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Islamic Social Welfare and the Role of Zakah in the Family System

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ABSTRACT

Preferment in society was exposed to the two extreme of negligence and excessiveness. Relations in Capitalism are based on monopoly, resulting in an unequal wealth distribution. In Socialism and Communism, relations are based on materialistic equality to diminish the conflicts arising from unequal wealth distribution. Islam stands in the middle course. Islam stands in the middle course. For over fourteen hundred years, the economic system of Islam, in accordance with its policies, stood firm and was instrumental in evolving a society which was neither capitalistic nor socialistic but which combined all the good features of the two. It advocates the system of wealth distribution with a view to realising a society in which there will be no accumulation of wealth in a few hands, no hoarding and no profiteering; a society in which there will be neither slums nor multi-millionaires, neither the exploited proletariat nor the exploiting bourgeoisie. This paper exposes Islamic social welfare and the socio-economic role of Zakah in the family system and its effectiveness in combating poverty and social menace in the society. The paper is analytical with presentation based on survey of relevant literature. The paper confirms that the Zakah system provides a permanent mechanism from within the economy, to continuously transfer income from the rich to the poor and that once correctly assessed, promptly collected and properly disbursed, it plays the role of solving dangerous problems such as poverty, unemployment, catastrophes, indebtedness, and inequitable income distribution in a Muslim society. The paper recommends that Muslims rich should be encouraged to discharge their obligations either through organised systems (where available) or individually. When paying their dues personally, they should be encouraged to start with the Zakah deserving members of their immediate families.

INTRODUCTION

Zakah, the third pillar of Islam, is probably the first pillar of its economic system. It represents the first and most important tool for implementing the economic justice of Islam and provides sustenance to the economically unfortunate, two issues for which Islam is especially sensitive. Zakah is the basis for equitable redistribution of wealth in Islam and the most viable tool for combating poverty and other social and economic ills in an Islamic society. It is an obligation mentioned in the Qur'an about thirty times, in twenty-eight of which, Zakah is associated with prayers. This obligation is also emphasised in a number of sayings of the Prophet (peace and blessing of Allah be upon him).

Zakah provides the basis of Islamic social welfare and plays the role of solving dangerous problems such as poverty, unemployment, catastrophes, indebtedness and inequitable income distribution in a Muslim society, both at family, community and state levels. Although it is argued that Zakah alone cannot provide cure to all the socio-economic problems of the society, and

therefore, has to be complemented with other wealth redistribute agents, nonetheless, it is unanimously agreed that Zakah is prime and that it plays the most vital role in equitable distribution of wealth in any Muslim society.

The role of government with regard to the collection and distribution of Zakah is essential. The Qur'anic verse 9:103 is addressed to the Prophet (peace and blessing of Allah be upon him) as a head of the state and ordained him "take *sadaqah* (Zakah) out of their property". The verse 9:60, which stipulates the distribution, mentions the workers on its collection and disbursement as one of the categories of the recipients of its proceeds. This clearly indicates that Zakah of obvious wealth (farm produce and cattle) is not to be handled by the payers individually but by a government agency which hires its own employees. This principle is very much emphasized by several sayings of the Prophet (peace and blessing of Allah be upon him) and by his own practice during his reign as head of the state in Madinah as well as by his four successors after him. Zakah of hidden wealth (such as cash and stocks of investments) on the other hand, may be handled by payers themselves.

Until the end of the Ottoman Empire, it was the tradition of Muslim governments throughout the history to assign a fund or account in the treasury for Zakah, and its proceeds are distributed within the *Shari'ah* requirements. On the other hand, the state may delegate individual payers to dispose of their Zakah to proper recipients as long as it is generally known that individuals are keen to pay it out of their religious enthusiasm.

In countries like Saudi Arabia, Malaysia, Libya, Pakistan and Sudan, governments or their agencies are responsible for the collection and distribution of Zakah. In these countries, Zakah implementation is through obligatory payment to the government. On the other hand, countries such as Kuwait, Jordan, Iraq, Oman, Qatar, Bahrain, Bangladesh and Indonesia have

established specialized institutions or funds for the collection and distribution of Zakah (Kahf, 1997). Zarqa (1997) further observes that in several estimations of Zakah in different countries, Zakah proceeds were estimated at 3% to 3.6% of Gross Domestic Product (GDP) annually. Thus the effect of Zakah vis-à-vis its socio-economic role is been felt in most Muslim countries with organized systems.

However, the obligation of Zakah is not in any way affected if governments neglect it or in the absence of an Islamic government or constituted agencies. Where government or its agencies are not responsible for Zakah administration, individual Muslims remain religiously obligated to give away their due Zakah by distributing directly or through charitable voluntary organisations to the specified recipients in order to achieve its socio-economic objectives.

This paper discusses the socio-economic role of personal administration of Zakah in the family system and its effectiveness in combating poverty and social menace in the society. The paper is analytical with presentation based on survey of relevant literature with a view to adding to existing literature on the role of Zakah as a social welfare package in the family system of especially Muslim minorities.

The remainder of the paper is organised as follows. The next section covers background issues on social welfare. Section two reviews literature on Zakah. Section three discusses the role of Zakah in the family system. Conclusion and suggestions are given in section four.

BACKGROUND ISSUES ON SOCIAL WELFARE

Human well-being has been the undisputed objective of all societies. There is however a difference of opinion on what constitutes well-being and how it

can be realized. Even though material ingredients are not the only constituents of well-being, the secularist perspective of the present-day world emphasizes mainly these. It is felt that well-being could be ensured if certain material goals that include elimination of poverty, fulfillment of the basic needs of all individuals, full employment, equitable distribution of income and wealth and growth with stability are realised (Chapra, 1991).

Man has been created with different capabilities and potentials. For instance, some are more intelligent while others are more industrious. These differences eventually lead to unequal earnings and the subsequent differentials in the distribution of accumulated wealth. That this has been the order for all generations of human civilization and history cannot be disputed. The only difference among societies would be in terms of the extent or degree of inequality. What is more disturbing according to Alhabshi (1996) is that if the inequalities persist and widen over a considerable period, it would inevitably lead to absolute poverty rather than relative poverty.

The extent or degree of poverty varies from one community to another and from one place or country to another. Its result has a direct effect not only on the life of the individual but also on the community and on the level of their material progress and civil development, causing over 1 billion people in the world today to live under unacceptable conditions of poverty and around 30,000 people in the world to die every day because they are too poor to stay alive (Dogarawa, 2006).

Needless to say if the challenge of poverty is to be met, a social structure free from exploitation, oppression and the concentration of wealth in a few hands will have to be built. Accordingly, different approaches to poverty reduction have been adopted by different communities over the centuries, depending on

the extent of poverty, resource endowments, ideology, the level of political commitment, etc, of the communities.

One of the poverty reduction policies that are fast gaining ground, especially in capitalist economies is 'social welfare', a policy which takes portion of wealth from the haves and gives it to the have-nots with a view to maintaining balance and social justice in the society (Feinman, 2005). Available literature consists of two extremely opposing views on social welfare through wealth distribution. The first view, which is championed by capitalist economists, sees social welfare as a means of taking wealth from hard working members of the society and therefore, a curse rather than a blessing. The opposing view, which is mostly championed by socialist economists and capitalist social scientists advocates social welfare and wealth distribution through abolition of private property, and socialisation of the means of production as panacea to the problems of poverty.

Islam stands in the middle course. Its relations are built according to ranks determined by work and distinguished by purification. For over fourteen hundred years, the economic system of Islam, in accordance with its policies, stood firm and was instrumental in evolving a society which was neither capitalistic nor socialistic but which combined all the good features of the two (Dogarawa, 2003). The policy fostered by the economic system of Islam, the oldest of all organised economic systems, realizes the equilibrium in distributing the wealth structure, observed in the normal conditions, which implements basic Islamic rules. However, in exceptional situations, the Islamic law interferes to stand beside the poor defending them from necessity and risk from tyranny (Qardawi, 1999).

Islam shares with socialism the concern for an equitable distribution of income and wealth but it is strongly opposed to abolition of private property,

and socialisation of the means of production does not harmonise with the primacy accorded to private enterprise in the Islamic system. Islam attaches great importance to personal freedom and preservation of the dignity of individual human beings.

The Islamic system by itself solves the problem of diverse levels of income. It does not permit the wealth of the nation to be in the hands of and control of the rich, so redundant surplus should be obtained from them. It advocates the system of wealth distribution with a view to realising a society in which there will be no accumulation of wealth in a few hands, no hoarding and no profiteering; a society in which there will be neither slums nor multi-millionaires, neither the exploited proletariat nor the exploiting bourgeoisie (Dogarawa, 2003).

ISLAMIC PERSPECTIVE OF WEALTH

Islam has a unique dispensation on the theme of wealth, its ownership, distribution and social relationship. The Qur'anic verses (2:86, 3:14, 3:117, 104:1-9) explain that *all of life's acquisitions* existing in material form and having value, comprise of wealth. However, the verses also give precise moral injunctions as to what are, and are not acceptable kinds of wealth. They point out how individual preferences on wealth formation ought to be utilized within the social meaning. Thus, in Islam the meaning of wealth as both an individually demanded artifact and a social artifact is inextricably intertwined in circular causality; wealth is explained by a system of interrelationships between the tenets of justice, equitable distribution and fairness, and limits of ownership, all governed by the tenets of the moral law (Choudhury, 2003).

In contrast with the secularist worldview of the failed systems, the Islamic worldview is a balanced synthesis of both the material and the spiritual dimensions of life. The synthesis reflects the belief that human beings cannot

realize real well-being that would lead to their physical comfort as well as their mental happiness and tranquility until they have attained a balanced satisfaction of both the material and the spiritual needs of human personality. An undue emphasis on one at the expense of the other is bound to create misery in the long run. Islam also takes the position that it is not possible to utilize resources efficiently and equitably even in a material sense until a moral dimension is injected into all aspects of human activity, and until the economy is restructured in accordance with the dictates of goal realization and moral values (Chapra, 1991).

Islam is dedicated to universal brotherhood, social and economic justice. However, the Islamic teaching of brotherhood and social justice would not be meaningful unless accompanied by economic justice so that everyone gets his due for his contribution to society or to the social product and that there is no exploitation of one individual by another (Dogarawa, 2007). To meaningfully realize social justice therefore, all the resources at the disposal of human beings must be utilized efficiently and equitably to fulfill the needs of all and to bring about an equitable distribution of income and wealth (Chapra, 1991; Kahf, 1999).

Chapra (1991) posits that Islam does not however depend merely on this built-in harmony between its goals and worldview for designing an effective strategy. It also specifies certain essential ingredients of the strategy and puts behind them the full force of its moral sanction to bring about the kind of socio-economic and financial restructuring necessary for goal realization. According to him, the Islamic strategy consists of a set of four indispensable and mutually-reinforcing ingredients. These are: morally-based filter mechanism; strong motivating system to induce the individual to render his best in his own interest as well as in the interest of society; socio-economic and financial restructuring with the objective of realizing the desired goals in spite

of scarce resources; and a positive and strong goal-oriented role for the government.

Hence Islam emphasises distributive justice and incorporates in its effort to foster brotherhood among Muslims a system that seems to: one, make arrangements for training and then rendering assistance in finding gainful employment to those unemployed and looking for work in accordance with their ability; two, enforce a system of 'just' remuneration for those working; three, make compulsory arrangements for insurance against unemployment, occupational hazards, old-age pensions and survivors benefits for those who can afford to provide for this; four, provide assistance to those who, because of disunity, physical or mental handicaps, or obsolescence are unable to support themselves or to attain a respectable standard of living by their own effort; and five, collecting and distributing Zakah and enforcing Islamic teachings related to law of inheritance to accelerate distribution of income and wealth in the community of Islamic brotherhood (Chapra, 1979).

Shafi (1979) beautifully explains the objectives of wealth distribution in Islam. According to him the system for the distribution of wealth laid down by Islam envisages three objects. The first object of the distribution of wealth is that it would be the means of establishing in the world a system of economy which is natural and practicable, and which, without using any compulsion or force, allows every individual to function in a normal way according to his ability, his aptitude, his own choice and liking, so that his activities may be more fruitful, healthy and useful (Q43:32).

The second object is to enable everyone to get what is rightfully his. The basic principle of Islam in this respect is that "wealth" is, in principle, the property of Allah Himself and He alone can lay down the rules as to how it is to be used. According to the Islamic point of view, not only those who have directly

participated in the production of wealth but those to whom Allah has made it obligatory upon others to help, are the legitimate sharers in wealth. Hence, the poor, the helpless, the needy, the paupers and the destitute too have a right to wealth. Allah has made it obligatory on all those producers of wealth among whom wealth is in the first place distributed that they should pass on to them some part of their wealth and in doing so they would only be discharging their obligation, for the poor and the needy are entitled to a share in wealth as a matter of right (Q70:24-25; Q6:142).

The third object of the distribution of wealth, which Islam considers to be very important, is that wealth, instead of becoming concentrated in a few hands, should be allowed to circulate in the society as widely as possible, so that the distinction between the rich and the poor would be narrowed down as far as is natural and practicable. The attitude of Islam in this respect is that it has not permitted any individual or group to have a monopoly over the primary sources of wealth but has given every member of the society an equal right to derive benefit from them. Accordingly, the Qur'an states "So that this wealth should not become confined only to the rich amongst you" (Q59:7). Beyond this, wherever human intervention is needed for the production of wealth and a man produces some kind of wealth by deploying his resources and labour, Islam gives due consideration to the resources and labour thus deployed, and recognizes man's right of property in the wealth produced (Q43:32).

Of these three objects of the distribution of wealth, the first distinguishes Islamic economy from Socialism, the third from Capitalism, and the second from both at the same time. The goal of Islamic social capital is to create universal brotherhood community and social economic justice.

ISLAMIC SOCIAL WELFARE

Social welfare is one of the policy frameworks of Islam for eradicating both absolute and relative poverty. The system of social solidarity or subsistence in Islam stands on an integral foundation. It starts with the individual then the family then society and eventually the entire humanity in its present and future. The state is finally responsible for supporting the needy in this decentralized system of solidarity, so as to avoid excessive tasks, loosen expenditure and unjust treatment of citizens.

Islam enjoins the individual to be economically independent as much as possible in order to safeguard his honour and integrity. It motivates the individual to work and strive, and pursue various professions and crafts to support himself and his dependents. It orders him to refrain from idleness, laziness and joblessness. It warns against begging and cheating others as well as headedness to work.

In addition, Islam discourages the individual from being a liability on others. He is obligated to engage in any useful and gainful economic activity no matter how meagre the return from it would be. The individual is also ordained to seek for knowledge (religious and worldly) to avail himself the opportunity of becoming skilful and relevant in the society, as well as acquiring the requisite knowledge to worship Allah. Members of the society and the state are to compliment the effort of willing individuals to acquire basic education and/or pursue various professions, handicrafts and skilled labour by sponsoring them.

The family on the other hand, is committed to support its members as ordained by Allah as an obligatory maintenance (HQ 16:19 and 4:36). According to a hadith, a man went to the Prophet (peace and blessings of Allah be upon him) saying: "I have a *dinar*", the Prophet said: "Spend it on

yourself". He said: "I have another". He told him: "Spend it on your children". He said: "I have other (a third one)". He replied: "Spend it on your family". He said: "I have other (a fourth one)". He said: "Spend it on your servant". He said: "I have other (a fifth one)". The Prophet said: "You know better what to do with it" (Abu Dawud and Nasa'i). This follows that well to do members of every family are expected to offer helping hand to the economically less-privileged members of the family through compulsory maintenance (where applicable), gift or *sadaqah* and Zakah payment.

Community support is another kind of social solidarity commanded by Allah to uproot traces of poverty and need in society, as well as to disseminate the feelings of mercy and affirm ties among members of the community. In this sphere, there is a group of devoted deeds ordained by Allah, intended to serve as social welfare packages for the poor and needy.

The various means of achieving the solidarity of the community include *Sadaqah* (voluntary charity), which are charitable deeds or gifts including deeds aimed at providing continuous flow of reward after one's death (*sadaqah al-jaariyah*); *Waqf* (religious endowment), which means providing social services like education at all levels, both religious and worldly, health institutions, parks, inns and rest rooms, drinking water facilities, food distribution centres, hajj roads, agricultural lands as a means of support; *Kaffaraat* (religious expiations) for the violation of oaths (*kaffarat al-yameen*), having sexual intercourse during the day in Ramadan, and *zihaar* (a form of pre-Islamic divorce) that contribute to supporting the needy when performed in the form of using a specified portion of one's wealth to atone for one's faults instead of expiating through observance of fast; *Fidyah* (ransom) for committing an action, which is forbidden whilst in *ihraam* (during pilgrimage), and for not being able to observe Ramadan fast due to old age, pregnancy, breast feeding or chronic disease; feeding the poor and offering

sacrifices in respect of *al-Hadyu* (sacrifice offered as one of the rituals of hajj), *al-Udhiyah* (sacrifices offered at Eid al-Adha), and *al-Aqeeqah* (sacrifice offered on the occasion of a baby's birth), and *Wasiyyah* (special pledge of one's portion of wealth to be used by specific individual(s) other than one's heirs, or for social services which is to be executed after his death).

Islam further obliges the state to take care of all the people in general and the needy in particular. The state is responsible for that before people and before Allah. Islam prescribes to the state the duty of providing social security in respect of the standard of living of all the individuals of the Islamic society. The state usually sets about to discharge this important duty in two phases. In the first phase, the state furnishes an individual with an opportunity of a generous share of fruitful work, in order that the individual may earn his livelihood with his own labour and effort by creating jobs for the unemployed, supplying them with tools, preparing them professionally and following up their progress.

However, when an individual is disabled from doing work and earning his livelihood by his own labour, or when in exceptional circumstances the state is unable to give him an opportunity to work to earn sufficient for his upkeep, comes the second phase wherein the state pursues the application of social security by way of making available an adequate amount of money through its various redistribution schemes, or by encouraging other members of the community to do same.

With regard to the income, which helps the state to sponsor and take care of the poor and needy, these are: *Zakah* of especially obvious wealth, *Zakat al-Fitr* (a type of *sadaqah*, which must be paid by every Muslim, young and old, male and female, free and slave, at the end of the month of Ramadan), taxes (when the *zakah* and other income from the sources available to the state are

inadequate), others such as *khums ghanaa'im*, *al-fay'*, *al-'ushoor*, *al-khiraj*, *khums ar-rikaaz*, revenue from state lands and properties, lost property or property that was entrusted to others whose owner cannot be traced, money penalties or fines and estates of those who die without heirs.

Thus, Islam, through the texts of the Qur'an and Sunnah has succeeded in shaping the behaviour and conduct of the individual to become economically independent to support himself first, then his family and relatives, and to finally contribute to the well being of the larger society.

REVIEW OF LITERATURE ON ZAKAH

Literature on Zakah may be classified under two categories. The first category deals with the *fiqh* (Islamic rulings and other juristic issues) of Zakah, contributed by mostly classical *fuqaha* (Islamic scholars) and a few contemporary Islamic economists. This category dwells on the meaning, rulings, philosophy and management of Zakah. Interestingly, Qardawi (1999) has beautifully summarised most of the issues relating to Zakah rulings and philosophy, while Kahf (2000) covered extensively issues on Zakah management using cross-country data from Saudi Arabia, Malaysia, Libya, Pakistan and Sudan. Islahi (2005) on the other hand, cited a number of studies conducted in specific countries that include Azharuddin (1988) in Bangladesh, Faridi (1993 and 1995) in India, Abdullahi (1991) in Indonesia, Ajeel (1995) in Kuwait, Abdul-Wahab (1995) in Malaysia, Balogun (1999) in Nigeria, Khan (1993) in Pakistan, Jamjom (1995) in Saudi Arabia, and Mohammad (1995) in Sudan. Other literature that covered Zakah management but not cited by Islahi includes Al'Adi (1989), Shehata (1989) and Abul Hasan (1990).

The second category relates to the economics of Zakah. According to Kahf (1997), this category comprises of works covering the effects of Zakah on economic aggregates namely consumption, investment and supply; the

relationship between Zakah and macroeconomic models; socio-economic role of Zakah as a social welfare package and a distributive agent; and similarities and dissimilarities between Zakah and taxation or other conventional social security systems.

In Arabic linguistics, Zakah is the infinite of the verb *zaka*, meaning 'to grow, to purify and to increase'. When said about a person, it means 'to improve, to become better.' Consequently, Zakah means 'blessing, growth, cleanliness, purification or betterment' (Sadeq, 2002). In the Islamic law, the word Zakah refers to the determined share of wealth prescribed by Allah to be distributed among the categories of those entitled to receive it. It is a compulsory payment by the wealthy to the economically underprivileged (Mathews and Tlemsani, 2003).

The Islamic law makes the obligation of Zakah a right for the poor and needy, so as to set every Muslim free from the enslavement of fear and hunger. The Zakah is based on the fact that man has created nothing but he adds to the utilities of things. Here, it is a must to give the right of the poor and needy for the cause of Allah, realising the security and subsistence of every individual in society (Kahf, 1989). The Zakah payer while giving it has a deep sense of duty towards the Law-Giver, he has a genuine dedication to the aims and objects of this levy, and he is aware of his ability to pay it.

The obligation of Zakah is mandatory on every Muslim who possesses the minimum *Nisaab* (exemption limit or criterion of Zakatability) of wealth that enjoys growth or is a result of a growth process, whether the person is man, woman, young, old, sane or insane (Qaradawi, 1999). The reason for *nisaab* is to ensure that no one is forced to give Zakah out of what he or she does not have, and that no wealth goes without Zakah. *Nisaab* is also an insurance against the tyranny of the state to tax the poor and or the most needy as is the

case in many countries, and is a reference point for the average Muslim who is not sure whether he possesses the minimum wealth on which Zakah is obligatory (Kahf, 1989).

The *Nisaab* will not be valid unless it fulfills two conditions. One, the amount must be the excess or surplus from one's essential needs for living such as food, clothing, housing, vehicles, tools and machinery that is used in business. Two, *Nisaab* must mature, that is the money is not liable for Zakah unless it has remained a full year in the possession of a person. What should be considered is the existence of *Nisaab* at the beginning and the end of the Zakah year set by the payer and it does not matter if the *Nisaab* money increases or decreases during the calendar year. This condition does not include farm produce, for it is due on the day it is harvested (Qardawi, 1999).

Zakah is different from *Sadaqah*. The term *Sadaqah* refers to non-obligatory actions, where it is left to a man's faith and charitable nature to give without being asked believing that Allah will compensate him, and hoping for a greater reward. It is the act of voluntarily spending one's resources with one's closest relatives or next of kin, as well as with other members of the human community, including those of other faiths, also, including charitable deeds aimed at providing continuous flow of reward after one's death (Haq, 1996).

Based on the texts of Qur'an and many Hadiths that cover the subject of Zakah, classical and contemporary scholars have differing views and opinions concerning items of wealth and income that are subjected to Zakah. While acknowledging the differing views and opinions of the scholars, in this paper however, we consider farm produce that are considered as food and can be stocked or saved naturally without refrigeration; cattle, including camels, cows, sheep and goats, that are freely graze and are raised for trade and production; merchandise and goods of trade and commerce (including stocks

of share investments); and gold and silver used for commerce or jewellery irrespective of whether it is in coins, raw or nugget, jewellery for wearing or for rent to be items of Zakah.

Knowing who qualifies as recipient of Zakah is an important aspect of Zakah collection in Islam. Fortunately, Allah (the Most High) has been merciful to us in that He Himself spelled out the people eligible to receive Zakah. In Qur'an 9:60, He stated:

Alms are for the poor and the needy; and those employed to administer (the funds); for those whose hearts have been (recently) reconciled (to truth); for those in bondage and in debt; in the cause of Allah; and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom.

On whether Zakah proceeds could be used by the state for the provision of general socio-economic infrastructure and public goods and services meant for all members of the society, many scholars hold that it is not permissible. The reason is that using the proceeds for such purposes will mean allowing people other than the eight categories to benefit from the proceeds, which contravenes the above Qur'anic verse. Shehata (1989) having argued that it is not permissible however, put forward a framework for the use of Zakah proceed in financing Islamic socioeconomic infrastructure that include providing for the beneficiaries Islamic education; vocational training and the necessary tools; agriculture and cottage industries; simple fixed assets for small utility and trade projects working capital to craftsmen; and low-cost housing and medical facilities.

ZAKAH AND THE FAMILY SYSTEM

The social objective of Zakah is to eliminate poverty and the desire for personal accumulation at any cost and to encourage socially orientated behavior. Zakah aims for the reduction of socio-economic differences by providing support and financial help to the have-nots to bring them closer to the haves (Mannan, 1989; Mathews and Tlemsani, 2003).

The foundation of Zakah is justice, a concept whose meaning essentially corresponds to Western notions of social justice in the sphere of distribution. The principles underlying Zakah support both private ownership and commercial capital, which according to Schumpeter (1943) as quoted in Mathews and Tlemsani (2003) are foundations of capitalism. Thus, Zakah embodies not only the egocentric aspect referred to earlier, which forms the basis of laissez faire capitalism, but also provides the socio-centric function of trying to ensure a fair division of income and wealth: social insurance (Sadeq, 1989).

Zakah is an effective means of redistribution of wealth on a yearly basis to keep the poor propertied and facilitate the attainment of full employment. Zarqa (1997) identifies the major social and economic objectives of Zakah to include purification of Zakah payer, heart reconciliation between the payer and recipient, satisfaction of the basic economic needs of the poor, and defense of the Muslim *ummah* and its ideology. Qardawi (1997) adds to the list solving dangerous problems such as poverty, unemployment, catastrophes, indebtedness and inequitable income distribution.

Buttressing the above list Kamal (1998) and Kahf (1999) posit that Zakah distribution reduces the risk of debt failure as part of its proceeds is distributed to persons under debt; Zakah collection and distribution increases employment through job creation for the management of Zakah itself and

transfer of some of segments of recipients into productive workers by means of distribution in the form of training, rehabilitation and capital goods. They argue that in a contemporary Muslim society, Zakah may increase labour force participation as well as labour productivity without any negative effect on the incentive to work among the rich. Additionally, by increasing aggregate consumption, Zakah induces an increase in investment as well as restructuring of production in the direction of goods that fulfill basic needs. Furthermore an efficiency of investment may result due to imposing a floor return.

Qardawi (1997) notes that the Zakah system provides a permanent mechanism from within the economy, to continuously transfer income from the rich to the poor, so that whatever is the number of poor people in a society or whatever are the causes of poverty there is always a continuous flow of transfer to take care of the welfare of the poor.

The allocation of Zakah and disbursement between the poor, needy and other recipients on one hand and between capital goods and consumption goods on the other, as well as the principle of *tamlík*, which means giving to the poor and needy on a grant basis, are considered to lead to more specific approach in dealing with the problem of eradication of poverty, since Zakah addresses specific poor groups. Thus, Zakah introduction in a contemporary society may end up creating more equitable distribution of wealth and income provided that appropriate allocation and *tamlík* principles are implemented (Shehata, 1989; Sadeq, 2002).

Further more, what is given to the poor is essentially and basically determined with the aim of enriching them and removing them completely from the poverty level to such factory level in which they produce sufficient income to take charge of all their needs. According to Taj El-Din, (1986) in Sadeq (2002),

there is consensus of Islamic scholars that the higher priority in Zakah disbursement is for eradication of poverty.

Hence, the Zakah method, taking from the rich and giving to the poor, will surely lead to just wealth and income distribution. It proves to be powerful instrument not merely for an equitable mode of income distribution, but also an efficient mode of resource allocation, quite contrary to the existing taxation systems.

Although, Zakah on obvious wealth is supposed to be assessed, collected and disbursed by government or its agencies, in the absence of such institutional arrangement, individuals Zakah payers should discharge their obligations individually or through well-organised charity and other non-governmental organisations.

What is critical about personal Zakah administration is for the payer to place Zakah deserving members of his family on top most priority list if they live where the wealth is accumulated or at least next to the poorest and neediest members of the community where the proceed is realised. Paying Zakah to family members is not only rewarding but helps in maintaining tie and removing the entire family from the list of Zakah recipient in no distant time.

ZAKAH VERSUS CONVENTIONAL TAXATION

Zakah as a financial act of worship is far from being similar to modern taxes. Although there are certain similarities between conventional taxation and *Zakah*, there exist a number of differences. According to Abu Bakar and Abdul Rahman (2007), the two differ in their concepts, respective legislative sources, in their theoretical foundation, their objectives, rates, exemptions, and in their expenditures.

Qardawi (1999) argues that there is no and should never be any replacement for the term *Zakah*, as the term *Zakah* carries unique meanings and significance, and translating it (not explaining) could result a diversion in its meanings and purposes from its original context. He further argues that although taxation is liable, it is not for the same reason as *Zakah*. Taxation is a levy sanctioned by government on citizens (individuals or businesses) of a particular state through the federal laws. It is a man-made system, and as such, its source of regulation is determined by the government of the time. *Zakah* on the other hand, is an obligation prescribed in the revealed Qur'an and governed by the divine guidance of Islam.

The conditions of taxable assets and income plus the way to disburse tax is the prerogative of the government at the time. The same argument follows in terms of the tax structure, its rates and allowable deductions, among others. For example, any wealth below the *nisab* is exempted from the *Zakah* obligation, but the concept of exemption in the case of taxation is applicable only when the government or tax authorities specifically stipulate it. Thus, Zaim (1989) quoted in Abu Bakar and Abdul Rahman (2007) reiterates that the rate and the way of payment of *Zakah*, which are clear and definite, cannot be altered but tax is relatively changeable, and, the methods of distributing and spending of *Zakah* is definite, while tax is not. Further, taxation law can be amended or even abolished, while *Zakah* cannot.

In dealing with modern taxation from the view point of the payer, tax avoidance and tax evasion are prevalent. Tax avoidance basically means playing with the tax rules with a view to taking advantage of its lacuna or loopholes, and it is regarded as a legal activity, provided it falls within the rules and regulations. Tax evasion, which is not allowed and even attract penalty, involves suppressing the taxable receipts; and claiming deductions for expenditure not incurred. Unlike the modern taxation, it is morally and

Islamically improper for Muslims to minimize their *Zakah* liability whether through avoidance or evasion. Disputing the obligation of *Zakah* is tantamount to apostasy, and refraining from paying it without denying its obligation is a grave sin. It is the ruler's duty to take *Zakah* from the defaulter by force and rebuke him, provided he does not collect more than the stipulated amount.

One similarity between *Zakah* and taxation is whereby both have to be paid though no direct and equivalent economic benefit obtained by the *Zakah* and tax payer. However, because *Zakah* is a measure to test the degree of a believer's love to Allah and is an expression of gratitude to Allah's bounties, payers normally feel happy and have sense of fulfillment while parting with it. In the case of taxation, the element of reluctance and rancour is always there. This is so because tax payer, even in the so-called advanced societies where the role of taxation is very well understood, is not moved by the conviction that the levy is from Allah, who will then recompensate him for it. *Zakah* payers are expected to get the reward and the returns in the hereafter while tax payers may receive some service in return but there is no direct correlation (Abu Bakar and Abdul Rahman, 2007).

Taxation has primarily legal and economic incentives and implications, as compared to moral and spiritual incentives, unlike in the case of *Zakah*. Modern taxation merely looks at the compliance of a citizen to his country's laws and regulations, and discharging his financial responsibility. *Zakah* on the other hand, is a religious duty and worship in terms of finance. Its givers are supposed to give it out willingly, feeling eager to fulfill their obligation of giving *Zakah* to please Allah.

Thus, comparing *Zakah* and all forms of conventional taxes, Kamal (1998) argued that *Zakah* is better than conventional tax because it is accompanied

with a fear of Allah, which makes it more abundant; it is also taken on the net wealth, which can be more easily and accurately estimated than incomes; its channels, *nisaab* and percentage are unchangeable since they are according to Qur'an and Sunnah; it pours in determined channel, which, in turn, is refrained from abuse or exploitation through other ways; and it is local, as the poor of every country have a prime right to receive its *Zakah*.

Sayyid (1976) on the other hand, explains how *Zakah* surpasses all civic taxes in having three virtues: the *Zakah* payer has a deep sense of duty towards Allah, he has a genuine dedication to the aims and objects of this levy, and he is aware of his ability to pay it.

CONCLUSION AND SUGGESTION

History has shown that when societies get too unequal bad things happen. They either become economically inefficient or they become subject to social unrest. In many cases both happen simultaneously. However, the societies as a whole have not prospered. They have been subject to continual poverty and revolution and much of the development that has taken place is in the hands of foreign investors. The wealth of the few has been maintained at a high cost to the majority.

Islam stands for complete eradication of absolute poverty and organisation of economic life in a manner that the basic needs of all human beings are met. To ensure fulfillment of the basic needs of all, Islam enunciates the principle of the poor having a 'right' in the income and wealth of the well-off members of the society through the system of *Zakah*.

Zakah serves as a unique mechanism of compulsory transfers of income and wealth from the haves to the have-nots in the community. Through *Zakah*, every individual in the society is assured of minimum means of livelihood,

which provides social security system in an Islamic society. Throughout history, whenever Muslims truthfully applied the system of Zakah, as ordained by the Shari'ah, the laudable and splendid objectives of Zakah were fulfilled.

This is not merely the matter of theoretical principles that are far removed from being able to reform reality. The Muslims applied these principles in their societies and achieved results, which are a source of historical pride and glory. The history of Islam is honoured with the golden age of Umar ibn Abdul-Azeez, which came after the age of the Rightly Guided *Khaleefahs* (*al-khulafaa' al-raashidoon*). In that golden age, Zakah was properly assessed, collected and distributed to ensure equitable distribution of wealth to the extent that a man would bring great wealth to be distributed to the poor and needy members of the society, but he would not stay very long before he went back, taking all his wealth with him, because Umar had met all the needs of the people.

Muslims have to therefore, rise up to the challenges of the day; establish Islamic states or at least organised system that will properly manage Zakah collection and disbursement, and in the case of personal administration of Zakah, individual payers should consider members of their family first in discharging this important duty. That way, the role of Zakah would be more visible and its effect would be better felt among the recipients.

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