

# MEDIA SYARI'AH

*Wahana Kajian Hukum Islam dan Pranata Sosial*

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# Poverty Measurement In Malaysian Zakat Institutions: A Comparison Between Monetary And Non-Moneary Measurement

*Mohamed Saladin Abdul Rasool*

*Ariffin Md Salleh*

**Abstract:** *There are various definitions of poverty in the teachings of Islam. In principle the poor are defined as those whose needs are insufficient. Thus, Islamic institutions in Malaysia play a variety of socioeconomic roles such as poverty alleviation. To perform this role, these institutions face a major task in identifying the poverty group. Most of these institutions measure and operationalize poverty from the monetary perspective using variables such as income, expenditure or consumption. In practice, most Islamic institutions in Malaysia use the monetary approach in measuring poverty through the conventional Poverty Line Income (PLI) method and also the Islamic based Had Al-Kifayah (HAK) method. The objective of the paper is to present a non-monetary shariah based poverty measurement, Islamic Poverty Index (IPI), consisting of maqasid-al sharia (objective of the religion) elements, namely religion, knowledge, physical-self, offspring and wealth. The IPI, calculated using the weighted index*

*method is expected to exemplify poverty from a multidimensional perspective. In addition, a comparison with the HAK method was highlighted. A survey aided by a structured questionnaire using expert review was carried out on 258 selected head of households in the state of Selangor, the most populated state in Malaysia. Poverty groups identified from each of the methods were highlighted using descriptive statistics. In addition, regression analysis revealed that unemployment was the common significant determinant of poverty according to both the IPI and HAK method.*

**Keywords:** Poverty, measurements, multidimensional, monetary indicators

## INTRODUCTION

There are various definitions of poverty in the teachings of Islam. Yusuf Qardawi (1973) described that although there are numerous definitions of poverty, almost all definitions could be explained within four main categories: (1) do not possess any kind of materials (2) ownership of house and materials (3) insufficient possession of money (4) insufficient ownership of non-monetary wealth. In principle the poor are defined as those whose needs are insufficient. Muzammil (1995) argues that the conventional definition of poverty from the perspective of monetary is unable to capture the attainment of social services, health-care and education. Peerzade (1997) concurs that Islamic approach as providing provision to enable the poor to enjoy a reasonable standard of living beyond the basic needs of life. In other words, Islam does recognize the multidimensional nature of poverty. The *sharia* explanation of poverty is much more comprehensive, integrated and broad-based compared to the minimum standard of living needed to sustain daily life (Imran Sharif & Shawanaz, 2005).

The objective of the present paper is to present a non-monetary poverty measurement from an Islamic perspective. The proposed Islamic Poverty Index (IPI) consists of *maqasid-al-sharia* (objective of the religion) elements, namely religion, knowledge, physical-self, offspring and wealth. The IPI, calculated using the weighted index method is expected to exemplify poverty from a multidimensional perspective. In addition, determinants of poverty would be identified. Furthermore, comparison would be made with the existing Had Al Kifayah (HAK) method. This paper is organized as follows. The next section outlines the literature review whereas the methodology undertaken in this study is deliberated in section III. Section IV presents the findings

of the study. Finally, the conclusion of the study is highlighted in section V.

## **2.0 LITERATURE REVIEW**

Presently, zakat institutions use the monetary poverty measurement, known as Poverty Line Income (PLI) and *Had al-kifayah* (HAK) methods to identify the poor. Basically, PLI and HAK are nutrition-based approaches known as the the food energy intake (FEI) method and the cost of basic needs (CBN) method respectively (UNDP, 2007). The FEI method is employed by a number of zakat institutions which measures the actual per capita calorie food energy intake of each household; and the household's total income (or expenditure) per capita. Currently, this method named as *had al kifayah* (HAK) is being adopted by a few zakat institutions in Malaysia.

Malaysian department of Zakat, Waqaf and Hajj (JAWHAR) in the Prime Minister's Department outlined the main components of HAK of a household as shelter, food, health, education and transportation based on *maqasid al-shariah* (objective of the religion) principles (2007). Household needs are calculated according to different category of households. Household members are categorized according to their status and age group, namely working parents, unemployed adult above 18 years old, child within the 7-17 age group and child within 1-6 age group. The total needs of the household is then calculated. If the total income of the household is less than the total needs, then they are considered poor and are eligible for zakat funds. In addition, if there is any situation such as disabled member or households with cronic sickness, the total HAK increases.

The HAK method determines the level of necessity needed by household to sustain daily needs. It is calculated based on various variables such as number of members in a household,

age group of members etc. The computation of the HAK method in the present study is adopted from Zakat Selangor Authority (LZS), the highest zakat collector in Malaysia. Table 1 depicts the components of *had al-kifayah*. Household members are categorized according to their status and age group, namely working parents, unemployed adult above 18 years old, child within the 7-17 age group and child within 1-6 age group. From the table it is obvious that the necessity of this example is RM 1650 with both the husband and wife working, an unemployed member of family above 18 years old and one schooling child within the 7-17 years old age group and one child within the 1-6 age group. Thus, if the total income of the household is less than this calculated figure, then they are considered poor and are eligible for zakat funds. In addition, if there is any situation such as disabled member or households with chronic sickness, the total necessities increases.

However researchers have argued that the current monetary approach is unable to reflect the multidimensional nature of poverty, which has developed due to the rapid development of the economy. Due to these reasons, policy makers and researchers in developed nations have opted for other approaches such as capability and social exclusion approaches which are multidimensional in nature that includes non-monetary indicators as mentioned by researchers such as Sen (1977, 1987, 1992; Nasbaum (1997, 2003); Laderchi (2000, 2003); Waggle (2005, 2007, 2008); Alkire and Santos (2010); Ravallion (1998, 2012) and Mohamed Saladin (2011a, 2011b, 2012, 2014). Nolan and Whelan (2010, 2012) highlighted that non-monetary indicators together with monetary data would be able to improve the measurement and understanding of poverty especially in rich countries.

Muslim scholars have used the MPI and HDI to develop human development and poverty measurement from an Islamic

view. Maqasid Shariah Multidimensional Poverty Index (MSMPI) developed by Rahmatina and Habib (2014) who utilized health, education, economic, religion and social to represent the five maqasid al-shariah dimensions. These dimensions were chosen as the author was in the opinion that these are the most suitable dimension as they are commonly used by economist in the mainstream economy. However, other scholars such as Junaidah and Dzolkarnain (2014) used strictly the five dimensions of the maqasid al-shariah established by Al-Ghazalli and Shatibi. They developed the Maqasid shariah based Index of Socio-Economic Development using physical-self, religiosity, knowledge, offspring and wealth. Justice, education, good governance, freedom etc were used to represent physical-self, values, removal of poverty, equitable distribution etc to represent religiosity, finance, reward for creative work, freedom of thought and expression, etc to represent intellectual or knowledge, savings an investment, good governance etc to represent wealth. Similarly, Rafi (2014) used the same five dimensions in developing the Maqasid ash Shariah Index (MSI) with the following indicators: role of religion, salat, fasting, pilgrimage and zakat representing religiosity, average life expectancy, freedom from malnutrition representing physical-self, survival of children, safety of person, environmental safety representing offspring, education representing knowledge and freedom from poverty representing wealth.

Table 1 :Had al - kifayah Determination of a Household By LZS(2011)

Category of Household	Had kifayah Rate (RM)
<b>Head of household</b>	<b>680</b>
Shelter, food, clothing, medicare &	

---

transportation	
<b>Working adult</b>	<b>420</b>
Food, clothing, medicare & transportation	
<b>Child within 7-17 age group</b>	<b>180</b>
Shelter, food, clothing, medicare & transportation	
<b>Child within 1-6 age group</b>	<b>130</b>
Food, clothing & medicare	
<b>TOTAL</b>	<b>1650</b>

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<b>Additional had al-kifayah (special case)</b>	
Disable	200
Child care	190
Household with chronic disease	200
<b>TOTAL</b>	<b>590</b>

---

### 3.0 METHODOLOGY

#### 3.1 Conceptual Framework

The study utilizes both the monetary and non-monetary poverty measurement as shown by Figure 1. The monetary poverty measurement adopted in this study is based on the poverty gap approach using the PLI method with  $z$  as poverty gap,  $z'$  as adequacy of income,  $y$  as household income and  $k$  as the poverty

line income or necessities of the household, explained by (1). The PLI basically is calculated by comparing the income and the basic needs outlined by the poverty line. The gap of poverty is denoted by HAK Sufficiency.

$$z = \{1 - (k / y)\} * 100\%$$

*or* ----- (1)

$$z' = (y / k) * 100\%$$

The non-monetary method would be represented by IPI. The dimensions in the IPI would be based on human needs (*maqasid al-shariah*) principles according to Islam as mentioned by JAWHAR (2007), and Rosbi and Sanep (2010). The main difference between the proposed IPI and the MPI developed by Alkire is the weightage in IPI is not equal in accordance to the *maqasid al shariah* principles as suggested by Shatibi (Kamali, 2009). This is because according to Shatibi, human needs are in a hierarchy as follows: religion, physical, wealth, knowledge and offspring . However, today scholars have argued the relevance of this hierarchy. In the present study expert opinion was chosen to determine whether the hierarchy of the dimensions in the Malaysian settings at the present time is similar to Shatibi's ideas. Although expert opinion could lead to biasness, this problem was reduced by choosing a panel of expert with vast experience in the field of Islamic economics and the method of face to face employed. In addition, the selected experts have various background such as Islamic economics, Islamic studies, development economics, Islamic development etc.

The overall process of the IPI formulation consist of three steps. Firstly, consensus of scholars who are be experts and experienced in the practice of zakat were sought in deciding the dimensions which would form the components of the index and each of their variables with the assumption that all indicators in a

particular dimension are equally weighted. Secondly, weightage of each of the dimensions were calculated based on the rankings given by the scholars. The function of the weightage is to reflect the importance of each of the components in the index. There are some dimensions more important than the others according to the Islamic consumer behavior theory. Thirdly, IPI computation and interpretation together with threshold determination were carried out.

The non-monetary poverty measurement, the Islamic Poverty Indicator (IPI) would be formulated in accordance to *maqasid al-shariah* principles, incorporating the methods by Alkire and Santos (2010). The formula for IPI is as below:

$$IPI_{1w} = \left( W_1PS + W_2WE + W_3OS + W_4KN + W_5RE \right) \times 100\% \text{ ----- (2)}$$

where PS- physical self, WE-wealth, OS-offspring, KN-knowledge, RE-religiosity

and  $W_1, W_2, \dots, W_5$  - weightage

To overcome poverty, policies and programs should be derived to address determinants of poverty of present and potential also of future (Pravitasari and Mirza, 2013). In other words, researchers have identified factors such as age of the household head, gender of household head, household size, education level, employment type and amenities are significant variables related to poverty s assttrted by scholars such as Shireen (1998), Rupasingha and Goetz (2007), Rodriguez (2010) and Awan et al. (2011, 2012). Thus, the determinants of each of the poverty measurement in the present study would be determined by the following equation:

$$Y_i = f (X_1, X_2, X_3, X_4, X_5, X_6, X_7) \text{ ----- (3)}$$

where,

$Y_i$	-	dependent variable representing PLI Sufficiency and IPI
$X_1$	-	age dummy with
$X_2$	-	gender dummy
$X_3$	-	marital status dummy
$X_4$	-	education attainment dummy
$X_5$	-	employment type dummy
$X_6$	-	household size
$X_7$	-	no of children
$X_8$	-	<b>NO OF WORKING ADULTS</b>

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### 3.2 Data Collection

This quantitative research study employed data derived from a random survey of households in Selangor, the most populated state in Malaysia. The population in the study were poor and destitute households. The data comprised of a variety of household well-being issues gathered through interviews, using structured questionnaire with head of household or other knowledgeable members. It delves on households’ economic, social and demographic data using simple random sampling technique. A representative sample was selected using proportionate stratified random sampling technique with the household heads as the respondents. 258 respondents were selected from the sampling unit.

A close-ended questionnaire was used as a research instrument to aid five enumerators employed to collect data from the respondents identified for this study. The questionnaire was developed using expert review where 14 experts participated in face-to-face interviews sessions. Respondents were asked to provide personal information such as their gender, age and educational attainment, job status and household size. Specific questions pertaining to social and economic indicators such as income, type of employment and non-income wealth were

obtained. Multiple Linear Regression (MLR) was used to determine the contributions of each of the significant predictors or independent variables towards the variance in the criterion or dependent variable.

## **4.0 EMPIRICAL RESULTS**

### **4.1 Dimensions And Their Weightages**

The non-monetary measurement, IPI is exemplified by the following equation, with the weightage of each dimension derived from the rankings determined by expert review:

$$\text{IPI} = (0.252\text{PS} + 0.129\text{WE} + 0.138\text{OS} + 0.186\text{KN} + 0.295\text{RE}) \times 100\% \text{ ---- (4)}$$

The equation shows that 29.5% of poverty is contributed by spiritual factors, followed by 25.2% physical self, 12.9% wealth, 18.6% knowledge and 13.8% offspring. Thus, the spiritual dimension is with the highest weightage, about 30%. On the other hand, wealth is the lowest weightage dimension contributing almost 13% to the incidence of poverty. This result shows that experts have identified that all the dimensions mentioned by Shatibi as relevant and significant in the context of the study ranging from 12.9% to 29.5%.

### **4.2 Indicators Of Each Dimensions**

In deciding the indicators of each of the dimensions, variables agreed by more than 75% of the experts were used as the main criteria to decide the final list of variables. Initially a number of indicators were listed based on various sources such as Waggle (2005, 2006, 2008), Islamic Relief (2008), Alkire and Santos (2010), Rosbi and Sanep (2011), Alkire and Foster (2012), Awan et al. (2011, 2012) and Che Mat et al. (2012). The final indicators in the study were derived through expert review where thirteen indicators from five dimensions were identified (Table 2).

Firstly, religiosity is considered as an important dimension of human needs. It is inclusive of religious knowledge, religious obligation, contribution and mosque activities. Secondly, physical self are physical needs in daily life such as healthcare and quality of dwelling or living place. Thirdly, knowledge or mind development is essential in developing the intellectual level and skills of individuals. It is inclusive of education level and skills. Fourthly, family or offspring are an important element of human needs. Finally, wealth accumulation such as savings or investments and ability to generate income or revenue from economic activities complete the formulation of the IPI..

### **4.3 Weightage Of Indicators And Cut-Offs**

The total weightage of the indicators would be 100% or 1, exemplifying if a households is deprived of all the thirteen indicators, meaning a household is completely deprived of means to perform daily activities to lead a decent living. Assuming the weightage of each indicator is equal, the relative weightage of each indicator is calculated by dividing the weightage of each dimensions in equation (3) with the number of indicators in each dimension as shown by Table 2. The next step is to decide the cutoff point or the threshold. From an Islamic point of view, a individual or household is defined as poor if the household needs acquired is less than the total need whereas destitute is a situation where the household is unable to sustain even 50% or half of the needs.

From a monetary point of view, this cutoff point is easily identified based on the PLI or HAK method. However from the non-monetary perspective, it is difficult to quantify the 50% or 100% level of needs. In the MPI, Alkire and Santos (2010) used  $k=30\%$  in her study with the assumptions that a deprivation of 30% is sufficient to classify the household as poor. However, the present study chooses the deprivation of 40% at least two

dimensions or 6 indicators and for destitute, the value of at least 70% or at least 3 dimensions or 8 indicators. The justification of these values could be explained as follows. Based on Table 3, if a household is able to fulfill its needs fully (at least one indicator of each dimension), then the TWI =40.6, thus K1=40 is chosen. If a household is able to fulfill only 50% needs (deprivation in at least three dimensions inclusive of the two with the highest weightage), then TWI=67.6, giving an approximate value of K2 = 70.

Figure 2 depicts the concept of poverty from the perspective of deprivations. The vertical axis reflects the indicators of the index and horizontal axis shows the household. At point zero (TWI=0) or the central point, a household is completely having a decent life, fulfilling all the thirteen indicators in all the five dimensions of maqasid al-shariah. As we move upwards the vertical axis, a household is starting to be deprived in a few dimensions or indicators. As more deficiencies occur, household enters the poverty zone as the TWI becomes K1. As more and more deprivation occurs, household enters the destitute zone with the total TWI as K2. As more deficiency occurs, household becomes totally deprived at XX, which is the maximum deprivations that would yield the value of TWI as 100% or 1, where all the thirteen indicators are deprived. In this case a household is unable to attain even a single variable needed to sustain daily needs.

Table 2: Dimensions, Indicators and Weightage

	Relative	
Variables	Weight	Deprived if .....
	(%)	

---

**RELIGIOSITY**

Religious knowledge	7.4	Household head has basic religious knowledge
Religious obligations	7.4	Performing of religious obligation
Contribution	7.4	Contribution to close family members
Mosque activities	7.4	Attendance at mosque programmes

**PHYSICAL SELF**

Dwelling	12.6	Dwelling is deteriorating
Health & not disabled	12.6	Household member with serious disease and disabled

**WEALTH**

Employment type	4.3	Household head without permanent job
House ownership	4.3	Household own house (land)
Savings & investment	4.3	Household head or members without savings and investment

**KNOWLEDGE**

Education level	9.3	Household head did not attend secondary school
Skills	9.3	Household head without any

---

skills

OFFSPRING

No of children	6.9	Household without children
Attend schooling	6.9	Any children did not attend school

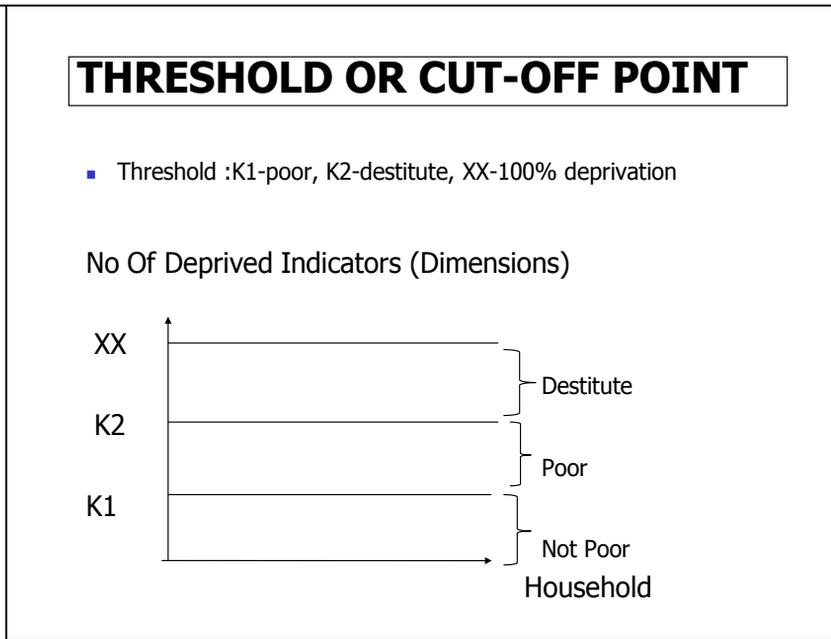


Figure 2: Threshold or Cutoff Point

**4.4 Poverty : Comparison Between HAK and IPI**

From the threshold of both the methods discussed above, the poor group of each measurement could be identified and the number or rate of poor could be calculated (Table 3). Based on these values, the poverty rate from both of these methods are shown by Table 4. It is obvious that 28.3 % and 10.5% of the respondents are destitute according to the HAK and IPI method respectively. This shows that the number of destitute is higher according to the HAK method. However, the poor rate are almost

similar according to both of the methods. In addition, there are more non-poor group according to the IPI method as compared to the HAK method. However, both of the dependent variables show weak relationship between each other although they are significantly correlated as depicted by Table 5. This could be explained by the fact that they are measured differently using different dimensions. HAK Sufficiency is unidimensional (monetary) whereas the IPI is multidimensional (five dimensions).

Table 3 : Threshold Value

Category	HAK Sufficiency (Adequacy)	IPI (K)
Poor	< 100%	40%
Destitute	< 50%	70%

Table 4 : Poverty Rate

Category	HAK Sufficiency(%)	IPI(%)
Destitute	28.3	10.5
Poor	59.3	60.9
Non-poor	12.4	28.9

Table 5 : Correlation Analysis Between Dependent Variables (Pearson Coefficient)

Category	HAK Sufficiency	IPI
Hak Sufficiency	-	0.159*

IPI	0.159*	-
-----	--------	---

\* Significant at 0.01 confidence in

#### 4.5 Determinants of Poverty

This section discusses the procedure of regression analysis using enter method with PLI Sufficiency as the dependent variable. It has been used to determine the best predictor in explaining dependent variable. The procedures involved the F-test, coefficient of determination, and test on regression coefficients. The final analysis will be based on checking the diagnostic that includes analyzing residuals, homoscedasticity and multicollinearity. In this study determinants of PLI Sufficiency and IPI with the following regression model was proposed:

$$y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \beta_{14} X_{14} + \beta_{15} X_{15} + \beta_{16} X_{16} + \beta_{17} X_{17} + \beta_{18} X_{18} + \beta_{19} X_{19} + \beta_{20} X_{20} + \beta_{21} X_{21} + \epsilon_i \dots\dots\dots (5)$$

where  $y_i$  = PLI Sufficiency and IPI,

$X_1$  = Age,  $X_2$  = Gender (1 – Male, 0 – Female),  $X_3$  = Marital status (1- Married, 0- Separated),  $X_4$  = Marital status (1- Bachelor, 0- Separated),  $X_5$  = Marital status (1- Widow/widower, 0- Separated),  $X_6$  = Marital status (1- Divorced, 0- Separated),  $X_7$  = Job status (1-Self-employed, 0-others),  $X_8$  = Job status (1-Permanent job, 0-others),  $X_9$  = Job status (1-Unemployed, 0-others),  $X_{10}$  = Job status (1-Pensioner, 0-others),  $X_{11}$  = Job status (1-Part time or contract, 0-others),  $X_{12}$  = Education level (1- UPSR, 0-no formal education),  $X_{13}$  = Education level, (1- PMR, 0- no formal education),  $X_{14}$  = Education level (1- SPM, 0- no formal education),  $X_{15}$  = Education level (1- STPM, 0- no formal education),  $X_{16}$  = Education level (1- Cert, 0- no formal

education),  $X_{17}$  = Education level (1- Degree and above, 0- no formal education),  $X_{18}$  = Household size,  $X_{19}$  = Duration of aid,  $X_{20}$  = Number of children,  $X_{21}$  = Not working adult, and  $\varepsilon$  is the model error estimated to be normally distributed with constant variance.

Equation (5) represent the initial MLR regression model with twenty one predictors for each of PLI Sufficiency and IPI as the dependent variable. Changes were made to this model with the aim to improvise the results. In this section the Enter method has been used to determine the best predictor in explaining dependent variable. The procedures involved the F-test, coefficient of determination, and test on regression coefficients. All the assumptions of MLR such as the error terms normally distributed, the variance of the error terms must be constant ( $\text{Var}(\varepsilon_i) = \sigma^2$ ), the mean of the error terms to be zero ( $E(\varepsilon_i) = 0$ ), the error terms uncorrelated ( $\text{Cov}(\varepsilon_i, \varepsilon_j) = 0$ ), the independent variables not linearly related and no outliers included. Model Adequacy Checking and test for normality were also undertaken. The test for multicollinearity was also done using the variance inflation factor (VIF) test. The final analysis was based on checking the diagnostic that includes analyzing residuals and multicollinearity. Table 6 summarizes the relationship between the dependent variables, namely PLI Sufficiency and IPI and the dependent variables. There were vast improvements with no multicollinearity problems although the R – square for all the models decreased compared to the initial equation.

The R - square in model 1(b) model was higher with a value of 0.29 as compared to 0.075 in model 1(a). This explains that the five significant independent variables were able to explain 29.0% variation of the IPI compared to only three variables that contributed to the 7.5% variation of HAK Sufficiency. In brief, IPI is explained by two types of employment indicators, namely Self-employed and Unemployed and three education attainment

indicators, namely PMR, SPM and STPM. For the HAK Sufficiency model, types of employment indicators, Permanent Job and Unemployed are significant variables besides the No Of Not Working Adults. Hence, it is obvious unemployment was the common factor in both the models. Thus, both of the poverty measurement revealed that unemployment is an important factor that influences poverty according to both methods. It can be summarized that getting individuals to be employed is essential in addressing the issue of poverty. It is imperative that policy makers draw appropriate programs and steps to overcome the issue of unemployment. However, this is not an easy task as it involves various policies and commitments from all the relevant parties especially zakat institutions and also the government agencies.

Table 6 : Regression Analysis

	HAK Sufficiency (Model 1(a))	IPI (Model 1(b))
Self-employed		-0.090**
Permanent job	0.741*	
Unemployed	-0.479*	0.042*
PMR		-0.139**
SPM		-0.105**
STPM		-0.133*

Not working adult	-0.233*	
R-square	0.075	0.29
Adj R-square	0.063	0.276
MSE	2.248	0.019
Multicollinearity	No	No

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\*\*p-value<0.01, \*p-value<0.05

**5.0 CONCLUSION & POLICY IMPLICATIONS**

For Islamic institutions, the need for a holistic poverty measurements are irrefutable. It is vital for Islamic institutions such as zakat institutions to device appropriate poverty measurement that are holistic in nature to identify the targeted poverty group. This is essential to mantain trust between the society and these institutions as mentioned by Suhaib (2009) who stresses that Islamic institutions such as *zakat* organizations should be able to distribute of *zakat* funds to appropriate recipients especially the poverty groups. Shirazi (1996 & 2006) concurs that the main role of Islamic institutions are to facilitate the muslims to pay *zakat* and distribute efficiently to the appropriate recipient. In other words, Islamic organization must exemplify efficiency to the muslim society in various ways such as the ability to reduce the poverty incidence of muslims and provide efficient services to the potential recipients. Although scholars have agreed that the role of zakat is not to eliminate poverty totally, the role of zakat funds to substantially reduce poverty and alleviate the lives of the poor

cannot be denied. Thus, it is imperative for zakat institutions to enhance distribution of zakat funds and accountability to the muslim society in reaching the targeted poverty group.

The present paper proposes a multidimensional perspective of performance measurement utilizing index as a tool of measurement. Thus, the introduction of an Islamic multidimensional poverty measurement represented by IPI incorporating the various dimensions as suggested by *maqasid al-shariah* principles would have an impact on Islamic institutions as it gives a new perspective of measuring poverty from a micro perspective. For example, both the monetary and the IPI method highlighted the issue of employment as a common factor that should be addressed by the policy makers. In addition, the multidimensional or non-monetary method would complement the existing monetary poverty measurements as shown by the fact that both of these methods are also influenced by different factors although there exist a common factor as shown by the present study.

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