x_i + u_i$ ---------- (1)

Where Y_i and X_i are qualitative and quantitative respectively.

$Pi = E(Y=1/Xi) = \beta_1 + \beta_2 Xi$-------- (1.1)

Now consider the following form of the model.

$Pi = E(Y=1/Xi) = 1/1+e^{-(\beta 1+\beta 2Xi)}$ ------------------ (1.2)

For ease of exposition, we write (1.2) as

$Pi = 1/1+e^{-zi} = e^{z}/1+e^{z}$------------------ (1.3)

Where $Zi = \beta_1 + \beta_2 Xi$

Equation 1.3 represents the (cumulative) logistic distribution function.

It is easy to verify that as Zi ranges from $-a$ to $+a$, Pi ranges between 0 and 1 and that Pi is nonlinearly related to Zi (i.e., Xi), thus satisfying the two requirements considered earlier. But it seems that in satisfying these requirements, we have created an estimation problem because Pi is nonlinear not only in X but also in the β's as can be seen clearly from (1.2). This means that we cannot use the OLS procedure to estimate the parameters. But this problem is more apparent than real because (1.2) can be linearized, which can be shown as follows.

If Pi, the probability of Y_i being 1 is given by (1.3), then (1-Pi), the probability of Y_i being zero is

$1 - Pi = 1/1+e^{zi}$ ------------------- (1.4)

Therefore, we can write

$Pi/1 - Pi = 1+e^{zi}/1+e^{-zi} = e^{zi}$ ------------------ (1.5)

Now $P_i/(1-P_i)$ is simply the odds ratio in favour of Y_i being 1. The ratio of the probability that the variable (Y_i) has a certain attribute to the probability that it doesn't have that attribute. Now if we take the natural log of (1.5), we will get

$$L_i = \ln (P_i/1 - P_i) = Z_i \text{ ------------------ } (1.6)$$

$$= \beta_1 + \beta_2 X_i$$

That is, L, the log of the odds ratio, is not only linear in X, but also (from the estimation viewpoint) linear in the parameters. L is called the logit, and hence the name logit model for models like (1.6).

The features of the logit model.

1. As P goes from 0 to 1 (i.e., as Z varies from -*a* to +*a*), the logit L goes from -*a* to +*a*. That is, although the probabilities (of necessity) lie between 0 and 1, the logits are not so bounded.

2. Although L is linear in X, the probabilities themselves are not. This property is in contrast with the LPM model (1.1) where the probabilities increase linearly with X.

3. Although we have included only a single X variable, or regressor, in the preceding model, one can add as many regressors as may be dictated by the underlying theory.

4. If L, the logit, is positive, it means that when the value of the regressor(s) increases, the odds that the regressand equals 1 (meaning some event of interest happens) increases. If L is negative, the odds that the regressand equals1 decreases as the value of X increases. To put it differently, the logit becomes negative and increasingly large in magnitude as the odds ratio decreases from 1 to 0 and becomes increasingly large and positive as the odds ratio increases from 1 to infinity.

5. More formally, the interpretation of the logit model given in (1.6) is as follows: β_2, the slope, measures the change in L for a unit change in X, that is, it tells how the log-odds in favour of owning a house change as income changes by a unit, say, \$ 1000. The intercept β_1 is the value of log-odds in favour of owning a house if income is zero. Like most interpretations of intercepts, this interpretation may not have any physical meaning.

6. Given a certain level of income, say, X', if we actually want to estimate not the odds in favour of owning a house but the probability of owning a house itself, this can be done directly from (1.3) once the estimates of $\beta_1+\beta_2$ are available.

7. Whereas the LPM assumes that Pi is linearly related to Xi, the logit model assumes that the log of the odds ratio is linearly related to Xi.

Estimation of the Logit Model

For estimation puposes, we write (1.6) as follows:

$Li = \ln (Pi/1 - Pi) = \beta_1 + \beta_2 Xi + Ui$ ----------------- (A)

To estimate **(A),** we need, apart from Xi, the values of the regressand, or logit, Li. This depends on the type of data we have for analysis. We distinguish two types of data: (1) data at the individual, or micro, level, and (2) grouped or replicated data (see Gujarati 4th edition).

Present study is an extension of Shirazi (1995) who used the simple Logit model to explore the impact of sadaqat in determination of poverty. He combined the *Zakah* and Sadaqat under one head due to the limitations of the data. Shirazi, who did not include all other variables like ID(inheritance and dower) , RC(receipts of committees) and gifts (due to the non availability of data on these variables at the time of his study) which might have significant association with the poverty. So his study has created biasness in his estimates because of exclusion of relevant variables from the regression. This problem may be avoided by including some other variables ID (inheritance and dower), RC (receipts of committees) and gifts.

Appendix B

Social Safety Nets From Quran

The following verses of the Holy Quran clearly mention the social safety nets of Islam.

-Law of inheritance (4: 7), (4:11-12) and (4:176)

-Mehr (4:24, 4:25, 5:5, 60:10)

-Expiation Money

(a) Kaffara al-Zihar (58: 3-4)

(b) Kaffara al- yamin (5: 89)

(c) Kaffara al-Haj (2: 196)

(d) Kaffara al-Sayd (5: 95)

-Maintenance of Parents (17:23-24)

-Maintenance of wife and children (4:19, 65: 6, 4: 34, 2:233, 16: 59, 31:14)

-Maintenance of relatives (4:36, 2:215)

-Sadaqa al-Fitr (Hadith of Hazrat Umer) (as reported by Ghifari, 1989).

- Will (4:12)

"Benqueth only one third (of your property), and one third is too much"

-Hiba

"Exchange gift among you, it will create love among you" (see Ghifari, 1989).

Al- Ariyat (lending) (107:7-11)

Mulim Jurists have defined the above head as:

"Making another the owner of the usufruct without any consideration (see Ghifari, 1989).

-Qurbani (37:101-108, 108:2)

Social safety nets from Suunah

The following Hadiths of the Prophet (PBUH) are the clear indication of the social safety nets of the Islam.

The state is the guardian of a person who has no guardian.

Allah and his Messenger are the guardians of that person who has no guardian.

"O: tribe of Himyar: I advise you to conduct yourself fairly, and neither be treacherous nor non-cooperative. The Messenger of Allah is the guardian of you rich and the poor.

"If a deceased Muslim leaves property/wealth it will go to his successors, and if he leaves helpless children, I am responsible for their maintenance".

"I am the dearer to the Muslims than their own lives. If any Muslim dies indebted, I would pay the debt on his behalf, and if he leaves property that will go to his successors".

"A person who is put incharge of the Muslim's affairs but neither strives for their social security nor is sincere to them, he shall not enter the paradise with them".

"If a person who is appointed the leader of a nation does not look after his subjects, he shall not smell even the flavor of paradise".

The Holy Prophet (peace be upon Him) appreciated the tribe Al-'Ash'ari because whenever there was a shortage of grain in their tribe they pooled all the grain they had in a cloth and divided it equally among themselves.

"One Muslim is like the bricks of wall to another Muslim; every one is holding and supporting the other".

"You will see the Muslims in kindness, benevolence and mutual love and affection, like a body when one of its parts feels any pain, then every part of the body through sleeplessness and fever shares its grief'.

"Whosoever, has the food which is sufficient for two, he should maintain the third and whosoever has for four should maintain the fifth or sixth".

"If a person sleeps hungry in a locality then Allah's responsibility for the provision of that locality comes to an end" (see Ghifari, 1989).

Complete elimination of interest, rights of wives, rights of subordinate class (servants and slaves) and the cancellation of all the past socio-economic traditions.

<u>Social safety</u> <u>nets</u> **<u>from Companions</u>**

State responsibility of detaining people's demand. Chilaph's rounds at night to identify the needy, need fulfillment individually, collectively to equalize the living standard of all the citizens through the institution of khilafat and transparency in state affairs which is amanat of Allah. Fear of accountability on the day of judgment by the Muslim rulers and their thinking about meeting the needs of animals is the hallmark of Islamic social security system in past.

According to Mukhtar al-Kaunain, State responsibility to provide all the citizens food, water, clothing and married life according to their status.

According to Imam Ghazali; State responsibility to help the victims during disasters by providing meal and disbursing money (see Ghifari, 1989)

According to Ibn Hazm (as reported by Sadeq, 1992), there are four forms of needs which make up the essentials of a basic standard of living for a human being: food, drink, clothing and shelter.

According to Ibn Taimiyyah (as reported by Sadeq, 1992) poverty can not be removed only by providing subsistence income rather ensuring a good living standard, prohibiting interest, instituting ***Zakah,*** Kaffarat, charity, grants by the government, Nafqat, rights of neighbor and encouraging halal earning.

According to Ibn Hazm, (as reported by Siddiqi, 1988) "It is the duty of the rich in every country to support the poor. If the *Zakah* revenue and fai does not suffice for this purpose, the ruler will oblige them to fulfill their responsibility. Enough funds will be mobilized for these (needy people) to provide them with food, clothing for summer and winter, and a house that protects them from rain, heat and sun and gives them privacy."

Appendix C

STATA DO-FILE (Regression with Islamic social safety nets)

```
*******************************************************************************
log using "C:\pihs2001\earnerdummy1.log",replace
*    collapse (sum)enr1 enr3 enr4   (mean) prov region, by (hhcode)
use "C:\pihs2001\income01.dta", clear

g earn =s1bq01==1|s1bq03==1
collapse (sum) earninhh= earn, by(hhcode province region)
g dern=earninhh==0 | earninhh==.

g den1=earninhh==0
g den2=earninhh==2|earninhh==3
g den3=earninhh>=4
merge hhcode using "C:\pihs2001\edudumy.dta", unique sort
keep if _merge==3
g durb=region==1
g dpunj= province==1
g dsind= province==2
g dnwfp= province==3
g dblch= province==4
drop _merge
save "C:\pihs2001\dumedutoearn.dta",replace
use "C:\pihs2001\sect8a.dta", clear
keep if province<=4
collapse (sum) gift=s8aq02 if itc==807 | itc==810, by(hhcode)
save "C:\pihs2001\gift.dta",replace
use "C:\pihs2001\sect8a.dta", clear
keep if province<=4
g id=s8aq02 if itc==809
replace id=0 if id==.
g rc=s8aq02 if itc==801
replace rc=0 if rc==.
g zus=s8aq02 if itc==806
replace zus=0 if zus==.
keep hhcode id rc zus
collapse (sum) id (sum) rc (mean) zus, by(hhcode)
merge hhcode using "C:\pihs2001\gift.dta", unique sort
drop _merge
egen  combine = rowtotal(id rc zus gift)
merge hhcode using "C:\pihs2001\dumedutoearn.dta", unique sort
drop if _merge==1
drop _merge
merge hhcode using "C:\pihs2001\adultequiv.dta", unique sort
keep if _merge==3
drop _merge
merge hhcode using "C:\pihs2001\psupind.dta", unique sort
keep if _merge==3

* Poverty gap
g povline1=748.56
g aweight=weight*hhsize
g rpccons=(consexp/psupind)/adequiv2
g poor =(rpccons<povline1)*100
table province region [aweight = aweightl, contents(mean poor ) row col
gen pgap=(povline1-rpccons)/povline1 if rpccons < povlinel
```

```
replace pgap=0 if pgap==.
table province region [aweight = aweight], contents(mean pgap ) row col
gen spgap=(pgap)^2
table province region [aweight = aweight], contents(mean spgap ) row col
replace id=0 if id==.
replace rc=0 if rc==.
replace zus=0 if zus==.
replace gift=0 if gift==.
replace combine=0 if combine==.

logit pgap   durb ed2 ed3 ed4 dern id rc zus gift hhsize [pweight = aweight]
mfx
logit pgap   durb ed2 ed3 ed4 dern combine hhsize [pweight = aweight]
mfx

gen pp=poor/100
gen p=(pp/(1-pp))

logit pp   durb ed2 ed3 ed4 dern id rc zus gift hhsize [pweight = aweight]
mfx
logit pp   durb ed2 ed3 ed4 dern combine hhsize [pweight = aweight)
mfx

log close
```

STATA DO-FILE (Regression without Islamic social safety nets)

```
***************************************************************************
log using "C:\pihs2001\earnerdummy1without.log",replace
*     collapse (sum)enr1 enr3 enr4   (mean) prov region, by (hhcode)
use "C:\pihs2001\income01.dta", clear

g earn =s1bq01==1|s1bq03==1
collapse (sum) earninhh= earn, by(hhcode province region)
g dern=earninhh==0 | earninhh==.

g den1=earninhh==0
g den2=earninhh==2|earninhh==3
g den3=earninhh>=4
merge hhcode using "C:\pihs2001\edudumy.dta", unique sort
keep if _merge==3
g durb=region==1
g dpunj= province==1
g dsind= province==2
g dnwfp= province==3
g dblch= province==4
drop _merge
save "C:\pihs2001\dumedutoearn.dta",replace
use "C:\pihs2001\sect8a.dta", clear
keep if province<=4
collapse (sum) gift=s8aq02 if itc==807 | itc==810, by(hhcode)
save "C:\pihs2001\gift.dta",replace
use "C:\pihs2001\sect8a.dta", clear
keep if province<=4
g id=s8aq02 if itc==809
replace id=0 if id==.
g rc=s8aq02 if itc==801
replace rc=0 if rc==.
```

```
g zus=s8aq02 if itc==806
replace zus=0 if zus==.
keep hhcode id rc zus
collapse (sum) id (sum) rc (mean) zus, by(hhcode)
merge hhcode using "C:\pihs2001\gift.dta", unique sort
drop _merge
egen  combine = rowtotal(id rc zus gift)
merge hhcode using "C:\pihs2001\dumedutoearn.dta", unique sort
drop if _merge==1
drop _merge
merge hhcode using "C:\pihs2001\adultequiv.dta", unique sort
keep if _merge==3
drop _merge
merge hhcode using "C:\pihs2001\psupind.dta", unique sort
keep if _merge==3

* Poverty gap
g povline1=748.56
g aweight=weight*hhsize
replace id=0 if id==.
replace rc=0 if rc==.
replace zus=0 if zus==.
replace gift=0 if gift==.
replace combine=0 if combine==.
g consexpout=consexp-combine
replace consexpout=0 if consexpout==.
g rpccons=(consexpout/psupind)/adequiv2
g poor =(rpccons<povline1)*100
table province region [aweight = aweight], contents(mean poor ) row col
gen pgap=(povline1-rpccons)/povline1 if rpccons < povlinel
replace pgap=0 if pgap==.
table province region [aweight = aweight], contents(mean pgap ) row col
gen spgap=(pgap)^2
table province region [aweight = aweight], contents(mean spgap ) row col

logit pgap   durb ed2 ed3 ed4 dern id rc zus gift hhsize [pweight = aweight]
mfx
logit pgap   durb ed2 ed3 ed4 dern combine hhsize [pweight = aweightl
mfx

gen pp=poor/100
gen p=(pp/(1-pp))

logit pp   durb ed2 ed3 ed4 dern id rc zus gift hhsize [pweight = aweightl
mfx
logit pp   durb ed2 ed3 ed4 dern combine hhsize [pweight = aweightl
mfx

log close
```