

CHAPTER I

INTRODUCTION

A. Research Background

In economics, poverty is not a new problem. As a result, the meaning and response to poverty has changed in line with events and scientific developments. The United Nations (UN) targeted poverty in the 2000s with the Millennium Development Goals (MDGs) program, which contained eight targets for achieving global development and outlined eight key objectives, including the ambition to halve global poverty by 2015. Then, in 2012, the goal of alleviating poverty continued under the title "No Poverty" in the Sustainable Development Goals (SDGs), which are part of the "Transforming Our World" initiative. It is important to understand that achieving the vision of "ending poverty in all its forms everywhere" requires knowing who is categorized as poor and how poverty is defined.¹

According to Amartya Sen as quoted by Oxford Poverty & Human Development Initiative, poverty is not limited to a lack of income and resources necessary to support a sustainable livelihood, although in the view of the SDGs it is largely economic in nature. Poverty takes many forms, such as hunger, malnutrition, limited access to education and basic services, discrimination, social exclusion, and lack of involvement in decision-making processes. This broader view underscores that poverty is fundamentally about the deprivation of capabilities that enable individuals to lead lives they value.²

In the decade from 2013 to 2023, there have been ups and downs in the trend of global poverty rates. Both indicators showed a steady downward trend in the six years reflecting progress in global poverty alleviation. In 2020, the poverty trend increased its percentage to 9.5%, a spike that caused economic disruption and

¹ Charlotte Lemanski, "Poverty : Multiple Perspectives Arid Strategies," *Geography* 101, no. 1 (2016) p. 4.

² "Amartya Sen & OPHI," *Oxford Poverty & Human Development Initiative*, last modified 2019, accessed July 22, 2025, <https://ophi.org.uk/research/amartya-sen-and-ophi>.

increased poverty. The occurrence of the Covid-19 pandemic caused the rise and fall of the poverty rate in 2020. After the spike, fluctuations remained until the number of poor people tended to increase until 2022 before declining in 2023.

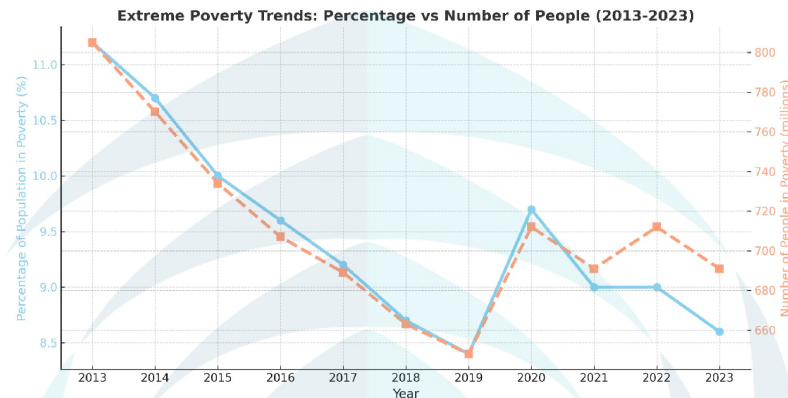


Figure 1 Poverty Trends (source: World Bank)

Poverty thresholds vary across countries, reflecting different economic contexts and policy approaches. In Indonesia, the national poverty line is defined by per capita monthly income, set at approximately IDR 535,000 in urban areas and IDR 475,000 in rural areas.³ This translates to roughly USD 1.20 per person per day. In contrast, the World Bank classifies extreme poverty as living on less than USD 1.90 per day, highlighting a higher international benchmark compared to the national standard.⁴

The Multidimensional Measure of Poverty is poverty measure developed by the Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Program (UNDP). It is based on a case study, where poor individuals were asked about their lives. In the study, people described their experiences with poverty as being particularly difficult due to the simultaneous presence of multiple forms of deprivation. Unlike income-based poverty measures such as the World Bank's poverty line (\$1.90 per day).⁵

³ UN, "Goal 1: End Poverty in All Its Forms Everywhere," accessed May 25, 2025, <https://www.un.org/sustainabledevelopment/poverty/>.

⁴ Syakieb Sungkar, "Studi Kemiskinan Di Negara Berkembang," *Dekonstruksi* 5, no. 01 (2021): p.3.

⁵ "Kemiskinan Multidimensi," accessed May 21, 2025, <https://theprakarsa.org/ikm/>.

The Poverty, Prosperity and the Planet report shows that about 1 in 10 people around the world are multidimensionally poor. The World Bank adopts this broader perspective by assessing poverty through six key indicators: income or expenditure, educational attainment, school enrollment, access to clean drinking water, sanitation, and electricity. These indicators are grouped into three dimensions of well-being: education, monetary resources, and access to basic infrastructure.⁶

Economic growth is one of the factors that have an impact on poverty. Part of this growth is the growing production of goods and services as an indicator of increased economic activity in the community.⁷ Healthy economic activity is characterized by increased public consumption, which when supported by the government's role in stimulating economic development, economic growth will increase and become a measure of development and all aspects of the economy.⁸

In addition to economic growth, poverty is also caused by many dimensions that prevent an individual from being productive, quoted from the UN website that some of the causes include unemployment, vulnerability of the population to natural disasters and diseases, to the lack of income to survive.⁹ This highlights that poverty is not only an economic issue, but also a social, educational, and health-related challenge.

A country's development approach should not only prioritize economic calculation and growth, but must prioritize investments in human capital. Development that only focuses on economic growth is only short-term and does not guarantee equitable distribution of public welfare. Nations that successfully cultivate high-quality human resources are better positioned to enhance

⁶ Global Poverty Working Group, *Multidimensional Poverty Measure, Multidimensional Poverty Measure Database* (Washington, DC., 2025), accessed May 25, 2025, <https://www.worldbank.org/en/topic/poverty/brief/multidimensional-poverty-measure>.

⁷ Sadono Sukirno, *Makroekonomi : Teori Pengantar*, 3rd ed. (Jakarta: Rajawali Press, 2012) p. 33.

⁸ Febria Wulandari and Roosemarina Anggraini Rambe, "Impact of the Human Development Index, Economic Growth, Investment, and Government Expenditure on the Poverty of Districts and Cities in Bengkulu Province," *Jurnal Ekonomi, Bisnis & Entrepreneurship* 12, no. 1 (2023): 569–578 p. 6.

⁹ *Rethinking Poverty*, Department of Economic and Social Affairs, United Nations Publication, vol. 11, 2010 p. 64.

productivity and increase national income, ultimately contributing to sustained economic growth.¹⁰

Low HDI (<0.550)	Medium HDI (0.550-0.699)	High HDI (0.700-0.799)	Very High HDI (≥0.800)
• Example of the country: Burundi, Niger, Chad, South Sudan	• Example of the country: India, Bangladesh, Pakistan, Morocco	• Example of the country: Brazil, Egypt, Turkey, Indonesia	• Example of the country: Qatar, Norwegia, Japan

Figure 2 Levels of Human Development Index (Source: UNDP)

In this context, the Human Development Index (HDI) serves as a comprehensive indicator to assess a country's overall quality of life. The HDI is based on three main dimensions: educational attainment, health standards, and a decent standard of living. An HDI figure close to 1 can be considered a good level of human development, but on the other hand, if a region has an HDI figure close to or equal to zero, it can be said that development in the area is poor.¹¹

Countries	HDI (2023)	Per-capita GDP (USD)
Bangladesh	0.685	\$2,528
Pakistan	0.544	\$1,407
Iran	0.780	\$4,503
Kazakhstan	0.812	\$13,153
Maroko	0.698	\$3,403
Mesir	0.728	\$4,178
Indonesia	0.7439	\$4,920
Turki	0.838	\$11,931

Table 1 List of Muslim Countries (Source: World Bank)

In their impact on poverty reduction, HDI and Economic growth are important components, particularly in Muslim-majority countries. These nations often reflect diverse levels of economic development, with some enjoying

¹⁰ Deva Apriani Nurul Huda, "Pengaruh Indeks Pembangunan Manusia Terhadap Kemiskinan Multidimensional Di Negara Berkembang Dengan Pendekatan Regresi Nonparametrik," *Statistika* 20, no. 2 (2020): 75–82 p. 77.

¹¹ *The 2023/2024 Human Development Report Reimagining Cooperation in a Polarized World* (United Nations Development Programme, 2024) p. 43.

significant growth while others continue to face structural challenges. Economic growth can stimulate job creation, improve access to services, and expand opportunities. However, its effectiveness in reducing poverty also depends on how inclusive and equitable that growth is. Similarly, improvements in HDI—measured through health, education, and standard of living—serve as strong indicators of a nation's ability to enhance overall well-being and reduce multidimensional poverty.¹²

The global economic landscape is marked by significant inequality, with a small elite holding a disproportionate share of the world's wealth. According to Oxfam, the richest 1% now possess more wealth than the bottom 95% combined, while nearly half the global population survives on less than \$5.50 per day. Moreover, individuals in high-income countries consume resources at rates up to ten times greater than those in low-income nations, exposing systemic inequalities that hinder equitable development. In response, global development efforts must go beyond income metrics and material growth to consider equity, access, and dignity as integral development goals.¹³

From the perspective of Islamic development economics, poverty is not merely a financial issue but a failure in fulfilling social justice (*‘adl*) and communal obligation. Islam promotes a moral economy grounded in compassion (*rahmah*), redistribution, and accountability. As emphasized by Chapra (2008) in *The Islamic Vision of Development*, development in Islam aims to achieve *falah*—a state of holistic success in both this life and the hereafter. The prosperity envisioned is not merely economic but holistic, balancing worldly welfare with ethical accountability.¹⁴

¹² Stefan Giljum et al., *OVERCONSUMPTION? Our Use of the World's Natural Resources This Report*, 2009 p. 11.

¹³ Lisa Rutherford, "World's Top 1% Own More Wealth than 95 per Cent of Humanity," *Oxfam Org*, last modified 2024, accessed June 9, 2025, <https://www.oxfam.org.uk/mc/4erdxxk/>.

¹⁴ M. Umer Chapra, "The Islamic Vision of Development in the Light of Maqashid Al-Shari'ah," *Islamic Research and Training Institute* (2008): 1–55 p. 31.

As outlined in the Qur'an (Surah Al-Tawbah: 60), where instruments such as zakah are directed to alleviate poverty and reduce inequality by ensuring that wealth circulates among all levels of society. The Prophet Muhammad ﷺ emphasized that poverty, if left unchecked, can lead to moral decay, stating that "poverty is close to disbelief" (*kufir*).¹⁵ Hence, policy formulation in Muslim-majority contexts should consider Islamic economic principles to ensuring that growth leads to shared prosperity, not just aggregate wealth. Aligning with Islamic principles offers a holistic path toward ending poverty that resonates with both material and ethical imperatives.

B. Research Questions

1. What is the impact of HDI on poverty rates in Muslim countries?
2. How does economic growth affect poverty rates in Muslim countries?
3. Are there any other factors that can affect poverty in Muslim countries?

C. Research Objective

1. To unravel how HDI impact poverty rates in Muslim countries.
2. To unveiling how economic growth affects poverty alleviation in Muslim countries.
3. To identify additional factors affecting poverty in Muslim countries

D. Research Benefit

1. For government and policy makers

This research is useful for academics as an academic contribution to the development of science in general and economics in particular in relation to the problem of poverty, economic growth and the Human Development Index in Muslim countries.

2. For economic practitioners and financial institutions

¹⁵ Syamsuri, *Ekonomi Pembangunan Islam*, ed. Akhmad Mujahidin (Ponorogo: UNIDA Gontor Press, 2020) p. 6-7.

The results of the study will be able to help solve the problem and contribute to the development of science in general and economics in particular in relation to the problem of poverty alleviation, economic growth and the Human Development Index in Muslim countries.

3. For further research

The results of this study are expected to support further research in conducting research related to poverty problems in Islamic countries.

