

# Integrating Al-Kafaf and Al-Kifayah in Malaysian Income Assessment: An Islamic Economic Perspective on Holistic Well-being

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**Abstract :** This study critiques Malaysia's traditional income-based classifications (B40, M40, T20) for failing to capture multidimensional poverty amid rising living costs and regional disparities. It introduces Islamic economic concepts—*al-kafaf* (minimum subsistence threshold) and *al-kifayah* (broader sufficiency standard)—as alternative frameworks for assessing household income within modern B20, M50, and T30 classifications. Using qualitative methodology combining case studies with conceptual-comparative analysis, the research examines the limitations of conventional income metrics. Findings show that traditional classifications effectively show income gaps but inadequately reflect actual living costs and regional economic variations. *Al-kafaf* establishes a basic survival baseline, while *al-kifayah* offers a holistic measure incorporating education access, healthcare, and quality of life. This integration improves welfare and zakat targeting while contributing to more equitable policymaking frameworks. The study advances Islamic economic theory by proposing a holistic approach to measuring economic well-being that better aligns with current socioeconomic realities. The primary academic contribution of this study lies in the development of a more contextual and multidimensional Islamic economic framework for evaluating household well-being. Furthermore, the research expands the horizons of Islamic economic theory by offering a normative-practical approach to income assessment while also providing a new conceptual foundation for policymakers to design income classifications that are more adaptive to contemporary socioeconomic realities.

**Keywords:** *Al-kafaf*, *Al-kifayah*, Economic Well-Being, Islamic Legal Framework, Income Policy.

**Abstrak:** Penelitian ini mengkritik klasifikasi pendapatan tradisional Malaysia (B40, M40, T20) karena gagal menangkap kemiskinan multidimensi di tengah biaya hidup yang meningkat dan kesenjangan regional. Penelitian memperkenalkan konsep ekonomi Islam—*al-kafaf* (ambang batas minimum untuk bertahan hidup) dan *al-kifayah* (standar kecukupan yang lebih luas)—sebagai kerangka alternatif untuk menilai pendapatan rumah tangga dalam klasifikasi modern B20, M50, dan T30. Menggunakan metodologi kualitatif yang menggabungkan studi kasus dengan analisis konseptual-komparatif, penelitian ini mengkaji keterbatasan metrik pendapatan konvensional. Temuan menunjukkan klasifikasi tradisional efektif menunjukkan kesenjangan pendapatan tetapi tidak mencerminkan biaya hidup sebenarnya dan variasi ekonomi regional. *Al-kafaf* menetapkan dasar kelangsungan hidup, sementara *al-kifayah* menawarkan ukuran holistik yang mencakup akses pendidikan, kesehatan, dan kualitas hidup. Integrasi ini meningkatkan penargetan kesejahteraan dan zakat sambil berkontribusi pada kerangka pembuatan kebijakan yang lebih adil. Penelitian ini memajukan teori ekonomi Islam dengan mengusulkan pendekatan holistik untuk mengukur kesejahteraan ekonomi yang lebih selaras dengan realitas sosioekonomi saat ini. Kontribusi akademik utama dari penelitian ini terletak pada pengembangan kerangka evaluasi kesejahteraan berbasis ekonomi Islam yang lebih kontekstual dan multidimensional. Selain itu, penelitian ini memperluas cakrawala teori ekonomi Islam dengan menawarkan pendekatan normatif-praktis untuk penilaian pendapatan rumah tangga, serta menyajikan dasar konseptual baru bagi pembuat kebijakan dalam merancang klasifikasi pendapatan yang lebih adaptif terhadap realitas sosial ekonomi kontemporer.

**Kata kunci:** *Al-kafaf*, *Al-kifayah*, Kerangka Hukum Islam, Kebijakan Pendapatan, Kesejahteraan Ekonomi

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## Introduction

Economic well-being in Malaysia has traditionally been measured through income classifications such as the Bottom 40% (B40), Middle 40% (M40), and Top 20% (T20). However, these classifications have been criticized for their inability to fully capture poverty and sufficiency levels, particularly given economic fluctuations and regional disparities. Several studies indicate that an overreliance on income-based poverty lines does not reflect actual economic hardship, as living costs vary significantly across states, making median income an inadequate measure of financial stability<sup>1</sup>.

Mustapha et al. (2024) highlight that despite government initiatives like the Eleventh Malaysia Plan aiming to elevate the B40 into middle-income status, increasing income alone does not guarantee economic well-being, as expenditures on housing, healthcare, and education continue to rise<sup>2</sup>. Subramaniam et al. (2024) further reinforce this by noting that expenditure growth in certain regions, such as Negeri Sembilan and Putrajaya, outpaces income growth, resulting in financial stress even among middle-income groups<sup>3</sup>. These findings suggest that static income classifications fail to capture real economic conditions and require alternative approaches that account for sufficiency levels

and actual living costs.

The persistence of relative poverty despite reductions in absolute poverty further demonstrates the inadequacy of income-based classifications. Rahman et al. (2024) found that while absolute poverty in Malaysia declined to 0.2% in 2019, relative poverty remained above 18%, showing that a significant portion of the population still struggles to meet basic needs despite exceeding the official poverty line<sup>4</sup>. Zaidi et al. (2024) support this argument, showing that economic shocks such as the COVID-19 pandemic exacerbated financial instability, increasing absolute poverty projections to 9.2% by 2025, while relative poverty is expected to remain above 16%<sup>5</sup>. These statistics highlight that many households experience financial vulnerability despite technically not being classified as poor. The widening income gap between lower- and upper-income groups, coupled with rising inflation, further emphasizes the need for an alternative framework that better captures financial sufficiency beyond conventional income-based metrics.

Islamic economic principles provide an alternative lens for evaluating financial sufficiency through the concepts of *al-kafaf* and *al-kifayah*, which emphasize a holistic approach to economic well-being beyond income levels<sup>6</sup>. *Al-kafaf* refers to subsistence-

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<sup>1</sup> S. Zakaria, N.F.C. Sulaiman, and S.M.A. Malik, "Examining the Pattern of Household Monthly Income and Expenditures by State in Malaysia," *ECONOMICS - Innovative and Economics Research Journal* 12, no. 3 (2024): 175–87, <https://doi.org/10.2478/eoik-2024-0042>; T.K. May, S. Saharan, and M.S. Rusiman, "Analysis of Income and Expenditure of Households in Peninsular Malaysia," vol. 294, 2023, 187–200, [https://doi.org/10.1007/978-981-99-2850-7\\_17](https://doi.org/10.1007/978-981-99-2850-7_17).

<sup>2</sup> A.M. Mustapha et al., "The Had Kifayah Model for Asnaf Students at UiTM Kelantan Branch," in *CSR, Sustainability, Ethics and Governance*, vol. Part F3302, 2024, 405–15, [https://doi.org/10.1007/978-3-031-53877-3\\_31](https://doi.org/10.1007/978-3-031-53877-3_31).

<sup>3</sup> Subramaniam et al., "Constructing Housing Affordability Index in Malaysia," *Jurnal Ekonomi Malaysia* 58, no. 1 (2024), <https://doi.org/10.17576/JEM-2024-5801-02>.

<sup>4</sup> M.H.A. Rahman, A. Othman, and Y.Z. Zubairi, "The Poverty Conundrum and Pandemic Poor in Malaysia," in *Post-Pandemic Economic and Social Development: Recovery, Challenges, and Policy in Malaysia*, 2024, 58–73, <https://doi.org/10.4324/9781003491736-5>.

<sup>5</sup> M.A.S. Zaidi et al., "Effects of Government Assistance Programs on the Well-Being of Urban Low-Income Households during COVID-19 Pandemic in Malaysia," *Asian Development Policy Review* 12, no. 2 (2024): 149–67, <https://doi.org/10.55493/5008.v12i2.5055>.

<sup>6</sup> Mustapha et al., "The Had Kifayah Model for Asnaf

level income, ensuring that individuals meet their basic survival needs, while *al-kifayah* represents a sufficiency threshold that allows individuals to sustain themselves without experiencing financial distress<sup>7</sup>.

These concepts align with the Islamic principle of social justice, wherein economic well-being is not just about poverty alleviation but also about ensuring dignity and sustainability in livelihood<sup>8</sup>. Research on zakat institutions in Malaysia demonstrates that *kifayah* has long been used as a benchmark to determine financial aid eligibility; however, it has often been criticized for being outdated and failing to reflect contemporary cost-of-living changes<sup>9</sup>. Recent studies found that many asnaf students in UiTM Kelantan still struggled financially despite qualifying under the existing *had kifayah* limits, revealing gaps in how sufficiency is measured.

Similarly, a study in Kedah noted that *had kifayah* thresholds had not been revised in years, leading to miscalculations of financial needs and eligibility for aid<sup>10</sup>. These findings suggest that while *had kifayah* is a useful metric, it requires periodic updates and integration with modern economic indicators to remain effective.

The limitations of income classifications

extend beyond the B40 group, as financial stress is increasingly observed among middle-income households. Zakaria et al. (2024) argue that even within the M40 group, many families experience economic hardship, especially in urban areas where the cost of living is significantly higher<sup>11</sup>. This statement was supported by showing that factors such as family size, education, and employment stability play crucial roles in determining household financial sufficiency<sup>12</sup>.

Studies further indicate that despite increases in median household incomes, rising costs of essential goods and services have outpaced income growth, reducing the purchasing power of many middle-income families<sup>13</sup>. This is particularly evident in housing affordability studies, which reveal that B20 households face the most severe barriers to homeownership compared to M50 and T30 groups<sup>14</sup>.

With homeownership being a significant indicator of long-term financial security, the lack of accessibility for lower-income groups raises concerns about intergenerational economic mobility. Furthermore, income inequality remains a significant issue, with the top 10% of households controlling over one-third of Malaysia's wealth, while the bottom

Students at UiTM Kelantan Branch"; S. Herianingrum et al., "The Impact of Zakat, Education Expenditure, and Health Expenditure towards Poverty Reduction," *Systematic Reviews in Pharmacy* 11, no. 12 (2020): 235–39, <https://doi.org/10.31838/srp.2020.12.37>.

<sup>7</sup> Muḥammad Shawqī al-Fanjārī, "Al-Islām Wa al-Tawāzun al-Iqtisādī Bayna al-Afrād Wa al-Duwal," al-Maktabah al-Shāmilah, n.d., <https://shamela.ws/book/11527>.

<sup>8</sup> M.S.A. Rasool and A.H.M. Noor, "Islamic Poverty Index: Comparative Analysis," *International Journal of Management and Business Research* 6, no. 3 (2016): 10–15.

<sup>9</sup> M.A.A. Muin et al., "Proposed Value and Current Kifayah Limit (Haddul Kifayah) Items for Income Zakat in the State of Kedah," *Pakistan Journal of Life and Social Sciences* 22, no. 1 (2024): 4932–41, <https://doi.org/10.57239/PJLSS-2024-22.1.00363>.

<sup>10</sup> Mustapha et al., "The Had Kifayah Model for Asnaf Students at UiTM Kelantan Branch"; Muin et al., "Proposed Value and Current Kifayah Limit (Haddul Kifayah) Items for Income Zakat in the State of Kedah."

<sup>11</sup> Zakaria, Sulaiman, and Malik, "Examining the Pattern of Household Monthly Income and Expenditures by State in Malaysia."

<sup>12</sup> R. Ganesan and N. Masseran, "Statistical Analysis of Household Income Data in Perak, Malaysia," vol. 2500, 2023, <https://doi.org/10.1063/5.0109917>.

<sup>13</sup> Subramaniam et al., "Constructing Housing Affordability Index in Malaysia."

<sup>14</sup> M.A. Khalid, "Household Wealth in Malaysia: Composition and Inequality among Ethnic Groups," *Jurnal Ekonomi Malaysia* 45, no. 1 (2011): 71–80.

40% own only 8%<sup>15</sup>. This demonstrates that financial sufficiency cannot solely be assessed based on income levels but must incorporate cost-of-living factors and access to essential services.

Another key factor influencing financial sufficiency is household debt. Studies found that Malaysian households increasingly rely on credit to finance essential expenditures, indicating that many families struggle to maintain an adequate standard of living despite not being classified as poor<sup>16</sup>. Mien and Said (2018) further highlight that younger households are more prone to accumulating debt for non-essential expenses, which can impact their long-term financial security<sup>17</sup>. These findings suggest that while income-based classifications provide a broad overview of economic status, they fail to capture household financial behaviors and debt burdens, which play a crucial role in determining sufficiency.

Applying al-kifayah principles to income classifications provides a promising solution to these measurement gaps, as sufficiency thresholds are based on actual needs rather than arbitrary income brackets<sup>18</sup>. Several studies advocate for integrating al-kifayah with

non-monetary indicators such as education, healthcare, and social well-being to provide a more comprehensive understanding of financial sufficiency<sup>19</sup>. Abdul Rasool et al. (2011) and Rasool & Noor (2016) further suggest that a multidimensional poverty index that incorporates these factors would enhance current economic well-being assessments<sup>20</sup>.

Research also highlights that recalibrating *had kifayah* thresholds regularly and aligning them with inflation and living cost data would ensure more accurate financial assessments and better-targeted welfare policies<sup>21</sup>. This approach would not only benefit zakat institutions in effectively identifying aid recipients but also provide policymakers with a refined framework for addressing income inequality and economic vulnerability.

Ultimately, integrating *al-kafaf* and *al-kifayah* into Malaysia's income classification system represents a paradigm shift toward a more comprehensive understanding of economic well-being. Studies consistently highlight the shortcomings of income-based classifications and advocate for a more nuanced approach that incorporates sufficiency benchmarks tailored to real-world economic conditions<sup>22</sup>. This integration can

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<sup>15</sup> Rahman, Othman, and Zubairi, "The Poverty Conundrum and Pandemic Poor in Malaysia."

<sup>16</sup> R.H. Zakaria, N.I.M. Jaafar, and N.A. Ishak, "Household Debt Decision: Poverty or Psychology?," *International Journal of Business and Society* 18, no. 3 (2017): 515–32.

<sup>17</sup> T.S. Mien and R. Said, "A Cross-Sectional Household Analysis of Household Consumption Patterns: An Indirect Approach to Identify the Possible Factors of Personal Bankruptcy," *Jurnal Ekonomi Malaysia* 52, no. 3 (2018): 245–61, <https://doi.org/10.17576/JEM-2018-5203-18>.

<sup>18</sup> Mustapha et al., "The Had Kifayah Model for Asnaf Students at UiTM Kelantan Branch"; Muin et al., "Proposed Value and Current Kifayah Limit (Haddul Kifayah) Items for Income Zakat in the State of Kedah."

<sup>19</sup> A. Othman and A.H.M. Noor, "Identifying Determinants of Subjective Poverty among Zakat Applicants,"

*Advanced Science Letters* 23, no. 8 (2017): 7710–13, <https://doi.org/10.1166/asl.2017.9559>; Herianingrum et al., "The Impact of Zakat, Education Expenditure, and Health Expenditure towards Poverty Reduction."

<sup>20</sup> Rasool and Noor, "Islamic Poverty Index: Comparative Analysis"; M.S. Abdul Rasool et al., "Poverty Measurement in Malaysian Zakat Institutions: A Theoretical Survey," *Jurnal Ekonomi Malaysia* 45, no. 1 (2011): 123–29.

<sup>21</sup> Subramaniam et al., "Constructing Housing Affordability Index in Malaysia."; Muin et al., "Proposed Value and Current Kifayah Limit (Haddul Kifayah) Items for Income Zakat in the State of Kedah."

<sup>22</sup> Zakaria, Sulaiman, and Malik, "Examining the Pattern of Household Monthly Income and Expenditures by State in Malaysia"; Subramaniam et al., "Constructing Housing Affordability Index in Malaysia."

enhance both governmental and zakat-based financial assistance programs, ensuring that poverty alleviation strategies are grounded in a more accurate and equitable framework <sup>23</sup>.

Moreover, a review of the existing literature indicates that studies on *had al-kifayah* and *had al-kafaf* remain significantly limited. Therefore, this article seeks to explore these concepts in greater depth to enhance understanding of the subject matter. Expanding research on this topic will further support policy refinement, ensuring that economic well-being is measured not just by income levels but by the ability of individuals and families to achieve sustainable financial security and social dignity. By redefining poverty and sufficiency in Malaysia through a more holistic lens, policymakers can work toward a future where economic well-being is more equitably distributed across all income groups.

## Method

This study employs a qualitative research design that integrates a case study approach with a conceptual-comparative analysis. The method involves an extensive review of the relevant literature and official documents to elucidate the theoretical underpinnings of the traditional Islamic economic concepts — *al-kafaf* and *al-kifayah* — while concurrently examining the contemporary income classification system (B20, M50, and T30) proposed by the Khazanah Research Institute.

Through an epistemological analysis, the study systematically compares the traditional

sufficiency thresholds with modern economic indicators, thereby uncovering both the convergences and discrepancies between these frameworks. This approach not only facilitates a deeper understanding of the multidimensional nature of economic well-being but also ensures that the analysis is robust and aligned with the rigorous standards typical of research.

## Results and Discussions

### Analysis of al-kafaf and al-kifayah Concepts

There are differing opinions among Islamic scholars regarding the precise definition of *had al-kifayah*. Some scholars equate *al-kifayah* with *al-kafaf*, while others consider *al-kifayah* to be a higher threshold encompassing both necessities and additional needs that enhance the quality of life for zakat recipients <sup>24</sup>. This distinction is crucial as it reflects the objectives of the Islamic social and financial system in alleviating poverty and providing opportunities for recipients to achieve a more comfortable standard of living.

From an etymological perspective, the term *al-kifayah* originates from *kafa*, which signifies sufficiency in fulfilling essential needs adequately, whereas *al-kafaf* derives from *kaffafa*, which denotes subsistence at a minimal level, just enough to meet one's fundamental requirements <sup>25</sup>. Contextually, *al-kafaf* represents the minimum amount that prevents *kaffa* an individual from severe hardship without surplus or deficiency, while *al-kifayah* signifies a level of sufficiency that enables an individual to lead a decent social life

<sup>23</sup> Muin et al., "Proposed Value and Current Kifayah Limit (Haddul Kifayah) Items for Income Zakat in the State of Kedah"; Othman and Noor, "Identifying Determinants of Subjective Poverty among Zakat Applicants."

<sup>24</sup> Yahyā bin Sharaf al-Nawawī, *Ṣaḥīḥ Muslim Bi Sharḥ Al-Nawawī*, 2nd ed. (Giza: Mu'assasah Qurṭubah, 1994);

Ibrāhīm bin Mūsā al-Shāṭibī, *Al-Muwāfaqāt*, 1st ed. (Cairo: Dār Ibn 'Affān, 1997).

<sup>25</sup> Jamāl al-Dīn Ibn Manẓūr, *Lisān Al-'Arab*, 8th ed. (Beirut: Dār Ṣādir, 2014); Aḥmad bin Fāris bin Zakariyyā' al-Qazwīnī, *Mu'jam Maqāyīs Al-Lughah*, ed. 'Abd al-Salām Muḥammad Hārūn (Beirut: Dār al-Fikr, 1979).

within a community.

Linguistic analysis also reveals that variations in letters can influence the meaning of words based on the Arabic linguistic principle:

“The addition of letters in a word often signifies an addition or intensification in meaning”

This principle suggests that additional letters in a word can imply an expansion in its meaning <sup>26</sup>. Hence, if there is a variation in the root word, it inevitably leads to a difference in meaning. This distinction is further supported by al-Fanjari (n.d.), who defines *al-kifayah* within the Islamic framework as the appropriate standard of living, whereas *al-kafaf* is interpreted as the minimum subsistence level <sup>27</sup>.

This concept is also illustrated in the term *kafatāh*, which al-Sindī (1996) interpreted as *ighṭanah* in the hadith concerning the sufficiency of reciting the last two verses of Surah al-Baqarah at night <sup>28</sup>. Fundamentally, *ighṭanah* originates from *ghanā*, which, according to Ibn Sidah, is the antonym of poverty and denotes wealth or self-sufficiency—being free from dependence on others <sup>29</sup>. The use of the term “wealth” in interpreting *kafatāh* suggests that *al-kifayah* incorporates elements of prosperity and well-being, even at its minimal level.

Thus, it can be inferred that *had al-kifayah* represents the minimum threshold required for an individual to lead a socially decent life in

accordance with societal norms, while *had al-kafaf* denotes the absolute minimum standard of living, which includes only the most basic sustenance—food, clothing, and shelter. Falling below this level would render an individual incapable of survival or productivity.

Accordingly, it can be concluded that *had al-kifayah* signifies a higher degree of well-being compared to the basic subsistence level (*kafaf*). The required income to fulfill human needs within this context encompasses additional elements, whether economic or social. This level aligns with the category of *hajiyyat* (complementary needs), which stands above the *daruriyyat* (essential needs) threshold <sup>30</sup>.

In summary, *had al-kafaf* corresponds to a standard of living that merely fulfills an individual's essential *daruriyyat* for survival, whereas *had al-kifayah* extends to encompass *hajiyyat* and *tahsiniyyat*, ensuring a dignified existence aligned with societal norms.

### Evaluation of B20, M50, and T30 Income Classification

The classification of household economic groups in Malaysia, traditionally based on B40, M40, and T20, has been a fundamental reference for numerous social and economic policies. However, a study by the Khazanah Research Institute (KRI) has indicated that this demarcation does not accurately reflect the reality of economic stratification and actual spending patterns. KRI has proposed a reclassification of household income groups in Malaysia into B20 (bottom 20%), M50 (middle

<sup>26</sup> Maḥmūd bin 'Umar al-Zamakhsharī, *Tafsīr Al-Kashshāf 'an Ḥaqā'iq al-Tanzīl Wa 'Uyūn al-Aqāwīl Fī Wujūh al-Ta'wīl*, 3rd ed. (Beirut: Dār al-Ma'rifah, 2009).

<sup>27</sup> al-Fanjari, “Al-Islām Wa al-Tawāzun al-Iqtisādī Bayna al-Afrād Wa al-Duwal.”

<sup>28</sup> Muḥammad bin 'Abd al-Hādī al-Sindī, *Sunan Ibn Mājah Bi*

*Sharḥ Al-Sindī*, 1st ed. (Beirut: Dār al-Ma'rifah, 1996).

<sup>29</sup> Ibn Manẓūr, *Lisān Al-'Arab*.

<sup>30</sup> Yāsir 'Abd al-Karīm Muḥammad al-Ḥawrānī, “Mi'yār Hadd Al-Kifāyah Wa Āthāruhu Fī Istihqāq al-Zakāh Dirāsah Ta'ṣīliyyah” (Muntadā Fiqh al-Iqtisād al-Islāmī, Dubai, 2017).

50%), and T30 (top 30%). This proposal is based on findings that only the top 30% (T30) exhibit spending patterns characteristic of the middle class, whereas the middle 50% (M50) remain economically vulnerable and must make trade-offs between essential and aspirational expenditures<sup>31</sup>.

This new demarcation utilizes the concept of Expenditure Space, structured into a core-periphery model, which more clearly illustrates different consumption levels compared to the current income classification system. This structure highlights two distinct consumption characteristics:

- **Core:** Comprising nodes with multiple connections to other nodes within the network.
- **Periphery:** Refers to areas outside of the core where nodes are typically less interconnected.

The core in the Expenditure Space is associated with essential consumption, such as food, clothing, and housing-related expenses. These expenditures are made by most households regardless of their income level or household size, indicating that these goods and services are fundamental necessities required by all households.

Conversely, peripheral goods and services tend to exhibit an opposite pattern. Specific household groups typically consume them, and their lower degree of interconnectivity suggests that they are non-essential items. These goods and services reflect “enhanced well-being” or represent aspirational consumption due to their exclusivity. The classification of core and peripheral goods, along with examples, are presented in Table 1.

Table 1: Classification of core and peripheral goods with examples

Core	Periphery
<b>Food.</b> Examples: rice, eggs, fresh meat, fresh seafood, fresh vegetables, potatoes, spices, sugar, coffee, tea, cocoa, honey, bread, butter, milk and other dairy products, chocolates, and sweets	<b>Food/alcohol.</b> Examples: fresh milk, butter, sundry goods, wine, spirits and liquors, cigarettes, food away from home.
<b>Clothing.</b> Examples are garments, clothing accessories, shoes, and other footwear	<b>Housing-related expenses.</b> Examples: maintenance and repair of dwelling, carpets and floor coverings, furniture and furnishings, cooking appliances, air-conditioning, washing machines, refrigerators and freezers, household appliances, and domestic services.
<b>Housing-related expenses.</b> Examples: imputed rent/actual rental paid, utilities (gas, electricity, water supply), and non-durable household goods	<b>Transport.</b> Examples: petrol, motor cars, motorcycles, maintenance of personal transport equipment.
<b>Transport.</b> Examples: petrol, passenger transport by road, e.g., train, bus, taxi	<b>Health.</b> Examples: public and private healthcare services, medical products, and dental services.
<b>Miscellaneous.</b> Examples: hairdressing and personal grooming.	<b>Education.</b> Examples: secondary and tertiary education.
	<b>Recreation, sports and culture.</b> Examples: sports equipment, cultural services, packaged tours, television, photography equipment, musical instruments, gardening items, pet-related products, lottery.
	<b>Miscellaneous.</b> Examples: jewelry, insurance, social protection.

Source: Author's Interpretation

The conceptual distinction of this new demarcation differs significantly from the previous B40, M40, and T20 classifications. The prior classification was primarily monetary-based, relying solely on income levels. This approach may lead to inaccuracies in classification, as poverty is a multidimensional phenomenon that cannot be assessed solely by

<sup>31</sup> Gregory Ho Wai Son and Suraya Ismail, “Searching For The ‘Poor’ and ‘Middle Class’ in Malaysia,” Working

Paper (Khazanah Research Institute, December 30, 2024).

income measurement. Therefore, the new demarcation concept based on Expenditure Space, which evaluates household needs rather than just income levels, is a more accurate approach. This framework better accommodates the diverse and evolving needs of individuals, aligning with contemporary socioeconomic conditions and living standards.

Ultimately, this reclassification aligns more closely with the concept of *had al-kifayah*, which reflects well-being based on actual needs rather than mere income levels. This perspective resonates with the example provided by al-Ghazālī (2005), where an individual possessing a thousand dinars may still be considered poor if their income is insufficient, whereas another person with only basic tools such as an axe and rope may be deemed wealthy<sup>32</sup>. This view underscores the understanding that wealth is not merely about asset ownership but rather about sufficiency in meeting life's necessities.

### **The Integration of al-kafaf and al-kifayah Concepts with Contemporary Demarcation**

The contemporary paradigm in Islamic economics has witnessed a significant evolution in integrating traditional concepts with present-day realities, particularly in measuring and classifying socioeconomic strata. The convergence of the *al-kafaf* and *al-kifayah* concepts with the latest income demarcation system by KRI underscores a more holistic approach to assessing economic well-being. A thorough analysis reveals that *al-kafaf*, which refers to the minimum basic needs threshold, strongly correlates with the B20 group and is part of the M50 segment. Meanwhile, *al-kifayah*, representing an optimal standard of living, is closely associated with the

T30 segment.

In the context of contemporary zakat administration, this conceptual framework demonstrates that individuals within the B20 group who can only meet less than 50% of their basic needs qualify as *asnaf fakir* (the destitute). Meanwhile, a portion of the M50 group, fulfilling more than 50% of their needs but not reaching the *al-kifayah* level, can be classified as *asnaf miskin* (the poor). This approach not only aligns with the principles of Maqasid al-Shariah in preserving *daruriyyat* (necessities), *hajiyyat* (complementary needs), and *tahsiniyyat* (embellishments) but also provides a more systematic mechanism for determining zakat eligibility based on contemporary economic realities.

The significance of this integration becomes evident when compared to conventional measurement systems, which tend to be linear and limited to income-based dimensions. This new framework considers multiple aspects of well-being, including access to education, healthcare services, and the ability to cope with rising living costs. Such a multidimensional approach enables policymakers to design more precise and effective intervention strategies, wherein the B20 segment at the *al-kafaf* level receives direct assistance for basic needs, while the transitional M50 group is supported through capacity-building and skill-enhancement programs.

The theoretical and practical implications of this integration extend to the establishment of a more robust epistemological foundation for contemporary Islamic social welfare systems. It facilitates a more efficient resource allocation process and the formulation of policies that are more

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<sup>32</sup> Abū Ḥāmid Muḥammad al-Ghazālī, *Iḥyā' 'Ulūm Al-Dīn*,

1st ed. (Beirut: Dār Ibn Ḥazm, 2005).

responsive to the actual needs of society. From a macroeconomic perspective, this approach has the potential to foster greater social mobility and promote inclusive socioeconomic development, ultimately realizing the objectives of social justice that underpin Islamic economics.<sup>33</sup>

An epistemological analysis of this integration reveals that the synthesis of traditional Islamic concepts with modern measurement systems does not merely provide a pragmatic solution to the challenge of assessing economic well-being but also contributes to the advancement of contemporary Islamic economic theory. This approach opens avenues for the exploration of new methodologies in operationalizing traditional Islamic economic concepts in a modern context, thereby enriching the body of knowledge in this field.

From a practical application standpoint, this integration allows for the formulation of more precise and effective welfare policies. The adoption of the *al-kafaf* and *al-kifayah* framework within contemporary income demarcation systems enables more accurate identification of target groups, leading to a more efficient distribution of resources. Additionally, this approach facilitates more targeted development planning, ensuring that programs address the specific needs of each income group.

In conclusion, the integration of *al-kafaf* and *al-kifayah* concepts with contemporary income demarcation represents a significant milestone in the evolution of Islamic economics. It not only offers practical solutions to current challenges in measuring economic

well-being but also contributes to the theoretical expansion of contemporary Islamic economic thought. This framework paves the way for further research in various areas, including the operational methodologies of Islamic economic concepts in modern contexts, the development of more comprehensive well-being indicators, and the optimization of resource distribution systems in Islamic economics.

### **Implications of Income Demarcation on Zakat Institutions and Welfare Organizations**

The concepts of *al-kafaf* and *al-kifayah* play a significant role in determining the eligibility of aid recipients by zakat institutions and welfare organizations. *Al-kafaf* refers to the minimum sufficiency level required for an individual to survive without experiencing severe hardship, whereas *al-kifayah* encompasses a broader definition of sufficiency, covering not only basic needs but also holistic social well-being. The implications for zakat institutions and welfare organizations can be observed in the context of fairness in resource distribution, precision in aid targeting, and the effectiveness of welfare policies.

From the perspective of zakat institutions, a deeper understanding of the distinction between *al-kafaf* and *al-kifayah* enables more precise mechanisms for aid distribution. If eligibility is determined solely based on the *al-kafaf* concept, recipients will only receive aid at a minimum level, sufficient merely to sustain life. However, this approach does not account for broader well-being elements such as education, healthcare, and long-term economic stability. In contrast, *al-kifayah*

<sup>33</sup> Fadli Abdullah and others, 'Contemporary Challenges for Sharia Financial Institutions to Increase Competitiveness and Product Innovation Perspective of

Sharia Economic Law: Evidence in Indonesia', *MILRev: Metro Islamic Law Review*, 3 (2024), pp. 141-73, doi:10.32332/milrev.v3i2.9202.

emphasizes providing assistance that not only meets basic needs but also enables individuals to break free from the poverty cycle through better economic opportunities. Therefore, zakat institutions that adopt the *al-kifayah* approach in determining aid eligibility can ensure that the assistance provided is not merely immediate but also contributes to the socioeconomic development of recipients.

Furthermore, welfare organizations that complement zakat institutions must also consider this concept when determining aid eligibility demarcation. If they adhere strictly to an *al-kafaf* based approach, welfare organizations may only provide minimal aid in the form of food, clothing, and shelter. While this is crucial for the poor, it is insufficient to ensure recipients achieve a more stable standard of living. By utilizing *al-kifayah* as the basis for aid determination, welfare organizations can design more comprehensive programs such as skills training, business capital assistance, and educational support, ultimately reducing recipients' long-term dependency on aid.

Another critical implication is the need for coordination between zakat institutions and welfare organizations in determining a sufficiency threshold (*had al-kifayah*) aligned with current socioeconomic realities. Studies indicate that variations in the calculation of *had al-kifayah* across regions may lead to disparities in aid distribution. This phenomenon could also encourage the movement of zakat recipients between regions to seek higher benefits. Thus, establishing a standardized or at least locally adjusted *had al-kifayah* in accordance with the cost of living would ensure more effective and equitable aid distribution.

Additionally, integrating the concepts of *al-kafaf* and *al-kifayah* with modern economic classification systems, such as the B20, M50,

and T30 categories, can enhance the effectiveness of welfare policies. The B20 group, generally falling below the *al-kafaf* threshold, requires immediate aid to meet basic needs, whereas a portion of the M50 group may still be classified as poor and require economic development interventions. By adopting this approach, zakat institutions and welfare organizations can develop more precise aid strategies, ensuring that recipients are not only supported in meeting necessities but also provided with the means to attain a higher level of well-being.

Overall, the integration of *al-kafaf* and *al-kifayah* into the aid eligibility framework of zakat institutions and welfare organizations can enhance resource allocation accuracy, ensure aid truly meets recipients' needs, and contribute to long-term societal well-being. By considering broader well-being elements, zakat institutions and welfare organizations can play a more effective role in poverty alleviation and in fostering a more self-reliant and prosperous society.

## Conclusion

This study critiques the traditional income-based approach to assessing economic well-being in Malaysia, arguing that it fails to reflect the multidimensional nature of poverty, particularly amid rising living costs and regional disparities. By integrating the Islamic economic concepts of *al-kafaf* (minimum survival needs) and *al-kifayah* (a broader standard of sufficiency) with modern classifications like B20, M50, and T30, the research proposes a more holistic and context-sensitive framework for measuring household well-being and formulating equitable socioeconomic policies. Empirical insights from the application of the Expenditure Space approach demonstrate that the KRI's income classification model is more

aligned with present socioeconomic realities than the conventional B40-M40-T20 framework. This refined approach allows for more accurate identification of community needs and strengthens policy responsiveness. Furthermore, from an Islamic perspective, *al-kifayah* supports more effective zakat distribution and social aid by ensuring access to essential services such as education and healthcare, helping beneficiaries move beyond mere survival. Theoretically, this research contributes to the advancement of Islamic economics by offering a normative-practical model for income assessment grounded in the *maqasid syariah*. It also lays the groundwork for future studies on adapting *al-kifayah* thresholds to different socioeconomic contexts and comparing them with multidimensional indices like the MPI. Overall, the integration of Islamic principles into well-being metrics not only enhances policy design but also reinforces social justice and promotes a more inclusive and resilient economic system.

### Credit Authorship Contribution

Abdul Muzil Abd Rahim: Conceptualisation, Literature Review, Writing – Original Draft, Writing – Review & Editing. Muhammad Nazir Alias: Methodology Design, Data Analysis, Writing – Review & Editing. Anwar Fakhri Omar: Validation, Supervision, Final Approval of the version to be published. Muhamad Mu'izz Abdullah: Literature Curation, Writing – Review & Editing, Formal Analysis. Zuliza Mohd Kusrin: Data Collection, Interpretation, Writing – Review & Editing. Mohd Al Adib Samuri: Theoretical Framework, Conceptual Refinement, Supervision. Nik Abdul Rahim Nik Abdul Ghani: Critical Review, Academic Input, Final Approval. Sheila Fakhria: Document Review, Cultural Contextualisation,

Writing – Review & Editing.

### Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper. The authors are grateful to the Faculty of Islamic Studies, Universiti Kebangsaan Malaysia, for continuous academic support and institutional resources that facilitated the completion of this study.

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