

Only the Economic System of Islam Can Eradicate Poverty

News:

On 12th October, figures released by the United Nations Development Program (UNDP) in New York show that 38.3 per cent of Pakistan's population, more than one-third of its population, was multi-dimensionally poor, compared. National Assembly Speaker Sardar Ayaz Sadiq emphasized the need for comprehensive legislation and a renewed national commitment to eliminate poverty, ensure social justice, and provide equal opportunities during a message on the International Day for the Eradication of Poverty (observed on October 16). ([Dawn](#))

Comment:

Since the release of this UNDP report, a lot of discussion is taking place in Pakistan about the economic condition of the people. The current Asim-Shabaz regime takes credit and pride that it has saved Pakistan from bankruptcy, which was imminent when the previous regime of Imran-Bajwa was replaced in 2022. The current regime also asserts that they have placed Pakistan on the track of economic progress as the main macro-economic indicators like foreign exchange reserves, budget deficit, inflation rate, interest rate, current account deficit has improved considerably and therefore international rating agencies have upgraded Pakistan's rating.

There is no doubt that macro-economic indicators have improved and international rating agencies have upgraded Pakistan's rating, but it is also a fact that extreme poverty has increased in the last couple of years. According to the Pakistan Economic Survey (2025–26), the national poverty rate has risen to 28.9%, up from 21.9% in 2018–19, placing approximately 70 million people below the national poverty line. Under the higher \$4.20-a-day (around 1200 rupees per day) lower-middle-income poverty line, around 44.7% of Pakistanis (over 107 million people) are classified as living in poverty.

The fact of the matter is that these macro-economic indicators don't reveal the real economic situation of the people. The Pakistani Rupee (PKR) has lost approximately 57.6% to 60% of its value against the US dollar since the start of 2022. The US dollar traded at roughly PKR 176.75 in January 2022. Currently the US dollar trades at around PKR 278.65 to PKR 280 per dollar. So, the buying power of the currency has been reduced by 60 percent just because of rupee depreciation. On top of rupee depreciation, regressive taxation like GST, petroleum levy, and costly electricity has pushed the prices of every item to the level that large portion of the population now has to make a choice whether to buy food or send their children to school. Pakistan is facing a severe food security and hunger challenge, ranking 106th out of 122 countries in the 2026 Global Hunger Index (GHI). International humanitarian organization, "Action Against Hunger", estimates that 10.6 million people in Pakistan will require humanitarian assistance.

The fact is that IMF led economic policies are not taking Pakistan anywhere near economic progress, but are instead heading to total devastation. The current regime of Asim-Shabaz has employed the policy of “the hard state” in the field of economy as well and implemented IMF policies ruthlessly but the “hard state” has failed in this sphere as well.

Pakistan needs the economic system of Islam under the ruling system of Islam, the Khilafah. No comprehensive legislation or economic policy under the capitalist system can eradicate poverty as capitalism believes that poverty cannot be eliminated because resources are scarce. It is only Islam that has understood the issue of poverty and obligated the state to end poverty by stating that every individual’s food, shelter and clothing must be ensured and the society collectively must have free health, education and transport facilities. The economic system of Islam does not impose any tax on the poor and indebted. The economic system of Islam does not impose tax on income and GST or any other tax on goods, which enables the citizen to have more money to pay while the goods remain low-priced. Islam declares electricity and gas as public property, therefore its prices remain low which reduces the production cost of industrial and agriculture goods, therefore making local goods more competitive in local and international markets. And Islam declares gold and silver as currency, which does not lose its strength as no state can produce it at will as happens in the case of fiat currency which is the sole cause of generalized price inflation not in Pakistan alone, but in the whole world.

We have to return to our Deen, our ideology, Islam. It is the only true comprehensive way of life. Whether it is Pakistan or the whole word, poverty can only be eliminated by the implementation of the Islamic economic system under the Khilafah (Caliphate). This assertion is not without a base. The world knew the golden era of Muslims under the guardianship of the Khilafah. People lived in this era with the highest standard of living in the world for centuries. And this can also be repeated today if we once again implement the commands of Allah (swt).

﴿وَلَوْ أَنَّ أَهْلَ الْقُرَىٰ آمَنُوا وَاتَّقَوْا لَفَتَحْنَا عَلَيْهِم بَرَكَاتٍ مِّنَ السَّمَاءِ وَالْأَرْضِ وَلَٰكِن كَذَّبُوا فَأَخَذْنَاهُم بِمَا كَانُوا يَكْسِبُونَ﴾

“And if only the people of the cities had believed and feared Allah, We would have opened upon them blessings from the heaven and the earth; but they denied [the messengers], so We seized them for what they were earning”
[TMQ Al-Araf 7:95]

**Written for the Central Media Office of Hizb ut Tahrir by
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