

ZAKAT AND POVERTY ALLEVIATION: A RE-APPRAISAL OF ITS RULES

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INTRODUCTION

This paper attempts to see why Zakah has failed to eradicate poverty. The meaning and status of Zakah in Islam is first examined then the causes of poverty were enumerated and discussed; the rules governing certain aspect of Zakah like the rate, the Nisab, disbursement and coverage were also reexamined. This paper concludes with recommendations on how best Zakah could be used to address the problem of poverty.

Meaning and Status of Zakah in Islam

Zakah is an Arabic word derived from Zakawah, meaning “to increase” “to purify” or “to bless”. Its origin is in Allah’s command in the

Qur’an thus:

Take Sadaqah (charity) from their property in order to purify and sanctify them.¹

Technically, therefore, the word Zakah means:

An annual amount in kind or cash which is compulsory upon a Muslim with means to pay and distribute among the rightful beneficiaries.²

By paying Zakah, one is aspiring to attain blessing, purification and the cultivation of good deeds. Allah is the Creator of all and He knows the need of all. It is He who gives property to some and denies others. Allah looks after one and all, and the poor are all under the

patronage of Allah who has made poor rate distinct from voluntary charity and has made it the most important obligation only next to prayer on the Muslim.³ The poor thus qualify for their share in good things and not bad ones Allah says:

O you who believe! give of the good things which ye have (honorably) earned and of the fruits of the earth which We have produced for you and do not even aim at getting anything which is bad in order that out of it ye may give away something when ye yourselves would not receive it except with closed eyes. And know that Allah is free of all wants and worthy of all praise.

Zakah, as an Institution is tied up to the fiscal policies and even plays a greater role in removing economic inequality in the Muslim society. The other word used for Zakat both in the Glorious Quran and the Hadith is ‘Sadaqah’, derived from Sidq (the truth and right). The term Sadaqah Incorporates Zakah. In the terminology of Islamic jurisprudence, a clear distinction between Sadaqah and Zakah is made. Sadaqa generally refers to any kind of charity which is given for the sake of Allah.

There is no equivalent Zakah practice in other religions. Hence while terms such as charity, alms, poor- due, poor-tax, tithe, dole, alms giving and any other term have been used by translators, none of these terms actually convey the true sense of the word Zakah.

Meaning and Causes of Poverty

Ohikhname,⁵ and Ayorinde,⁶ have observed that recent theoretical and empirical advances on poverty had shown that there was no general consensus on a definition of poverty. However, Ayorinde,⁷ identified the following four criteria that can be used to conceptualize poverty:

1. Poverty as lack of access to basic needs/goods;
2. Poverty as a result of lack or impaired access to productive resources;
3. Poverty as a result of “exclusive mechanism”.
4. Poverty as an outcome of inefficient use of common resources.

Thus, poverty according to Maidugu⁸ is not simply a matter of incomes that are too low to meet basic subsistence; it is above all a symptom of embedded structural imbalances which manifest themselves in all the domains of human existence. As such, poverty in the word of Maidugu:⁹

Is highly correlated with social exclusion, marginalization, vulnerability powerlessness, isolation and other economic, political, social and cultural dimensions of deprivation.

According to Izetbegovic:¹⁰

It is a shortage of the things which are indispensable for a normal life, having less than the necessary minimum for life, being below the minimum living standard.

The minimum living standard, is a natural and historical category and represents the sum of goods

that is necessary for a man and his family to satisfy their physical and social needs.”

Maidugu¹¹ has also confirmed the deepening of poverty in Africa in general and Nigeria in particular. In the word of the World Bank:¹²

Some 300 million Africans-almost half the population live on barely \$0.65 a day (in purchasing power parity terms), and the number is growing relentlessly.

Moreover, a severe lack of capabilities education, health and nutrition among African’s poor threatens to make poverty dynastic”, with the descendants of the poor also remaining poor. In Nigeria however, there is probably an indication that over 70 percent of its population lives below the poverty line (defined as those living on less than N200 a day). It is envisaged that the situation would have worsened with the recent global economic meltdown and fuel subsidy removal as prices of essential commodities have risen beyond the reach of the common man, thus worsening the poverty level.

Poverty which lowers human dignity according to Bulus et al in Maidugu¹³ is caused by a number of factors which can be categorized as internal and external. External factor he explained is unequal economic relations between countries that seem to cause and perpetuate poverty. This partly explains the poverty of the third-world countries vis-a-vis their trading relations with the developed countries. Internal factors, he went further; refer to domestic imbalances

such as unequal distribution of wealth, dictatorship and laziness e.t.c that contribute to poverty situations. Thus, Obadan¹⁴ has summarized the many cases of poverty in the third world countries to include the following:

- i. Inadequate access to employment opportunities;
- ii. Inadequate physical assets, such as land and capital; minimal access by the poor to credit facilities even on a small-scale.
- iii. Inadequate access to the means of supporting rural development in poor regions;
- iv. Inadequate access to markets where the poor can sell goods and services
- v. Low endowment of human capital,
- vi. Destruction of natural resources leading to environmental degradation and reduced productivity.
- vii. Lack of participation, that is, failure to draw the poor into the design of development programme.

Contemporary Muslim scholars on their part have also demonstrated that poverty in most societies is a result of man's deviation from divine teachings, Allah says:

God command Justice, the doing of good, and liberality to kith and kin, and He forbid all shameful deeds and injustice and rebellion. He instructs you, that you may receive admonition.¹⁵

Man-made problems has to do with Injustice, laziness, selfishness, dictatorship, oppression and exploitation,

wars, natural disasters and bad governance in this case. The battle against poverty in all societies has been a fundamental endeavor and the Islamic society has never been an exception.

Zakah and Poverty Alleviation

Human well-being according to Chapra¹⁶ 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 conditions are not the only constituents of well-being, the modern secularist perspective, with its emphasis primarily on those conditions, seems to believe that well-being could be ensured if certain material goals were realized. These goals include elimination of poverty, fulfillment of the basic material needs of all individuals, availability to every one of an opportunity to earn an honest living, and equitable distribution of income and wealth. However, no country around the world, irrespective of whether it is rich or poor, has been able to realize even those material goals.

The inability to realize the material goals could not be due to scarcity of resources. Resources are scarce only in a relative sense. It is generally agreed that if the available resources are used 'efficiently' and equitably', it should be possible to realize the material goals and to minimize the instability and imbalances.

Every religion in the words of Al-Qardawi,¹⁷ including those devised by man, has considered the concern for poor to be a humanitarian social issue, without which brotherhood and a high standard of living cannot be

realized. Islam as a divinely revealed religion has consistently emphasized the care for the poor and weak than any other system. Past prophets and messengers of Allah have not departed the world without calling for the care of the poor, called Zakah in the Qur'an (Al-Qardawi,¹⁸ Gusau,¹⁹). In this context, the Glorious Qur'an mentioned the messages of Ibrahim (A.S.) and Ya'qub (A.S.).

Allah says:

*We made them leaders, guiding by our command and revealed to them the doing of good actions and the establishment of prayer and the payment of Zakah, and they worshiped Us.*²⁰

Ismail's message is described in the following verse:

*Mention Ismail in the Book: He was true to his promise and was a messenger and a prophet. He used to command his people to pray and give Zakah and he was pleasing to his lord.*²¹

The pledge of the tribe of Israel was also recorded in the Qur'an: Allah says:

*Remember when we made a covenant with the tribe of Israel: worship no one but Allah and be good to your parents and relatives and to orphans and the very poor. And speak good words to people. And establish the prayer and pay Zakah. But then you turned away except a few of you.*²²

In another verse, the pledge is further elaborated thus:

*Allah made a covenant with the tribe of Israel and we rose up twelve leaders from among them. Allah said, I am with you. If you establish the prayer and pay the Zakah, and believe in my messengers and respect and support them and lend a generous loan to Allah, I will Erase your wrong actions from you and admit you into Gardens with rivers flowing under them. And of you who reject after that have gone astray from the right way.*²³

The message of Isa (A.S.) as a baby in the cradle is;

*He has directed me to pray and give Zakah as long as I live.*²⁴

The Prophet (SAW) has also emphasized the helping of the poor. He is reported to have said:

*Believers are to one another like a building whose parts support one another, He then interlaced his fingers.*²⁵

at-Tabarani relates in al-Awsat al-Saghir, on the authority of Ali, that the prophet said:

*Allah has enjoined upon the rich Muslims a due to be taken, from their properties corresponding to the need of the poor among them. The poor will never suffer from starvation or lack of clothes unless the rich neglect their due. If they do, Allah will surely hold them accountable and punish them severely.*²⁶

Finally, the position of Zakah in eradicating poverty is summed up in this verse:

And the believer, men and women are protecting friends of one another, they enjoin the right and forbid the wrong, they perform prayer and pay the Zakah, and they obey Allah and His messenger, upon them will I have mercy...²⁷

From the above analysis, it is clear that the source of wealth in Islam is Allah Who gives to some in abundance and to others, He restrains. At the same time, He has instituted the payment of Zakah to bridge the gap between the rich and the poor so that through the former, the latter can always have succor.

Re-Appraising the Rules on Zakah

If one carefully observes the rules and regulations governing Zakah, one may find out six principles that govern Zakah as enunciated by Mannan.²⁸ The principles are those of faith; equity; productivity or maturity, reason; convenience and freedom. The main concern here however, is to examine the views of modern scholars on the rules governing the rate, the coverage, the Nisab and the disbursement of Zakah.

Rates

According to many Muslim scholars, the rate of Zakah are permanently fixed by the Islamic law and as such they cannot be changed. But some modern writers including Muslim economists are in favour of modifying and changing these rates according to the

heed of the state. In this regard, Azad's view is noteworthy. He says;

The prophet (S.A.W) prescribed different ratio (and no such ratio or rate of Zakah has been prescribed by the verses of the Qur'an) on different occasions. During the time of the first Caliph, the Companions (of the Holy prophet) thought over this problem and fixed the present ratio. This ratio is not obligatory, but it is subject to ijtihad. It is the duty of those who hold power that they should fix the proper ratio according to the economic conditions and need of the society.²⁹

Other support the case for a flexible rate of Zakah to be expressed at least in real terms involving periodic adjustment to reflect change in the cost of living. However, the flexibility of Zakah rate must be allowed only in the interest of the poor and not in favour of the rich.

Coverage

The modern controversy with regard to Zakah is on the meaning of the term property' referred to in the verses of the Qur'an, where Allah says:

Take alms out of their property-thou wouldst cleanse them and purify them thereby- and pray for them. Surely, the prayer is a relief to them. And Allah is Hearing, Knowing.³⁰

in another verse Allah says:

*The parable of those who spend their property in the way of Allah is as the parable of a grain growing seven years, In every year a hundred grains. And Allah is Forgiving, Knowing.*³¹

The categories of property defined in the early days of Islam on which Zakah is to be applicable should not be rigidly maintained. The application of this distinction in our time leads us inevitably to add to the category of property liable to Zakah property which is now considered productive and which was not known to be productive at the time when the jurist originally formulated their theories on the subject. In Mannan's word:

Where property is a means of exploitation for its owner, or where the owner of a big factory employs labor to run it and utilizes industrial machinery as the means of bringing about profit, the property would be considered productive for the purpose of Zakah and a charge made upon it.

Thus. Sodiq, Abu Zahrah, Mannan and others³³ advocate 10% Zakah on the net income (profit) of the concerns. While Mawdudi thinks that only the marketable produce of the Industrial units (and not machinery and capital goods) should be subjected to 2.5% Zakah, though he is in favour of imposing Zakah on the shares of industrial concerns. Mannan³⁴ is of the opinion that 10% Zakah should be levied on the profit net of depreciation allowance and that the rate of Zakah on industrial Machinery and factory produce should be

made flexible so that the element of progressivity may be introduced.

Nisab

Question revolves round the re-assessment of Nisab i.e the minimum exemption limit of Zakah. A number of recent writers advocated for re-assessment of Nisab. Mannan, opines that there is a case for a new set of Nisab on the basis of socio-economic condition of the Muslim countries varying from the poor to the rich. Thus before fixing the Nisab on the overall, income and savings in a particular society, we must define the level of income required to maintain a reasonable standard of living for a Muslim. The minimum but adequate income should be periodically adjusted to reflect changes in the cost of living. Nisab can be changed and if necessary raised from time to time by the collective decision of the Faqh and the experts.³⁶ From this point of view, it could be argued that as ratio between silver and gold has undergone changes overtimes, the ratio between their Nisab should be readjusted and raised accordingly. This submission is probably what informed the varying changes in the Nisab being calculated monthly by the Shari ah Court of Appeal, Ilorin.³⁷

Disbursement

There are generally two main methods, of disbursement of Zakah revenue to their beneficiaries, one is through raising productivity of the poor, and the other is through direct transfer payment. Mannan³⁸ advocated for productive investment of Zakat fund for

financing various development projects in education healthcare. Safe-water and social welfare activities, designed exclusively for benefit of the poor. Some favour disbursing Zakat revenue to the beneficiaries through direct transfer payments because these are the best ways of its distribution in certain fields such as debts, starvation, old age, support during the Interim period between Investment and Current flow of income. Even failures of business and industry launched through Zakat funds may necessitate transfer payment to those who are affected.³⁹

Zakah on Bank Notes and other Similar Items

Other areas that deserve proper scouting have to do with Zakah, with regard to bank notes, and other forms of currency and bills of exchange, such as stocks, shares and bonds. These of course were not known in the early days of Islam. The report of the Arab league Seminar presented to a meeting held in Damascus in December, 1962 considered Stocks, shares and bonds, if acquire for the purpose of trade and gain, as commodities liable to the payment of Zakah for this purpose, the value of the storks, shares and bond is taken at the beginning of the year and Zakah charged on the Profit or gain secured. The Jurists of old would agree with this. And where the stocks, shares and bonds are acquired for investment, Zakah would be payable on the profit or dividend obtained from the investment.

Zakat on Rent, Profits and others

On the question of the rate of Zakah on rent derived from houses and other accommodation, the Arab league report to Damascus meeting observed that majority of the jurists are known to have agreed that Zakah is chargeable on houses. The Reason is that houses at the time were not exploited for commercial purpose but were used primarily by the owner, and were thus essential and basic needs. Things are different now and houses and other properties are built for the purpose of investment and to let to others and the return on the houses is now higher than the return that can be expected upon land. With the changed situation, the public interest requires that Zakah should be Charged on Houses in the same way as it was, in the past, charged on land.

Though the learned jurists are inclined to recommend that the rate of Zakah on bank notes as well as rents, etc., should be two and half percent, yet one tends to agree here with Mannan,⁴⁰ that flexibility in determining the rate of Zakah should be maintained. That is, in such cases the rate of Zakah should be fixed but tempered with by considerations of productivity and profitability.

It should be noted here however, that the views expressed here for flexibility and periodic review of the rate, Nisab, coverage and disbursement of Zakah and other items could be explained through one of the sources of Islamic law known as Masalih al-Mursalah otherwise known as public Interest.

CONCLUSION AND RECOMMENDATION

We have seen the effect of poverty on our society and the causes of this problem have also been identified. It is thus established that Zakah is one of the practicable means through which poverty could be reduced if not totally eliminated. For Zakah to be able to do this magic, certain aspects of its rules need to be reassessed, especially as it affects the rate, the nisab, the coverage and the disbursement. If the proposals suggested in respect of these areas are looked into, then, we can be rest assured that Zakah will be more able to eradicate poverty.

In view of the above, the following recommendations are put forward:

Society needs to put a very strong committee to handle the case of Zakat in their domain. It is recommended that the committee's work should combine Zakat and Sadaqah as it is done in Ilorin.⁴¹ In this case, anybody whose deduction is not up to the Nisab, will be encouraged to give Sadaqah to the committee, and by this the committee can always have funds to attend to indigent Muslims.

There is the need to have periodic review of the Rate, Nisab, Coverage and Disbursement of Zakat. The flexibility must be allowed only in the interest of the poor and not in favour of the rich. The Coverage should also be extended to bank notes, shares, bonds etc.

Muslim countries should encourage the productive investment of Zakah for financing various

development projects in education, healthcare, safe water, social welfare activities, empowerment programmes designed exclusively for the benefit of the poor.

Zakah funds should be invested in Islamic approved ventures for the benefit of Zakah recipients. Some of these areas include animal husbandry, cattle fattening, goat and poultry; water related venture, sewage disposal, food packaging, estate management, transportation etc. Through these, Muslims can eradicate poverty in the society.

ENDNOTES

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20. Qur'an, 21:73
21. Qur'an,19: 54-55
22. The Glorious Qur'an, Chapter 2 verse 83
23. Qur'an, 5:12
24. Qur'an, 19: 31
25. Al-Bukhan, Kitab As-Salat
26. al-Awsat an al-Saghir cited in Hadi.A.M (2007). Zakat and Sawm, Ilorin: Kaleem Print Media.
27. Qur'an, 9:71

28. Mannan A.M (1986). *Islamic Economic Theory and Practice (Foundation of Islamic Economics)* Britain: Hodder and Stoughton Education Ltd.
29. Ahmed M (1972). *Economic of Islam: A Comparative Study* cited in Hadi, A.M (2007) *Zakat and Sawm*. Ilorin: Kaleem print media. P.14
30. Qur'an, 9:103
31. Qur'an, 2:26
32. Mannan A.M (1986). *Islamic Economic Theory and Practice (Foundation of Islamic Economics)* Britain: Hodder and Stoughton Education Ltd.
33. Hadi, A.M (2007) *Zakat and Sawm*. Ilorin: Kaleem print Media
34. Mannan A.M (1986). *Opcit.*
35. *Ibid.*
36. *Ibid*
37. The Shari'ah Court of Appeal in Ilorin has established a Committee headed by a Qadi to periodically (precisely) on monthly basis release a pamphlet stating the current rate of Nisab for Zakah, Dowry and blood money using the current exchange rate, and current price of gold as basis for their calculation. The writer has quite a number of this pamphlet, and copies could be found in the court's library)
38. Mannan A.M *Opcit.*
39. Hadi, A.M *Opcit*
40. Mannan A.M *Opcit.*
41. In Ilorin, His Royal Highness, Dr. Ibrahim SuluGambari having realised that not many people are qualified to pay zakat, established a committee known as Zakah and Sadaqah Committee that comprises of Eminent Jurists and Muslim Scholars headed by retired, Justice Saidu Kawu to enlighten the Muslim populace, collect and distribute the fund accruing from Zakah and Sadaqah collected from people in line with the laid down principles of Islam.