

## How Islam Addresses Poverty and Income Inequality

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### ABSTRACT

For decades, poverty and income inequality have always been the scourge of skyrocketing economic growth and remarkable development. This paper attempts to explain the main causes of poverty and income inequality which are the poor distribution of wealth and lack of opportunity for individual people to acquire wealth and use it. The main cause is the granting of free access to individuals and the private sector to take advantage of economic resources with the power of connection and the granting of privileges through laws and regulations in favor of private foreign funds. In the Islamic economic system, the right to ownership of economic resources provides space for individuals to participate in the development and have access to resources, which is currently dominated by the private sector. The method used in this paper is descriptive qualitative, by exploring literatures of thought of Muslim scholars. The pillars of Islamic economics that regulate ownership of property and the rules on how to use and develop it as well as provide guide distribution of wealth amidst society have brought Islamic society to the era of the glory of Islam where there is justice in economic development.

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## 1. Introduction

Global economic inequality has been a serious concern since the last decade. Recent research in the United States, China, Europe states that the richest 1% of people controlled 28% of the national wealth in the 1980s, increasing dramatically to 33% in 2019. Meanwhile, 5% of the lowest income class only shared 10% of the total national wealth. [1]. As for poverty, many people question whether the economic growth that is continuously being pursued and boosted has an impact on reducing the level of poverty [2], although various targets for eliminating poverty continue to be intensified, the poverty rate is still the ghost of development and economic growth. The World Bank targets global poverty to fall to only 3% of the human population, the rest can earn above \$1.25 per day.

Efforts to reduce income inequality and reduce poverty have been carried out in both the upstream and downstream sectors. Measuring the role of the free market for poverty reduction [3], the effect of inflation [4], and fiscal decentralization, is necessary in improving the quality of human resources and government spending, as well as the large role of access to the financial sector and credit [5] in addressing both issues.

Various efforts and academic research are carried out with a belief that these factors will have a significant impact on efforts to overcome the adverse effects of economic

development. Unfortunately, these efforts override the main reasons behind the emergence of poverty and income inequality as anomalies of high economic growth and increasing people's welfare. Starting from the question of why the accumulation of wealth is only accepted by a few people in development? Isn't gross domestic product the result of the economic performance of all parties? Why are some people able to enjoy a very large economic cake and unfortunately others can only pick up the remaining crumbs? Instead of jumping into trying to find a solution, we need to investigate how wealth is collected and distributed among the people. Is the free market mechanism the best mechanism and can provide justice to all parties?

The control of public assets and public resources by a few people and a handful of parties will accelerate the accumulation of capital in their hands, which means getting rid of the role of the public in enjoying the optimization of the results of their management and services. For example, Indonesia with a population of almost 280 million people ([dukcapil.kemendagri.go.id](http://dukcapil.kemendagri.go.id)) allows a very large portion of private ownership schemes in public assets and natural resources. The Negative Investment List (DNI) for the public service sector is continuously being reduced, thereby providing opportunities for local and foreign private companies to participate in the public service sector and turn it into a profitable business area. The relaxation of the Negative Investment List is certainly intended to increase the participation of private capital in various business fields which are generally needed by a large audience. There are 83 business fields that have a foreign capital portion of up to 100% or can be increased as much as possible ([kinerja.ekon.go.id](http://kinerja.ekon.go.id))

Based on 2011 data, foreign private ownership in several public sectors in Indonesia is very large. For example, in the banking sector, 50.6% of national banking assets are controlled by foreigners. In the mining sector, foreign investors control 70 % of oil and gas, 75% control coal, bauxite, nickel, and tin mines, as much as 85 % control gold mines. In the telecommunications sector, the ownership of several cellular providers is dominated by foreigners, such as Telkomsel 35% of its shares are controlled by SingTel from Singapore, XL Axiata, 66.5% of its shares are controlled by Malaysia's Axiata Berhad, 65% of Indosat's shares are controlled by Ooredoo Asia from Qatar and Hutchison Tri 60% of its shares are owned by Hong Kong, China company. Not to mention the palm oil industry, which out of 40% of the 8.9 million hectares of oil palm plantations are controlled by foreign investors. Other sectors, such as ports (up to 49%, airport operators (up to 100%), vehicle services (up to 49%), land terminals for goods (up to 49% and advertising (up to 51%). [6]

If the various vital sectors that are tasked with providing services to the community such as airports, banking ports, and even communications, most of their capital, are owned by foreign investors, this will have an impact on the role and rights of the people to get cheap services and also the economic value generated from services in the public sector will be enjoyed by the majority. Corporate profits will enrich the few. We can already guess who enjoys the most dominant development cake.

It is not surprising that together with high economic growth and the rapid pace of development, there is still a high level of poverty and a wide income gap. All because development participation is not intended for the people at large, but a handful of local private elites or foreign owners of capital, while the involvement of the public is mostly

only final consumer who has to pay tariffs for the use of public facilities that should be part of the state's Public Service Obligation (PSO) to the people.

## 2. Method

This paper uses a descriptive qualitative approach with an emphasis on elaborating sources of Islamic literacy, especially in the writings of Muslim scholars on economics) on the reality of poverty and income inequality which is always present as a by-product of development. Islam comes to bring a set of rules of life that can solve various problems that aramid of society. The supporting literatures that are used to extract these conceots are:

1. Samih Athif al-Zain in his work, *Al-Islam Khuthutun 'Aridhah: al-Hukm, al-Ijtima', al-Iqtishad, n.d.*
2. Abu Ubaid Al Qasim in his work *Kitab Al Amwal*, 2009.

## 3. Results and Discussions

Islam has a distinctive paradigm of property ownership that property essentially belongs to God (24:33), and the property that is owned by man is actually from God authorized to him (57:7). The word *rizq* itself means is a gift, may be used according to the will of Allah, who owns the property. In a hadith, it is stated that in the afterlife Allah will ask humans 4 things: age, body, knowledge, and wealth. Interestingly, for the first three things only one question was asked: what were they used for. Regarding property, it was asked where it was obtained and what it was used for. This is why it is important for Islam to regulate the issue of ownership (types of ownership, the reasons for obtaining ownership), the use of ownership, and the distribution of wealth among humans.

The view of Islam is different from the understanding of capitalism, which considers property completely belongs to humans because humans are working on it, and therefore humans are free to get and free to use it. From this view emerged the philosophy of *Hurriyatal-tamalluk* (freedom of ownership), which is considered part of human rights. According to this understanding, humans are free to determine how to get and use their wealth. The view of Islam is also different from socialism, which is the opposite of the capitalist system, which does not recognize individual ownership. Socialism kills human creativity. Individual dimensions and human motives are removed. As a result, the drive for personal achievement is non-existent. There is no passion for work, which in turn causes a drastic decline in the productivity of society in general.

Samih Athif al-Zain in the book *Al-Islam Khuthutun 'Aridhah: al-Hukm, al-Ijtima', al-Iqtishad*, [8] states that the economy in Islam is established to realize the greatest possible welfare of human beings as human beings, and as humans who live in society; not a human being as an individual and not an isolated person or an individual who are not bound by any norms. The economy for humans is not for individuals only but for groups consisting of several individuals. Islam does not separate what is obligatory for society and efforts to realize individual human welfare. Islam pays attention to the interests of the individual and society at the same time. When Islam regulates community problems, it

pays attention to individual interests, and vice versa when it regulates individual interests, it pays attention to the interests of the community.

The Islamic regulation of property is also clearly explained in the Kitab Al Amwal by Abu Ubaid Al Qasim [9] and provides details of Islamic guarantees for access to the poor and disadvantaged, such as in the distribution of *Fai* assets, *khumus*, and Zakat. This is done so that wealth is not only accessible to a few people or circulates and accumulates in a small part of the community.

Islam regulates the ownership of an unlimited number of mining goods, public facilities, and natural resources, the nature of which is not to be controlled by individuals and is intended for the welfare of the people as much as possible and should not be handed over to the private sector, let alone foreigners. These cases fall into three categories:

1. Everything that is needed by the general congregation (community), such as a field.
2. Natural resources (mining goods) are unlimited, such as oil sources.
3. Objects whose nature cannot be monopolized by certain individuals, such as rivers.

As for the first category, namely, anything that is needed by the general congregation (community), such as a field, then the argument for this. The words of the Prophet Muhammad PBUH are as follows:

المُسْلِمُونَ شُرَكَاءُ فِي ثَلَاثِ الْمَاءِ وَالْكَأِ وَالنَّارِ

Meaning: "Muslims are partners in three things: water, grass and fire" (HR Imam Ahmad)

ثَلَاثٌ لَا يُمْنَعَنَّ الْمَاءُ وَالْكَأُ وَالنَّارُ

Meaning: "Three things cannot be owned individually: water, grass, and fire." (HR Ibn Majah)

This hadith explains the reason for the prohibition by the messenger of Allah on private possession of these items, namely because these three things are the needs of the congregation (general public). Rasulullah PBUH allowed ownership of water in Taif and Khaibar for any individuals. They all could use it to irrigate their rice fields and plantations without any restrictions from other individuals.

Rasulullah PBUH allowed individuals to have water, which becomes the *illatt* (reason) for joint ownership of water, grass, and fire to be *istinbath* (to be dug), for the existence of these things are necessity for the congregation (society) in general, where they all most needed. Thus, every matter whose existence is needed by the general congregation (community), such as the square, the field, the forest where to look for firewood, and a place to herd livestock. They must all become public ownership.

As for the second category, namely natural resources (mining goods) which are unlimited in number, such as oil sources, the argument is a hadith that came from Abyadh bin Hamal:

أَنَّهُ وَفَدَّ إِلَى رَسُولِ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَاسْتَقَطَّعَهُ الْمِلْحَ فَقَطَّعَ لَهُ فَلَمَّا أَنْ وَلَّى قَالَ رَجُلٌ مِنَ الْمَجْلِسِ أَتَدْرِي مَا قَطَّعْتَ لَهُ إِنَّمَا قَطَّعْتَ لَهُ الْمَاءَ الْعِدَّ قَالَ فَاَنْتَزَعَهُ مِنْهُ

Meaning: "He once came to the Messenger of Allah, he asked the Messenger of Allah for a field of salt, and he gave it to him. Then after he left, someone from the majlis said: 'Do you know what you have given him? Truly You have given him a lot of water (unlimited)'. Abyadh said: 'Then take it back from him. (HR Tirmidhi)

The words "of water" implies unlimited water that is constantly flowing. The salt mine is referred to water because it is inseparable from salt. What is desired by the man is not the salt, but the water mine. The prophet PBUH decision to forbid its possession after knowing that the mine was destroying water proves that its existence as an unlimited (water) mine is relevant to all.

Abu Ubaid said [9]: "When it was clear to the Prophet PBUH that the mine consisted a lot of water (unlimited), the Prophet PBUH took it back from him. This is in line with the hadith of the Prophet Muhammad PBUH regarding water, grass and fire as common property. He does not want to make it being controlled or owned by certain individuals. Every mine which is categorized as an unlimited number of mines becomes public ownership. Meanwhile, if the number is limited, then it does not become public ownership, based on the understanding of the hadith of Abyadh bin Hamal.

As for the third category, namely, everything that cannot be monopolized by certain individuals, such as rivers, then the argument is backed by the decree of the Prophet Muhammad PBUH on the joint ownership of public roads. The words of the Prophet PBUH are as follows:

مِنَى مَنَاخُ مَنْ سَبَقَ

"Mina is a place to stop the first people to come" (HR Tirmidhi and Ibn Majah)

Mina is a famous place in the Hijaz (Mecca and Medina). Mina belongs to all humans, so whoever comes first and he rests his camel there, that place becomes his/her right. The following sections describe the main problems of poverty and income inequality.

### 3.1. Poor distribution of wealth (individual poverty).

What is meant by poor distribution of wealth is that the wealth of the country does not reach everyone fairly. Some individuals can get wealth and some other individuals do not. This is one of the causes of poverty. There are many verses and hadiths come alluding to the affairs of the *faqir* (the needy), poor, and *ibn Sabil* (people who are on their journey). Verses and hadiths in this regard are many and varied which pay close attention to the importance of solving this problem. Allah SWT reveals:

وَأَطْعِمُوا الْبَائِسَ الْفَقِيرَ

"And (some of them) give it to the people who are miserable and in need to eat." (Qur'an Surah 22:28)

and:

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ  
وَالْغَارِمِينَ وَفِي سَبِيلِ اللَّهِ وَإِنَّ السَّبِيلَ قَرِيبَةٌ مِنَ اللَّهِ وَاللَّهُ عَلِيمٌ حَكِيمٌ

Meaning: "Indeed, zakat is only for the needy, the poor, zakat administrators, converts who are persuaded by their hearts, to (liberate) slaves, people who are in debt, for the way of Allah and those who people who are on the way, as a decree ordained by Allah; and Allah is Knowing, Wise" (Qur'an Surah 9:60).

وَأَطْعَمُوا الْبَائِسَ الْفَقِيرَ

Meaning: "And they give their favorite food to the poor, orphans and captives" (Qur'an Surah 76:8)

إِنَّمَا الصَّدَقَاتُ لِلْفُقَرَاءِ وَالْمَسْكِينِ وَالْعَامِلِينَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوبُهُمْ وَفِي الرِّقَابِ  
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Meaning: "Or feeding on a day of famine, (to) orphans who are related to relatives, or the poor who are very poor" (Qur'an Surah 90:14-16)

Among the hadiths that explain this, Anas bin Malik RA said that the Messenger of Allah said:

مَا آمَنَ بِي مَنْ بَاتَ وَجَارُهُ جَائِعٌ إِلَى جَنْبِهِ وَهُوَ يَعْلَمُ بِهِ

Meaning: "He does not believe in me, who spends the night contented, while his neighbor is starving beside him, even if he knows it." (HR Thabrani)

These are the verses and hadiths about infaq, the laws of sadaqah, the laws of zakat, and the repeated recommendations to help bear the cost of living for the needy, the poor, *ibn sabil*, and people who are in need, namely people who already have the criteria of being indigent and poor. It is clear that the economic problem is individual poverty, namely the poor distribution of wealth to all individuals. The problem lies in the distribution of wealth to each people. For this reason, this distribution must be completed so that the wealth can reach each individual. Wealth distribution is obligatory on every individual.

### 3.2. There is no opportunity for every individual to acquire wealth and use it

Verily Allah SWT has allowed general ownership of every cause (path) whose ownership is permissible. Allah SWT reveals:

أَجَلٌ لَكُمْ صَيْدُ الْبَحْرِ وَطَعَامُهُ مَتَاعًا لَكُمْ وَلِلسَّيَّارَةِ

Meaning: "It is lawful for you to hunt and eat seafood, as a provision for you and for travellers. But hunting on land is forbidden to you while on pilgrimage." (Qur'an Surah 5:96)

Rasulullah PBUH said:

مَنْ أَحَاطَ حَائِطًا عَلَى شَيْءٍ فَهُوَ لَهُ

Meaning: "Whoever puts a fence over something, then that something belongs to him." (HR Imam Ahmad)

The permissibility of ownership and the general permissibility of such ownership for every individual, Muslim and *dhimmi*s are the same, so this shows the giving of opportunities to all in obtaining ownership and in trying to obtain wealth. Likewise, there have been arguments about exploiting wealth by eating, using, inhabiting, and enjoying them in general form. Allah SWT says:

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا

Meaning: "O mankind, eat what is lawful and good from what is on the earth" (Qur'an Surah 2:168)

كُلُوا مِنْ طَيِّبَاتِ مَا رَزَقْنَاكُمْ

Meaning: "Eat of the good food which We have given you" (Qur'an Surah 2:57)  
The Messenger of Allah said:

مَا أَكَلَ أَحَدٌ طَعَامًا قَطُّ خَيْرًا مِنْ أَنْ يَأْكُلَ مِنْ عَمَلِ يَدِهِ

Meaning: "No one eats the best food than eating from the work of his hands." (HR Bukhari)

These propositions and others, all come in a general form. The generality of ownership of this property includes the use of wealth by individual people, both Muslims and *dhimmi*s *infidels*. The shari'ah (Islamic rules) has given every individual opportunity.

Therefore, the reality of the basic economic problem is none other than poor distribution, not a factor in the lack of production. The poor distribution of production results has made some people rich, while others have become poor. Even in countries that are experiencing a shortage of production, poor distribution occupies the top position of the basic economic problems that surround them.

#### 4. Conclusion

The causes of poverty and income inequality are the poor distribution of wealth in society and the difficulty of individuals accessing economic resources because they have

been controlled by the private sector and foreigners. Islam has a set of mechanisms for overcoming poverty and income inequality so that they do not become side effects of development, namely paying attention to the role of each individual in the economic process by not handing over public ownership to the private sector especially foreigners and paying attention to the distribution of wealth. If this is carried out, the control of public life by the private sector will end, and the community will get the right to public services by the state, while the private sector may only access economic resources that do not result in hegemony and exploitation.

This paper contributes an insight as to how to solve poverty and income inequality when the main problem is low access of individuals to economic resources and the unequal distribution of wealth in society. The solution to all of that is as regulated by Islam, namely separating ownership of economic resources into three parts, the individual part which can be accessed by anyone, the public ownership part which must be managed by the state to be used as much as possible for the prosperity of the people and should not be privatized, and the state part which can be managed by the state and donated to individuals

The limitation of this paper is that it only focuses on the separation of resource ownership, not detailing the use of assets and the mechanism for their distribution in the community. These three aspects should be discussed in-depth and studied from various sources of Islamic economic literacy.

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