

A Fresh View On Zakah As A Socio-Financial Tool To Promote Ethics, Eliminate Riba And Reduce Poverty

Magda Ismail Abdel Mohsin

International Centre for Education in Islamic Finance, Malaysia

Abstract

Current statistical data shows that almost all Muslim countries are facing economic and social problems such as the spread of poverty, mounting outstanding external debt due to compound interest and widespread unethical behaviour. Some contemporary scholars relate these problems to the oppression and the crippling policies of former colonial administrations, while others point to the governmental incompetence and corruption that triggered the last Arab spring. However, this paper contends that although the above mentioned issues may have served as catalysts that led to the worsening of socio-economic situation in many countries, the main reason for the overwhelming problems plaguing Muslim countries is their neglect of many Islamic financial and socio-financial duties, including *zakah* (alms) which is conceived to spread ethical behaviour, eliminate *riba* (interest), empower the poor and needy and so reduce and may even end poverty. This study aims to demonstrate how *zakah*, as a socio-financial tool, can help promote sound standards of ethics, generate funds to counter external borrowing endorsed by anti-poverty programmes, empower the poor, and eradicate poverty in Muslim societies. This paper uses a secondary source based meta-analysis of books, articles, journals, annual reports, and websites, besides referring to the Quran and the Sunnah of the Prophet (PBUH) whenever necessary. The findings show it is imperative that *zakah* to be recognised as an effective socio-financial tool to counter the ills currently plaguing Muslim societies. Adequately managed and distributed *zakah* can help to promote good ethics, overreliance on external borrowing, empower the poor and end their poverty hence, resulting in a just and a caring society.

Keywords: *zakah*, socio-finance, ethics, *riba*, poverty alleviation, caring society

1. Introduction

With the end of the Ottoman Empire in the nineteenth century and colonisation, which took place in almost all Muslim countries in the twentieth century, many Muslim countries were forced to follow secular systems counter to the teachings of Islam. For example, the issue of interest or *riba* in financial sectors is of particular significance as it contributed to the development of a secular taxation system, effectively replacing the institution of *zakah* (compulsory alms being one of the pillars of Islam). Since then, *zakah*, one of Islam's socio-financial tools, has been placed in the domain of religious authorities and contribution has been left to individuals' decisions. As such, its remittance became voluntary in almost all Muslim countries, creating ambiguity in the understanding of this concept amongst many Muslims today. Some believe that a combination of disbursements, such as paying *zakah* and their current taxes, will cover alms related obligations. Other more sincere givers may find themselves parting with ever greater outlays as they may feel obliged to pay both compulsory taxes and the obligatory *zakah*. Still others may circulate their *zakah* among relatives and friends rather than considering the designated eight categories of *zakah* recipients (Al Qardawi, 1999; Muneeza, 2017; Shah and Hassan, 2017).

The objective of this study is to present the practical implication of the importance of *zakah* as a socio-financial tool that can re-circulate the wealth on a regular basis from the wealthier ('the have') to less fortunate ('the have not') in such a way that it will enhance the ethics of both givers and recipients of *zakah*, stop recipients from borrowing with *riba*, and hence reduce poverty. This will be achieved by dividing this paper into six sections, the introduction, literature review, shariah framework of *zakah*, challenges and obstacles facing *zakah* today, practical implications for *zakah* as a socio-financial tool to promoting sound ethics, eliminating *riba*, empowering the poor, and ending poverty, followed by the conclusion and policy recommendations.

2. Overview of Zakah

2.1. Definition of Zakah

Literally *zakah* means purifying, blessing and increasing the wealth of the giver. As one of the pillars of Islam, its giving is compulsory once the wealth reaches *al-nisab* (the minimum assigned) on a yearly basis; those who have not reach *al-nisab* are not obliged to pay *zakah*. *Zakahable* wealth is divided into two categories: *zakah al-Fitrah* and *zakah on wealth*. *Zakah al-Fitrah* is given during the month of Ramadan and *zakah on wealth* includes more than fourteen types of *zakahable* wealth including gold, jewellery, silver currency, fixed capital, rented buildings, commercial assets, agricultural products, honey and animal products, livestock, profits from mining and fishing, besides, *zakah* on salary, wages, bonuses, grants, gifts, and dividends (Al Qardawi, 1999; Abdullah and Sapiei, 2018).

The recipients of *zakah* are eight categories of beneficiaries and are very clearly specified in al-Quran as mentioned in Surah al-Tauba (9:60) below:

Zakah expenditures are only for the poor and for the needy and for those employed to collect [zakah] and for bringing hearts together [for

Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveler - an obligation [imposed] by Allah. And Allah is Knowing and Wise.

The above Quranic verse specifies very clearly that zakah recipients are: the poor, the needy, managers of *zakah*, reverts to Islam, captives, defaulting debtors, for any good cause in the name of Allah, and travellers.

2.2. Literature Review on Zakah

While few studies have examined *zakah* either as an alternative tool to *riba* or as a tool to promote ethics and empower the masses in Muslim societies, many have analysed it as a method to eradicate poverty.

With reference to *zakah* as a tool to eradicate poverty, many sources have been found on the issue. For example, Abdel Mohsin and Alhabshi (2016) show that *zakah* is a poverty alleviation tool and a charity instrument for eradicating poverty. Similarly, Mohamad and Rahim (2012) assert that *zakah* could be instrumental in alleviating poverty in Sarawak, Malaysia. As such, they suggest that improved monitoring, administration, and management of the wealth redistribution process, as well as increased transparency and creativity in reaching *zakah* recipients, need to be addressed in tackling poverty in the state. Shah and Hassan (2017) agree that *zakah* has an inherent potential to eradicate poverty, particularly in Malaysia. However, they also suggest increased collaboration with other agencies, especially at the state level, to provide much needed poverty reduction programmes in addition to augmenting *zakah* distribution to *bona fide asnafs* and ensuring transparency in the various *zakah* managing organizations.

In a study involving thirteen Indonesian regions, Pickup et al. (2018) reported that *zakah* had a profound effect on poverty reduction in the country. They concluded that the average monthly income among the zakah recipients rose 27 percent after receiving *zakah*. Likewise, Islamic Research and Training Institute (2015) showed positive implications brought by zakah collection and distribution in Nigeria and Sudan.

Sadeq (1997) submits that *zakah's* effect on macroeconomic policies affecting growth and poverty might be limited because most policies are championed by governments. He further submits that in this parlance *zakah's* chief role would be to redistribute resources. However, he agrees that *zakah* could play a more decisive role at the micro level. Moreover, Sadeq (1997) argues that while *zakah* may provide much needed assistance in poor unproductive households (e.g. the physical, human, and financial resources to tackle poverty), in justifiable “unproductive cliques” (i.e. widows, the aged, indisposed, and disabled), *zakah* institutions would instead deliver regular handouts to cover basic needs.

Abdul Razak (2019) after examining the causes and possible solutions for poverty alleviation called for restructuring the current role of *zakah* and putting it into practice to mitigate poverty. Trying to solve the problem from an Islamic perspective, he analyses the roles of *zakah* and *awqaf* and submits that while the Law Giver stipulated eight rightful beneficiaries in Quran, a consensus exists that priority should be given to

the poor and needy as regards the distribution of *zakah* proceeds. Similarly, Al Qardawi stated that the main rationale behind levying *zakah* is to alleviate poverty or as Islamic *fiqh* literature puts it, to “better the lot of the poor”. With reference to the inclusion of all *zakahable* wealth for poverty eradication *zakah* (1989) suggested that *zakah* can eradicate poverty if all forms of wealth are *zakahable* and wealth from all sectors is included. Abdul Razak (2019) emphasizes the need to include *zakah* in the scheme of poverty reduction programmes. *Zakah* will only have the capacity to harness the additional funds needed if, and only if, workable policies are issued to bolster the third sector, housing institutions commensurate to those administering the private sector in many relevant economies.

With reference to *zakah* as a tool to eliminate *riba*, only a small amount of literature has been written on the issue. For example, Abdel Mohsin and Alhabshi (2016) re-assure that *zakah* can play a vital role as an alternative socio-financial tool to *riba*, if *zakah* collection becomes compulsory and collected from all *zakahtable* wealth. As a result, an immense amount of funds will be collected to be distributed, thus putting to an end external borrowing with *riba* for anti-poverty programs. Similarly, Kaleem and Ahmed (2010) highlight *zakah's* role as a source of funds for Islamic microfinancing. Such funds could be also used to advance interest-free loans to support consumption and to enable production, the cumulative effect of which would be to alleviate poverty. Similarly, Muneeza (2017) asserts that *zakah* is a tool to establish sustainable development for mankind, as *zakah* creates a collective social security scheme for mutual benefit and kindness among Muslim communities.

2.3. Zakah Management

Zakah management was centralized for 1300 years under governance of the state from the time of the Prophet (PBUH) until the end of the Ottoman Empire. At the beginning of the twentieth century and with the collapse of the Ottoman Empire, obligatory *zakah* has been replaced with tax while its collection became voluntary in nearly all Muslim countries.

2.4. Justification for State to Manage Zakah

The following hadith authenticates that *zakah* must be managed by the state even if the state will tamper with it later:

Anas narrates that "a man asked the Messenger of Allah (pbuh), If I give zakah to the person you send, would I be fulfilling it as far as Allah and His Messenger are concerned?' The Prophet answered, 'Yes, if you give it to my messenger, you are freed from that obligation as far as Allah and His Messenger are concerned. You deserve its reward, and if it is tampered with later, the sin is on whoever changes it." (Nail al Awtar, Vol. 4, p. 155).

One may ask why *zakah* must be given to the state? There are many justifications for such question: one is mentioned in above hadith, as to free the Muslim from such obligation during the Day of Judgment, and the others had been postulated by Islamic scholars (Al-Qardawi 1999) and are listed below:

- State has a wider vision on the true *zakah* recipients, so by giving to right recipients this will satisfy the basic needs of the recipient and hence, end their poverty.
- State has a great role in changing the recipients of *zakah* to givers of *zakah* in the nearest future.
- Some eligible Muslims may not know how to pay their dues hence the *zakah* manager can help them.
- Collection of *zakah* by the state will encourage Muslims to fulfil their obligations through the right channels, so releasing them from this obligation in the Hereafter.
- Regular collection of *zakah* will promote a good ethic: from being greedy or miserliness to being kind and generous in giving and hence, create a society based on brotherhood.
- For the poor to receive *zakah* directly from the state will enable them to preserve their dignity and avoid humiliation.
- Finally, collecting *zakah* from all eligible Muslims and from all the fourteen types of *zakahable* wealth will not only help in distributing the wealth in a just manner but will prevent *zakah* recipients from borrowing with *riba*/interest to meet their crucial needs hence, will prevent government from getting external borrowing to finance any poverty program.

2.5. Objectives of Zakah

Zakah is not only a socio-financial mechanism for regulating wealth, but it is a domestic financial scheme to enhance ethical behaviour in society besides financing its recipients in an ethical manner to enable comfortable living for all. The main objectives of *zakah* as gleaned from the Quran are three:

2.5.1. Wealth Distribution

As mentioned in the above Quranic verse by Nail al Awtar (Vol. 4, p. 155), such compulsory giving has to circulate the wealth from ‘the have’ to ‘the have not’, and not only to be circulated among the rich. Only then the gap between the rich and the poor will be narrowed since such circulation has to empower the recipients of *zakah* to be givers of *zakah* in the following few years.

Whatever (from the possessions of the towns people) Allah has bestowed on His Messenger belongs to Allah, and to the Messenger, and to his kinsfolk, and to the orphans, and to the needy, and to the wayfarer so that it may not merely circulate between the rich among you. So accept whatever the Messenger gives you, and refrain from whatever he forbids you. And fear Allah: verily Allah is Most Stern in retribution (Sura al Hashir, 59:7).

2.5.2. An Act of Devotion

Through compulsory giving *zakah*, as part of belief, this will uplift the spirit of man beyond the love of material attainment as it purifies and blesses the souls of *zakah* giver from any selfishness and greediness besides, purifying and blessing the souls of *zakah* recipients from any hatred, jealousy and laziness hence enhance an ethical and caring society. This is clearly mentioned in the following Quranic verse:

Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them increase, and invoke [Allah's blessings] upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing (Surah Al-Taubah, 9: 103).

2.5.3. Reduction of Usury

As mentioned in the following Quranic verse, if people lend to others with interest aiming to increase their wealth, it will not increase with Allah. But if they give in *zakah*, desiring the countenance of Allah their accomplishments is to be abundant.

And what you give for usury to increase in (the) wealth (of) people, not (will) increase with Allah. But what you give of zakah desiring (the) Countenance (of) Allah, then those [they] (will) get manifold (Surat al-Rum, 30:39).

2.6. Challenges and Obstacles Facing Zakah Today

For several decades, the role of *zakah* has been stagnant in Muslim countries. Its collection became voluntary (giving directly to those deemed to be the deserving poor), there was no adequate documentation of *zakah* collection and distribution, the rights of recipients of *zakah* have been overlooked, a huge amount of external debt has been accumulated by anti-poverty programs and widespread poverty has been propagated throughout the Islamic world.

2.6.1. Voluntary contributions

Currently, the collection of *zakah* -- either through public or private organisations -- is considered voluntary in most of the Muslim countries. There are six Muslims majority countries have mandatory *zakah* collection systems, these are: Libya, Malaysia, Pakistan, Saudi Arabia, Sudan, and Yemen. These countries have varying degree of enforcement in collecting *zakah*. In Malaysia, authorities have difficulty enforcing *zakah* payment despite *zakah* is mandatory in the nation (Powell, 2010). In countries like Oman and Nigeria, the collection and distribution of *zakah* is administered by governmental departments although *zakah* is voluntary in those countries (Hasan, 2015). The *zakah* administration in selected Muslims countries is illustrated in Table 1.

Table 1: Zakah Administration in Selected Muslim Countries

Country	Government	Private	Collection
Afghanistan	No government system	N/A	None
Algeria	No government system	N/A	None
Bahrain	Regulated by state	Zakat Fund	Voluntary
Bangladesh	Regulated by state	Zakat Fund	Voluntary
Egypt	Regulated by state	Nasser Socialist Bank; Zakat foundation of Egypt	Voluntary
Indonesia	Regulated by state; National Board of Zakat Republic of Indonesia	Semi-autonomous zakat agencies	Voluntary
Iran	Overseen by government	bonyads	Voluntary
Jordan	Ministry of Awqaf	Zakat Fund	Voluntary
Kuwait	Ministry of Awqaf	Zakat House	Voluntary
Libya	General Directorate for Zakat	N/A	Compulsory
Malaysia	State Islamic Affairs Councils	Regional institutions	Compulsory

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Nigeria	State governments	N/A	Voluntary
Oman	Ministry of Religious Affairs and Endowments	N/A	Voluntary
Pakistan	Ministry of Religious Affairs; State Bank of Pakistan Karachi	Zakah Councils	Compulsory
Saudi Arabia	General Authority of Zakat & Tax	N/A	Compulsory
Senegal	No government system	N/A	None
Somalia	No government system	N/A	None
Sudan	Diwan Zakah	N/A	Compulsory
Turkey	No government system	Private institutions	Voluntary
Yemen	Administration of Duties	N/A	Compulsory
UAE	Overseen by government; Minister of Justice, Islamic Affairs and Endowments	UAE Zakat Fund	Voluntary

Source: Hasan, 2015; Powell, 2010

The current situation of *zakah* administration shows that its role has been stagnant for decades and its collection becomes voluntary in almost all Muslim countries even though *zakah* constitutes the third pillar of Islam.

2.6.2. Lack of zakah documentation

Realization is fast dawning that *zakah* management is inefficient in the Islamic world, especially regarding the documentation on collection and distribution, as seen in Table 2, indicating the deficiency of available data.

Table 2: *Zakah* Collection and Distribution (2000-2015) in Millions USD*

Country	<i>Zakah</i> collection		<i>Zakah</i> distribution	
	2000s	2010s	2000s	2010s
Afghanistan	--	--	--	--
Algeria	-	12.7 (2014)	--	--
Bahrain	34.5 (2005)	--	--	--
Egypt	--	285 (2011)	--	--
Indonesia	--	363.9 (2016)	--	201 (2016)
Iran	--	--	--	--
Iraq	--	--	--	--
Jordan	--	--	--	--
Malaysia	--	446 (2012)	--	366 (2016)
Nigeria	--	3 (2013)	--	--
Oman	--	--	--	--
Pakistan	30 (2005)	--	24.15 (2005)	--
Saudi Arabia	--	8000 (2015)	--	--
Senegal	--	--	--	--
Somalia	--	--	--	--
Sudan	--	22.5 (2013)	--	20.5 (2012)
Syria	--	--	--	--
Tunisia	--	--	--	--
Turkey	--	--	--	--
Yemen	--	--	--	--
UAE	--	51 (2017)	--	53 (2017)

Source: Data was collected by the author from official websites listed in Appendix A.

*All original currency figures were converted to USD

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Table 2 above substantiates the lack of data about *zakah* collection and distribution in selected Muslim countries. This may reflect one of the factors contributing to the widespread of poverty in the Islamic world.

2.6.3. Poverty in the Islamic world

Table 3 shows that poverty is widespread in Muslim countries. For example; 54.5% of the total population in Afghanistan are living below national poverty line, in Nigeria 46.7%, in Afghanistan 54.5%, whilst in Syria, a staggering 82%.

Table 3: Poverty in Muslim countries 2015-2017

Country	Total population 2017 (millions)	Muslim population 2017 (%)	People living below national poverty line 2015-2017 (%)
Afghanistan	35.5	99.7	54.5
Bahrain	1.5	73.7	N/A
Bangladesh	170	90.4	24.3
Egypt	97.5	94	27.8
Indonesia	264.9	87.2	28.1
Iran	83	99.4	N/A
Iraq	40.2	95.7	23
Jordan	10.5	97.2	14.2
Kuwait	2	74.6	N/A
Malaysia	32.6	61.3	19
Morocco	38.3	99	15
Nigeria	214	53.5	46.7
Oman	4.6	85.9	N/A
Pakistan	207.7	96.5	24.3
Saudi Arabia	33.4	97.1	N/A
Senegal	15.8	96.1	46.7
Somalia	11.7	99.8	N/A
Sudan	45.5	97	46.5
Syria	19.3	87	82.5
Tunisia	11.7	99.1	15.5
Turkey	82.3	99.8	13.5
Yemen	29.8	99.1	54
UAE	9.9	76	19.5

Note: information is obtained from World Bank (2020) and CIA (2020)

Data collection is challenging in some countries due to political conflict and unrest, and thus some of the figures presented in Table 3 are estimates.

2.6.4. Lack of data on all types of *zakahable* wealth

Islamic Research and Training Institute (2015) indicates that there is no regular data collection on *zakah* from all the fourteen types of *zakahable* wealth in almost all Muslim countries with the exception of Nigeria and Sudan. *Zakahable* wealth includes

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livestock, gold, silver currency, jewellery, commercial assets, agriculture, honey and animal products, profits from mining and fishing, rented buildings, plants, and fixed capital. Hence, if all these fourteen types of *zakahable* wealth are collected than an immense amount of *zakah* funds would be accumulated and that would help with alleviating the poverty in the Islamic world. However, the lack of adequate control of *zakah* management in the Islamic world today represents an obstacle towards poverty alleviation. For example, in Nigeria, *zakah* institutions collect cash, livestock and agricultural products yet the amount is negligible (Ahmad, 2019). Similarly, in Sudan, even though *zakah* institutions collect a wider range of assets, including, livestock, mining, trade inventory, rented buildings and salaries (Islamic Research and Training Institute, 2015) yet insufficient governance of *zakah* management does not allow for higher collection of *zakah*. Hence, deficiencies in organising sound governance of *zakah* and the lack of understanding of its remarkable role in the Islamic world are likely to be symptomatic of deterioration of interest in *zakah* despite its Quranic origin.

2.6.5. Borrowing with interest (riba) for poverty alleviation programs

Even though *zakah* money must be obtained from the above mentioned *zakahable* wealth yet it does not happen. Hence, most Muslim countries are facing a shortage of funds to finance their anti-poverty programs. This in turn forces governments to borrow funds with interest in order to finance such programs. As a result, Muslim countries are subject to the trap of compound interest as exemplified in the case of Nigeria. Although Nigeria benefited from massive debt relief, the nation's public debt exceeds \$80 billion at the end of June 2019 (Debt Management Office Nigeria, 2019). Moreover, Nigeria's debt profile is increasingly made up of commercial debt, limiting the country from escaping its self-inflicted debt trap (Brannon, 2019). Hence, through borrowing with interest Nigeria will continue repaying back the loan while poverty will persist for generation to come. Table 4 shows that not only Nigeria but other Muslim countries are trapped into borrowing with interest (*riba*).

Table 4: Total Lending by World Bank between 1970 and 2020 for Poverty Alleviation Programs

Country	Total Lending (USD millions)	Interest Rate (%)
Bangladesh	54	9.7
Chad	39	-
Egypt	20,390	18.3
Indonesia	54,913	10.5
Jordan	6,568	8.7
Malaysia	3,915	4.9
Morocco	18,669	-
Nigeria	6,687	16.9
Pakistan	10,583	8.5
Senegal	155	5.1
Sudan	32	16.2
Syria	579	-
Tunisia	10,473	-
Turkey	42,006	-

Source: World Bank Group Finances (2020) and World Bank (2019)

As seen above, majority of Muslim countries find themselves caught in a poverty situation due to the amount of interest paid on loans which they will likely continue to pay for generations to come. The question that may arise is whether *zakah* has the potential to stop borrowing with *riba*/interest for anti-poverty programs, eradicate poverty and spread ethical environment in the Islamic world, if its collection becomes compulsory and its management become efficient. This question will be analysed below.

3. Current and Innovative Ways in Managing *Zakah* Today

For *zakah* to meet its objectives today, it is vital for governments in Muslim countries to recognize its importance as the third pillar of Islam and as a compulsory due to be given to the state to meet its objectives. As such, it is Muslim compulsory upon Muslims to give *zakah* on regular basis from all types of *zakahable* wealth they own. Ideally, *zakah* is a compulsory levy, collected by the government from all eligible Muslims to be redistributed to eight recipients as mentioned in al-Quran. *Zakah* managers, in turn, should be trained to facilitate efficient *zakah* management and ensure that *zakah* is redistributed to its eligible recipients in a way that empower them to be active contributor to the society. In this way, they will become *zakah* givers in future.

3.1. *Zakah* Collection from Salary and its Immense Amount

In Islam, it is acceptable for *zakah* to be remitted on a monthly basis, if payment is made in advance. It has been reported that the Prophet (PBUH) accepted *zakah* from his uncle, Al-Abbas, two years in advance because of Muslim need at that time (Al Qardawi, 1999).

Today, most of the Muslim population earn monthly salaries, so excluding such type of *zakahable* wealth may therefore result in shortages of funds which could otherwise have been used to help eradicate poverty. This realisation encouraged some Muslim countries, such as Sudan, to enact laws for compulsorily collection of *zakah* on salaries, while other countries like Malaysia chose to do it on a voluntary basis. For example, the Income Tax Act 1967 in Malaysia encourages Muslims to pay *zakah* on monthly basis through tax rebates without affecting their net payment (Abdul Razak, 2019; Abdullah and Sapiei, 2018). This means that such *zakahable* wealth can be summed up as the liquid assets a Muslim possesses after deducting short term liabilities. Assets include cash and savings while liabilities include debts and expenses. Once all expenditure has been deducted from the total annual gross income, the balance, if it reaches *al-nisab*, will be subject to *zakah* of 2.5%. At the end of each year, the *zakah* giver has to recalculate his *zakah* value again and in the case where the savings are higher than previously estimated, then the outstanding balance should be given to the department managing *zakah*. In the case of the *zakah* giver incurring higher costs than previously calculated (e.g. unexpected expenses) with evidence in the form of receipts or bills supporting the unexpected expenditure, a refund of the overpaid balance should be arranged by the department managing *zakah*.

A study conducted by Mohsin (2011) has shown that substantial amounts of *zakah* can be collected from *zakah* al-fitr and the potential givers' salaries. Assume that *zakah*

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becomes compulsory in country A with a Muslim population of 32 million of which 5 million are rich, 10 million are the middle class, and 17 million are less productive members of society (i.e. young, elderly, poor and in other needs). In this scenario, if country A would have its *zakah al-fitr* at \$1 USD dollar, then the amount of \$32million can be collected within one month only. This amount of money would be a tremendous help in supporting the basic needs for the poor and needy, if efficient management. Similarly, with reference to *zakah* from salary, if the rich give USD1000 per year as their *zakah* and the middle class give USD100 per year then a total amount of USD6 billion of US Dollars will be collected within a year as shown in Table 5 below.

Table 5: Total Annual Collection of Zakah from Salary

Social class	Working Population (millions)	Zakah per year (USD)	USD (billions)
Upper class	5	1000	5
Middle class	10	100	1
Total	15		6

Extrapolating from the above example, one could calculate the amount of potentially collectable of *zakah* funds in selected Muslim countries as presented in Table 6. It is assumed that the collection of *zakah* is being organised on a compulsory basis with rich givers contributing an average annual rate of USD1000/person and USD100/person being remitted by the middle-class givers.

Table 6: Zakah collection from salary

Country	Muslim population (mil)	Upper class (mil)	Middle class (mil)	Upper class giving USD1000 zakah per year (bil)	Middle class giving USD100 zakah per year (bil)	Total zakah collection from salary in USD (bil)
Bahrain	0.91	0.2	0.5	0.2	0.05	0.25
Bangladesh	135.1	27	73	27	7.3	34.3
Egypt	77.7	15.5	42.6	15.5	4.26	19.76
Indonesia	218	43.6	150	43.6	15	58.6
Iran	77.1	15.4	47	15.4	4.7	20.1
Iraq	33	6.6	20	6.6	2.0	8.2
Jordan	4.4	0.9	2.9	0.9	0.29	1.19
Malaysia	18.3	3.7	14.3	3.7	1.43	5.13
Morocco	32	6.4	25.5	6.4	2.55	8.95
Nigeria	83	16.6	28	16.6	2.8	19.4
Oman	3.2	0.6	2.2	0.6	0.22	0.82
Pakistan	172	34.4	99	34.4	9.9	44.3
Sudan	29.9	5.8	10	5.8	1	6.8
Tunisia	10.8	2.2	7	2.2	0.7	2.9
Turkey	73.9	14.8	56	14.8	5.6	20.4
Total projected zakah collection from salary						251.1

While Table 6 reflect on an approximate imaginary scenario, it demonstrates the potential of collecting \$251 billion US dollars worth of *zakah* from salaries alone in

twenty-two Muslim countries and that amount will likely keep increasing every year. It needs to be pointed out that the total *zakah* collection from salary in almost all countries included in the table is in the billions of US dollars, whereas the external debt associated with anti-poverty programs is only in the millions. Hence, this scenario confirms that *zakah* provides a genuine and logical tool for not only eliminating *riba* but to eradicate poverty in the Muslim world in a just manner and within a shorter period of time, if all the fourteen *zakah*able wealth categories have been paid. That said, it needs to be emphasised here that organising the management of *zakah* on such a scale is a longitudinal and quite complex process, but its outcome, if implemented on such scale, will be no less than phenomenal.

3.2. Altering Zakah Recipients to become Zakah Givers

For achieving the above mentioned objective *zakah* managers need to be innovate in distributing *zakah* funds to its recipients, in such a way that they will not misuse it and at the same time it will assist them in becoming *zakah* givers in the following years. This can be achieved by dividing *zakah* collection into two parts: one part is to be given as *zakah* cards for meeting basic needs and another part to be given as a *zakah* income-generating scheme that would help *zakah* receivers to start their small business.

3.2.1. Zakah cards scheme

This scheme will help *zakah* recipients in fulfilling their basic needs through *zakah* cards rather than giving them *zakah* money which they might misused. With this card the poor and the needy can get their five basic needs covered in terms of food, cloth, medication, education and shelter.

3.2.2. Zakah income-generating scheme

For this scheme *zakah* managers have to be proactive and give *zakah* in kind. This means *zakah* manager purchases the goods, such as sewing machines for women, boats for fisher men, grass cutters, food stalls etc., and lend them to *zakah* recipients according to their skills to establish own small business. In case when the business becomes profitable and they would like to buy previously borrowed equipment, then *zakah* managers can sell it to them at lesser than the market price. In this case *zakah* managers can help in empowering the poor and need to become active members in the society and become *zakah* givers in the near future.

Hence, these two schemes will help the poor and needy people not only in terms of satisfying their basic needs, but through *zakah* income-generating financial scheme recipients can get help with starting their own small business and that would enable them to become active members in their society rather than relying on charitable handouts.

4. Potential Role of Zakah in Muslim Society Today

As mentioned earlier, *zakah* is a socio-financial tool intended to elevate the spirit of human beings beyond the love of material wealth. Hence, reviving the institution of *zakah* in line with shariah in terms of its compulsory due, its administration and the

inclusion of all types of zakahable wealth substantial amounts of zakah funds can be collected annually for the following purposes:

4.1. Promoting Ethics

As mentioned above by Surah Al-Taubah (9:103), *zakah* increases the wealth of *zakah* givers, purifying not only their wealth but also helping them to heal many types of inappropriate behaviour for both sides; the givers and the recipients of *zakah* within Muslim societies as explained by Al Qardawi (1999).

4.1.1. Enhance good ethics among *zakah* givers

It is contended that the collection of *zakah* on a regular basis will enhance the ethics of *zakah* givers by purifying their souls of miserliness as such selfless generosity emanates from submission to the command of Allah. Moreover, *zakah* would also liberate their souls from an overwhelming love of wealth or material gains. Also the regular payment of *zakah* could be used as a means to train Muslims in the virtues of generosity which in turn could also benefit other charitable causes.

4.1.2. Enhance good ethics among *zakah* recipients

Similarly, the distribution of *zakah* on a regular basis will purify *zakah* recipients' souls of envy and hatred towards the rich, especially if it is transferred to them on a regular basis helping them to find their living. Further, *zakah* frees the beneficiary from the humiliation of receiving a handout directly from his/her neighbour whilst also helping to satisfy his or her basic needs leading to a good and prosperous life for all.

4.1.3. Promote the concept of brotherhood in Muslim society

If *zakah* is managed efficiently and according to the teachings of Islam, healthy and ethical societies will be realized in Muslim countries by which the undesirable behaviours of selfishness, greed, hatred, jealousy and laziness between *zakah* givers and recipients will be transformed into kindness and create a caring society. Moreover, the act of regularly giving *zakah* will have the effect of circulating the wealth from *zakah* givers to *zakah* recipients hence, cultivating a culture of brotherhood between the rich and poor. Similarly, fulfilling the obligation of giving *zakah* is a blessing from Allah (SWT) which will bring prosperity to all, hence will achieve one of the objectives of *zakah* as an alternative to *riba*.

4.2. Eliminating Riba

As highlighted above, aside from inefficient management of *zakah*, *riba* plays a great role in spreading poverty in the Islamic world. Despite Islam's prohibition of *riba*, which Allah (SWT) replaced with alternative financial and socio-financial institutions including *zakah*, as came in Surah al-Rum (30:39), Muslim countries resort to external borrowing for their anti-poverty programs as shown in table IV. In this regard one may ask how *zakah* can replace borrowing with *riba* for such programs. The answer is surprisingly straightforward. Through government mandated contributions immense amount of *zakah* funds will be collected, which will enhance the disposable income of the poor and needy, so preventing them from borrowing with *riba* to meet their crucial needs on one hand and on the other hand, it will assist governments in financing anti-poverty programs rather than resorting to external borrowing with *riba*.

4.3. Empowering the Poor and ending Poverty

Zakah circulates the wealth from ‘the haves’ to ‘the have nots’, hence empowering the poor and helping to eradicate poverty. Referencing the two incidents during the time of Caliph Umar ibn al Khattab and during the time of Caliph Umar bin Abdul Aziz, where *zakah* management was efficient, it has been realized that after a two year period *zakah* recipients became *zakah* givers exemplifying that ending poverty in a short period of time is possible (Al Qardawi, 1999). Studying these two inspiring incidents may help us to discover how *zakah* funds can be collected today, if such contributions were to become compulsory and its management become efficient and transparent.

Similarly, the answer to the question - how *zakah* can empower the poor and needy and eradicate their poverty can be explained as follows. Government collection of *zakah* from eligible Muslims and its redistribution according to the eight categories of recipients until all are enriched will enhance the living standards of the poor encouraging them to become future givers. Moreover, taking into account all *zakahable* wealth will help to redistribute income from ‘the haves’ to ‘the have nots’ in a just and equitable manner, thus reducing the gap between rich and poor and helping to eradicate poverty within Muslim societies. In addition, distributing *zakah* amongst the needy will also have the effect of enhancing aggregate consumption (demand) positively impacting economic growth.

5. Conclusion

The above argument led to the realisation that *zakah*, as it was known in Islam for centuries, has an extraordinary socio-financial potential that has not been fully utilised in recent years. This in turn has compelled governments in Muslim countries to borrow funds with *riba* in order to delay the spread of poverty, which may have provoked instances of unethical behaviour in the Islamic world. Revitalising the practice of collecting *zakah* from salary only would provide governments in Muslim countries with sufficient funds to tackle many societal problems including the wide spreading of poverty in particular. However, revitalising the use of *zakah* on the scale of countries or even a country requires further research and development of government policies to provide a legal basis and to support it across the board implementation.

The practical implication of this paper is in its potential to raise awareness about the importance of collecting *zakah* on a compulsory basis from all *zakahable* wealth in order to achieve its purpose in the Islamic world. On the societal level, *zakah* represents a socio-financial tool for promoting the concept of brotherhood, kindness and generosity besides, empowering the masses. Its use would reduce or even stop borrowing with *riba*, which in turn would position it towards eradicating poverty in Muslim societies.

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Appendix A

The following websites, news, and academic studies on *zakah* comprise the sources of information for presenting Table 2:

Algeria

Algerian Radio (2014), *Zakah Revenue for 2014*, [Online], available from: <http://www.radioalgerie.dz/news/ar/article/20141106/18905.html> (accessed 27 March 2019).

Bahrain

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Bangladesh

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Egypt

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Indonesia

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Malaysia

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Nigeria

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Pakistan

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Saudi Arabia

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United Arab Emirates

Zakah Fund of the United Arab Emirates (2019), *Open Data* [Online], available from: https://www.zakahfund.gov.ae/zfp/web/Page_opendata.aspx (accessed 27 March 2019).