

Zakat: Islamic Device for Social Justice

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Abstract:

Social justice is a vital issue in contemporary world. It has a religious appeal in Islam. Islam is a complete and comprehensive code of life. It gives equally importance on the material as well as spiritual life. The Islamic social order is based on the principles of equality, justice, brotherhood, freedom and responsibility. Islam ensures social justice and highly advocates many ideas that are intimately related to the development of human being and human society. Islam provides a beautiful way of life in maintaining proper socio-economy of the society through the implementation of zakat. Zakat constitutes the basic concept of mutual social responsibility proposed by Islam to achieve social justice. It has multiple functions: the religious, economic, and social. It serves as a means to both guarantee social security and strengthen social solidarity. The institution of zakat serves to eradicate poverty in the community and uplift it in the light of Islamic teachings. The basic concern of socio-economic development in Islam is only for human welfare and social justice. This paper seeks to provide some perspectives of living role of Islam in social justice of a society through the zakat system. This paper also examines the role of zakat as an instrument of social justice and poverty eradication in society.

Key Words: *Islam, Zakat, Social Welfare, Social Equality, Social Justice, Sustainable Development,*

Introduction:

The Islamic social order is based on the principles of equality, justice, brotherhood and the concepts of freedom and responsibility. Islam, through 'Zakat' emphasizes distributive justice and combines it in an effort to encourage brotherhood among Muslims in order to develop a system that can create a productive program, and then provide assistance in finding gainful employment for the unemployed according to their ability. Zakat as one of the five pillars of faith in Islam is an obligatory for Muslims that could become the foremost financial resources to support non-profit organization such as Intermediary Institution dealing with eradicate the poverty. The Zakat can achieve its objectives of establishing economic justice and general well being of all members of society through equitable distribution of wealth. Social development in Islam covers some important areas that are the basis for socio-economic development of a society. Islam ensures sustainable development of social and economical aspects, not only for the Muslims but also for the whole world on the basis of justice and equity. Zakat in Islam is a religious instrument that assists individuals in society to help the needy and poor people that are not able to help themselves. The zakat, however, is expected to partly fulfill the necessities of life that can be shifted to the more capable community, especially to close relatives and neighbors of the individuals associated. Zakat moulds the individuals into responsible and caring persons. It inculcates the spirit of goodwill, cooperation and brotherhood in upholding social solidarity in the society. Zakat plays effective and successful role in developing the social justice and moral values in modern society.

Islamic Perspective of Wealth:

Islam has a unique concept on the wealth, its ownership, distribution and social relationship. 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.¹ 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. 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.² In fact, economic values of Islam have not been given any fair trial by the modern world. But it has lost none of its cogency with the passage of time, because Islam is timeless. Thus, while the fundamentals of Islamic economic value will remain valid for all age. Islamic economics places special emphasis on social justice. It has a strong preference for risk sharing, profit sharing and equity.

What is the *Zakat*:

The word *zakat* comes from the root of Arabic word of '*zakat*' that means mercy, grown, clean, good, and be proud of. In terms of terminological definition, *zakat* means some specific properties that are required by the God almighty to be given to those who are entitled. *Zakat*, Islamic religious tax is one of the pillars of Islam that must be met by the Muslims who are eligible. According to Islamic history, the word *zakat* has two different connotations. This means that *zakat* is a blessing, purity, kindness, and progress on the property after the payment of charity that was made at a certain rate and to be distributed among entitled recipients. Being one of the five pillars of Islam, *zakat* is a religious obligation for all Muslims who meet the necessary criteria of wealth. It is not a charitable contribution, it is considered to be obligatory in Islam. *Zakat* is based on income and the value of all of one's possessions during a lunar year. It is customarily 2.5% of a total savings and wealth above a minimum amount. *Zakat* is an Islamic financial obligation to pay their some net property or agricultural produces, if those properties exceed the *nishab* limit to certain degree as the part of religious obligation. *Zakat* is not just any form of voluntary charity, alms giving, tax or tithe. Nor is it simply an expression of kindness or generosity. *Zakat* is all of these combined and much more, for it also includes Allah-consciousness as well as spiritual, moral and social objectives. *Zakat* is a meaning full institution with a definite religion- and socio-economic purpose. It has its established rules and regulation, structure, standard and specific functions.

The Concept of *Zakat* in Islam:

Zakat is a unique, spiritually charged filtering device primarily designed to cleanse one's possession or wealth necessary to protect the owners. *Zakat* is a right which the poor have over the wealthy; it is the duty of every wealthy Muslims to fulfill this responsibility to those who are less fortunate. The Quran itself sheds light on the economic importance of *Zakat*. The commandment to establish *zakat* is mentioned in the Holy Quran more than hundred times. The Holy Quran pays great attention to *zakat*. In fact, *zakat* is mentioned next to 'Salat' almost everywhere. This indicates the significance of *zakat* in Islamic Shariah. *Zakat* is a fixed divine obligation and an immutable financial religious service which may be discharged only if the believers pay it with the intention to obey the divine command. If one fails to have that intention when paying his *zakat*, his duty remains binding.

Zakat is a system that brings about different constructive fruits. It stems from the principle of social balance. The Quran states that "...so that wealth does not remain confined to the rich alone".³ This principle aims to establish social justice and promote fairness in human relations. *Zakat* consists in paying a particular percentage of the wealth one possesses when it amounts to a certain level called *Nisab* a certain value of amount. *Zakat* has the opportunity of exercising moral and spiritual virtues through voluntary assistance they render to their fellow citizens. The receivers of *zakat* too gain an opportunity to experience moral elevation since they touch humanitarian intentions of their fellow rich citizens who extend their hand of friendship to them. What matters more in this process is the fact that payment of *zakat* is voluntary, done of free will, and with divine intention. Islam establishes the *zakat* as a compulsory charity tool that can be used to enhance the development of the eight categories of recipients.⁴ The institution of *Zakat* serves to eradicate poverty in the community and uplift it in the light of Islamic teachings.

The moral and material benefits of *zakat* are obviously purifies the heart of the giver from selfishness and greed for wealth and develops in him sympathy for the poor and needy. And receiving *zakat* purifies the heart of the recipients from envy and hatred of the rich and prosperous, and fosters in him a sense of good will towards his brother Muslims who although they are better off, have shared their wealth with him for the sake of God.

The Purpose of *Zakat* in Islam:

All the teaching of Islam and Quran are based on the respect of religions and respect of humanity. All of them are equally as respectful as Islam itself. The teachings of Islam about the welfare of the human beings and especially to help the poor and needy persons are very clear, to attempt and to establish total equality among people without any discrimination. Islam has declared mankind as a single unity and a requirement of that unity is the equality of all human beings in respect of their rights and obligations, which is also the only way for establishment of justice. Justice being the overriding objective of Islam cannot be achieved without equality.⁵ Islam calls for a sense of responsibility and awareness of the reason of mankind creation. *Zakat* constitutes the basic concept of mutual social responsibility proposed by Islam to achieve social justice. It has multiple functions: the religious, economic, and social development. There are many religious and socio- economic paupers of *zakat* in Islam as given below:

- **Religious Goal:** The Religious *goal* derived from the Islamic teaching requires that Muslim to do what Allah has asked them to do and refrain from what He has cautioned them against. In this context, Allah has ordered Muslims to give *zakat*.⁶ The payment of *zakat* means that the Muslims have obeyed Allah, which gives the individual spiritual satisfaction.
- **Social Goal:** The social goal could be achieved as Allah has given the poor an established right in the wealth of the rich people the community. This right relieves the poor from the onerous task of asking for sympathy, charity, and for begging. In addition, *zakat* also relieves the poor from committing crime or any illegal activities to secure their livelihood in order to meet their life necessities. Thus, the *zakat* helps in closing the gap between the poor and the rich.
- **Economic Goal:** By looking at the *economic goal* perspective, *zakat* allows redistribution of wealth within a society. The imposition of *zakat* provides an incentive to invest⁷ among the beneficiaries. It definitely will increase the purchasing power of the poor which will enable them to contribute positively to the economic growth through an increase in consumption expenditure and aggregate demand. This is due to the fact that *zakat* is levied on idle resources or savings, which are above the *nisab*. So, if there is no increment in savings, then the imposition of 2.50 percent *zakat* rate will reduce the savings amount and eventually diminish the wealth.⁸

Zakat aims not only to achieve religious merit but also to become part of the modern state fiscal policies and share a greater role in removing inequalities in the society. The main purpose of *zakat* is to discourage accumulation of wealth by a group of society and also weakens the tendency of irregular distribution of wealth in society. There are four major goals of *zakat*:

- Guarantee the fulfillment of basic needs for all.
- Reduce inequalities in income and wealth.
- Purify the donors' inner self and wealth.
- Eliminate poverty and sustain socioeconomic justice.

The philosophy of *zakat* can be viewed from a different perspective which is religious, social and economic goals. In addition, *zakat* creates a sense of brotherhood, mutual economic commitment and social harmony in society. The objective of the system of *zakāt* is to assist the needy, the indigent and the poor, preferably giving financial assistance to widows and orphans. A full list of recipients consists of following eight categories. There are eight prescribed categories of the recipients of *zakat*. The Quran says: “*Sadaqa and zakat are for the poor and the needy, and those employed to administer ‘Zakat’ is for those whose hearts are to be won over ‘Muallafat-al-Qulub’ and for the freeing of human beings from bondage, and for those who are burdened with debts, and (for every struggle) in Allah’s cause, and for the wayfarer: this is an ordinance from Allah, Allah is All-Knowing, full of Wisdom.*”⁹

The whole idea of *zakat* management is to help Muslims perform this pillar of Islam and establish its primary function as a means to alleviate poverty. Implementation of *zakat* can provide micro financing to the poor. *Zakat* can be given out to the poor for consumption purposes to avoid diversion of funds from production.

Islam establishes *zakat* as a compulsory charity tool that can be used on eight purposes. Among them, five are meant for poverty eradication such as the poor, the needy, the debtors, the slaves (to free them from captivity), and the travelers in need. Other heads are the administrative cost of *zakat*, those people whose hearts are made inclined towards Islam and in the way of Allah. Although eight heads for spending *zakat* revenue have been mentioned in the Qur'an, there is general agreement that the first priority in the use of *zakat* funds has to be accorded to the alleviation of poverty through assistance to the poor and the needy.¹⁰ The concept of *zakat* originated in Islam for poverty alleviation.

The Features of *Zakat* in Islam:

Zakat is divided into two main categories namely *zakat al-mal* and *Zakat al- fitrah*:

- ***Zakat al-Mal*:** *Zakat ul mal* is required from those who have a savings after meeting their family's basic needs; Islamic legal guidelines suggest that 2.50% of those savings be contributed as charity. The *Zakat* on wealth and possessions are classified into:
 - Zakat for Income and Salary
 - Zakat for Business
 - Zakat for Savings
 - Zakat for Stocks
 - Zakat for Gold and Silver
 - Zakat for Agriculture and Poultry
- ***Zakat al- Fitrah*:** *Zakat ul Fitr* is a set amount of money that Muslims are required to pay by the end of the Holy month of Ramadan. This charity is paid by the head of household on behalf of each member of his/her family; the amount is usually set as the cost of one meal per family member multiplied by the number of family members. It is an obligation upon all Muslims, which must be paid at the end of *Ramadan* before observing the *Eid* prayer.

Obligations of *Zakat*:

Zakat is charged on specified wealth because it is owned or possessed, i.e. one has to pay *zakat* if one possesses wealth to the value of *Nisab* or more as one is deemed to be rich according to the *Shariah*. The Quran and the *Sunnah* impose this levy on wealth that covers wealth and income. The Prophet (peace be upon him) gave a listing of Zakatable items and rates to be charged on each of them and determined exemptions and the criteria of zakatability. Still, *zakat* is only due when certain conditions are fulfilled. These conditions relate to both the payer and the wealth of the payer; and should be counted as a Mercy from the Almighty.

Criteria of Zakat Payment:

Zakat becomes an obligatory duty '*Fard*' for a Muslim when the following four condition are met. A person who fulfills the following criteria holds the obligation to pay *zakat*:

- He is meeting the basic needs of his family and himself.
- He is the owner of *Nisab*.
- He is not an insolvent debtor; he is meeting his financial obligation of his debt.
- He has possessed the wealth livestock for one complete lunar year *hawl*.

If any of the above condition is not met, the payment of *zakat* is not obligatory, however, once all of the above four conditions are met, he is required to pay *zakat* on all the zakatbale items that he owns. *Zakat* is not obligatory if the amount owned is less than this *nisab*, however, there is an obligation of *zakat* on the wealth of minors and the insane. Such obligations become the responsibility of their guardians.

Validity of Zakat Payment:

The *Zakat* payment is considered valid only when a Muslim meets the following four essential conditions:

1. He has made the intention '*Niyyah*' of paying *zakat*.
2. He has assessed his duty of *zakat* correctly.
3. He has to paid *zakat* to eligible recipients of *zakat*.
4. The recipient of *zakat* is made the rightful owner of the paid *zakat*.

If any one of the above conditions is not met, the payment is not considered *zakat*. it may be considered '*sadaqa*' a voluntary charity.

The Assets on which Zakat is Obligatory:

The Quranic reference to items subject to *zakat* is rather general. The Quran mentions the word '*amwal*'¹¹ and mentions, "What you have earned," and "What we have produced for you from the earth."¹² It is to be noted that there are only six assets on which *zakat* is obligatory in Islam:

- Gold & Silver
- Cash & Equivalent
- Trade stock
- Lives stock
- Agriculture produce
- Buried Treasure/ Mines

Zakat is only payable if this wealth fulfills the following conditions:

- **Ownership:** The wealth must be fully owned by the potential payer. This ownership must be absolute and not restricted, except as provided by the law of the country.
- **Growth:** The wealth must have the ability to grow or increase or multiply, or is itself a result of a process of growth, such as animals or agricultural products.

However, Muslim scholars also deem money, gold, silver and merchandise to have

the potential of growth as it is usually made to grow through trade. *Zakat* is meant to help relieve the poor without impoverishing the rich, by having the rich to pay from their surplus, i.e. taking a little from the plenty. Imposing *Zakat* on wealth that does not grow reverses this purpose, since *zakat* is paid year after year, over and above other living expenses.

- **Nisab:** For wealth to be subject to *zakat* it must first attain a minimum value. In several *hadith*, the Prophet (peace be upon him) established certain minimum values for the different wealth and exempted anyone who owns less than the minimum from the payment of *zakat*. However, once a person owns the minimum of any wealth, then the whole amount of that wealth becomes subject to *zakat*. The amount of *Nisab* must be over and above what is required to satisfy the immediate basic needs of the payer, including family responsibilities and due debts.
- **Haul:** (passage of a year): Since *zakat* is a yearly obligation, the wealth should be held for a year before it is charged with *zakat*. However, the Haul condition is restricted to livestock, money and business assets and does not apply to agricultural products, fruits, honey, extracted minerals and found treasure as the latter are subject to *zakat* at the time of harvest or when discovered.

There are certain items were exempt, included things used for personal purposes such as clothes, household furniture and durable commodities, etc. It must be noted in this regard that *Zakat* was imposed on agricultural products, livestock, and trade inventories, gold and silver. Except for personal and family things, nothing of substantial value, of the time, was left outside the domain of *Zakat*. Land was almost worthless unless it was used in agriculture, and dwellings were commonly inexpensive.

Nisab of the Zakat:

Zakat is a mandatory duty on all able Muslims who posses wealth at or above a certain threshold. This threshold is called the *Nisab*. *Zakat* can be paid only if the net assets equal or exceed the *Nisab* threshold. *Zakat* should be calculated on **2.5%** of all net savings one possesses that is above the *nisab* value. Net savings is the total maintained wealth for one lunar year before *zakat* is due. If net yearly savings falls below this amount, he or she is exempt from paying *zakat*. Only those people whose net capital exceeds the *nisab* values are obliged to give *zakat*.

Zakat is not obligatory if the amount owned is less than this *nisab*. The *Nisab* amount is calculated based on the current value of 3 ounces of pure Gold. If you only have gold as an asset, then the *Nisab* measure for gold must be used. If, however, you have a mixture of assets, then the *Nisab* level for silver should be used. There is a difference of opinion among some scholars who maintain that gold should be used regardless, however using silver is safer and more beneficial for the recipients of *Zakat*. If your net

assets (income and savings) are above the silver *Nisab* threshold, you must pay *Zakat* on the total amount of wealth you own.

Rate of Zakat:

Wealth is a product of labor and capital input. the rate of the *zakat* varies with the amount of labor and capital expended. The greater the amount of labor and capital requirements in the generation of wealth, the lower will be the rate of *zakat* and vice versa. This principle in general enhances the productivity of labor and capital. The percentage rate of *zakat* applied to each *zakatable* item, depending upon the kinds of items, the *zakat* rate differs. The following table illustrates the *zakat* rate on various zakatable items.

SI No.	Zakatable Item	Percentage of Zakat Due only when in possession for one lunar year	Percentage of Zakat Due immediately after possession
1	Uninvested wealth	2.5%	
2	Invested wealth	2.5%	
3	Agriculture Produce (a) Harvest from irrigated land (b) Harvest from unirrigated land		(a) 5% (b) 10% (Ushr)
4	Fortuitous fortune		20%
5	Livestock		

People who are entitled to receive Zakat:

Zakat is distributed among the *Asnaf*. There are eight specific categories of people to whom *zakat* can be given: the Holy Quran says: “*The alms are only for the fuqara’ (the poor), and al-masakin (the needy) and those employed to collect (the funds); and to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and for Allah’s Cause, and for the wayfarer (a traveller who is cut off from everything); a duty imposed by Allah. And Allah is All-Knower, All-Wise.*”¹³

1. Al-Fuqara: (The poor) *Fuqara* are the people who live below the poverty line and don’t have enough means to live a normal life like others. They deserve your *zakat* in order to meet the daily necessities of their lives.

2. Al-Masakeen: (The needy) *Masakeen* are extremely poor and needy people. These people don’t have any possessions or income. Your *zakat* money can help them in improving their living condition.

3. Zakat Collectors: *Zakat* can be given to the people who are authorized to collect and distribute it among the needy and poor. It includes the trustworthy institutions and NGOS who are working to help underprivileged Muslim communities.

4. **Who converted to Islam:** Those who are newly converted to Islam are eligible to receive *zakat* (if they are needy). If someone has converted and is detached from their family and friends, you can give your *zakat* to them so that they can start their new journey.

5. **Freeing captives:** Slavery is prohibited in many parts of the world but still people are trafficked and kept as slaves. *Zakat* money can help slaves in freeing themselves and improve their living standard.

6. **Debtors:** *Zakat* can be given to pay off debts of someone who cannot repay on his own. However, one must make sure that the money borrowed by debtor is not used for any un-Islamic or wrong purpose.

7. **In the path of Allah:** Those who are striving in the path of Allah are entitled to receive your *zakat*. These are the people who are fighting for Allah's cause far away from their homes. Your *zakat* can help them have a better living.

8. **Wayfarer: (Travelers)** For a traveler who is alone in a foreign land and is in need of money to fulfill his objective of traveling. Refugees can be given *zakat* money as they leave their countries because of violence and oppression in search of a safe and better place.

From eight categories of them, five are meant for poverty eradication such as the poor, the needy, the debtors, the slaves and the travelers in need. Others are the *zakat* administrative, 'those whose hearts are made inclined to Islam, and in the way of Allah. Although these eight categories of recipients have been mentioned in the Quran, but the first priority in the use of *zakat* funds has to be accorded to the alleviation of poverty through assistance to the poor and the needy.¹⁴

The Role of *Zakat* in Poverty Alleviation:

Islam, being a religion of balance, views poverty as social and ideological problems. It is considered as social problem because its effects are felt in the society as a whole. Islam defines poverty based on an individual failure to fulfill of basic human requirements of life. The fulfillment of the basic needs is considered one of the basic goals of Islam. This is so because Islam aims at providing every opportunity for good living both at the individual as well as the societal levels. From the starting point, Islam sets goals for human life. Poverty is such a state where not only financial needs but also social, political, psychological and even spiritual needs cannot be filled up. In contemporary world poverty alleviation has become a challenge for every nation. Each and every well settled Muslim is obliged to contribute to the welfare of society. Poverty is one of the greatest social maladies in any society and *zakat* is the best attempts of Islamic task to solve such kind social malady, that is reason charitable giving is strongly encouraged in Islam both as a means of purifying one's wealth and in order to alleviate poverty and suffering. Islam has put in place a mechanism for alleviating poverty in the shape of various forms of charitable giving like *zakat*. *Zakat* functions as a means to reduce inequalities and eradicate poverty. According to Islam, the distribution of wealth is also related to religious doctrine, ensuring proper

balance in rights and property is the precondition for the development of a society at large. *Zakat* is a great effort to make balance between poverty and luxury. The primary purpose of *zakat* is to redistribute wealth of the society among the poor.¹⁵ *Zakat* funds can assist the government in combating poverty. Obligatory *zakat*, as poor's due, an act of worship '*ibadah*' and fulfilling the right of Allah and optional '*sadaqah*' are the special feature of redistribution of money in an Islamic society. They together constitute an in-built system of social security and alleviation of poverty. Islamic framework generates at least three implications favorable to the cause of poverty alleviation. They are briefly discussed below:

- **Basic Need Fulfilment:** The principles of brotherhood and trusteeship logically imply mutual sharing and utilization of resources so that material needs of all individuals can be met at a befitting level. In particular, it is collective duty of the Muslim society to take care of basic needs of poor.¹⁶ There is complete consensus of all schools of thought on this point.¹⁷
- (ii) **Respective Earning Opportunities: In Islam,** the primary responsibility of need fulfillment lies on his shoulder of caliph. The personal obligation of every Muslim to strive and earn livelihood for himself and his family. However, a Muslim may not be able to fulfill the duty of earning sustenance unless opportunities of self employment and wage employment are available. In that context, it becomes social obligation of ruler s to provide equal earning opportunities to everyone. The network of productive activities has to be extended throughout nook and corner of the country where the poor could participate. However, there will still remain many who are left out, like physically handicapped, unemployable and lack the appropriate skill. For all such people social safety nets will have to be provided which may take any form like family, friends, neighbors and altruistic organization.¹⁸ The state enters if these efforts are inadequate to meet the basic needs of such people.
- **Equal Distribution of Income and Wealth:** In Islamic framework, equity is simultaneously as important as efficiency. Efficiency induces growth and equity widely spreads its fruits reaching to the poor. Thus, the success in poverty alleviation is the joint result of the growth in income and of its distribution. Islamic framework allows only mild differential in incomes of the people which are caused by natural factors like initiative, skill, effort and risk. These differentials cannot produce extreme inequalities with the functioning of *zakat*. There is no logic for concentration of resources within few people. That is the message of the Holy Quran. The Quran clearly says: "*wealth does not circulate only among your rich.*"¹⁹ To achieve the goal of income equality, it is thus essential to restructure the social behavior as well as the economy in accordance with Islamic teachings.

The Islamic framework requires that discretionary policy measures are undertaken for poverty alleviation. There are measures benefiting poor which are justifiable both on the efficiency and equity consideration. The implementation of these measures will provide double benefits to the poor and directly helps to reduce poverty. *Zakat* system provides an in-built social security system based on redistribution of money. It provides a mechanism for eradication of poverty in the society, as it requires payment from those who have more than their necessity to those who are less fortunate. *Zakat* is among several instruments instituted by Islam to combat and enhance welfare in the society. It helps to generate a flow of funds and recruit the necessary manpower.

Zakat: Islamic Tool for Social Welfare:

Brotherhood is one of the core fundamental principles of Islamic Tradition on the basis of which social welfare is mostly dependent. The ethical ideal of Islam is to maintain the harmony between religion and life thus can satisfy both the spiritual and the worldly desire of man.²⁰ *Zakat* is important to combat and enhance welfare in the society. *Zakat* is the first known system of community-wide welfare regulated as a social support network for those in need. It is a meaningful institution with a clearly defined religious-social-economic mandate. Its rules, regulations, structures, standards, and specific functions are well-established. It does not depend on voluntary charity, and its collection is enforceable by society. The *zakat* system revealed by Allah and instituted by the Prophet was complete and functional among Muslims in the seventh century. Within a few years of the Prophet's migration to *Madinah*, the *zakat* system had become so effective that very few people even needed it. One of the most important virtues of *zakat* is to be noted that it is a social welfare tool providing for the poor and linking each to all and all to each. It enables people to separate themselves from those social practices that guarantee the impoverishment of some. This is in accordance with the following Quranic verse: *"The alms are only for the poor and the needy, and those who collect them and those whose hearts are to be reconciled, and to free the captives and the debtors, and for the cause of Allah, and (for) the wayfarers; a duty imposed by Allah. Allah is Knower, Wise."*²¹

In addition to the required alms given at the end of the month of Ramadan, and the required alms on savings, Muslims are encouraged to give charity at all times according to their means. This voluntary charity is called *Sadaqah*, from an Arabic word meaning "truth" and "honesty." *Sadaqah* may be given at any time and in any amount. The Quran says: *"They ask you about giving, say, the charity you give shall go to the parents, the relatives, the orphans, the poor, and the traveling alien. Any good you do, God is fully aware thereof."*²²

Islam plays the most vital role in the development of a society. In Islam, it is an obligatory religious duty for those Muslims who are financially affluent; they are required to pay 2.5% percent of their total income each year to those Muslims who are poor and helpless. *Zakāt* purifies the heart of the recipient from envy and hatred of the rich and fosters in his heart good feelings towards his brother Muslims,²³ but it is not the only thing that matters. Economic justice is a matter of great concern in Islam. *Zakāt* is considered mainly as a way to improve the difficult situation of the poor and as such fulfils an important role of a tool serving to redistribute income and eliminate poverty. *Zakat* is a mechanism for self-help. Everyone contributes to need fulfillment and the general well being of society according to one's ability. And from a macroeconomic perspective, similar to the

inheritance laws in Islam, the institution of *zakat* is designed to deal with the distribution of wealth in society. Being a re-distributive fiscal policy based on wealth and not on income, it provides insurance against unjust alliances between economic monopolies and political power, which leads to a social imbalance, exploitation, and eventually anarchy. As such, it guards against the concentration of wealth in the hands of a few persons, families, or even the state. Hence, *zakat* is the most cardinal and vital system in an Islamic order. Its nature, structure and function can be better envisaged in the total perspective of Islamic system of life. *Zakat*, in fact, created the first universal welfare system in human history.

Zakat: Islamic Mechanism for Social Harmony:

Harmony and brotherhood are two fundamental principles of Islamic Tradition on the basis of which social welfare is mostly dependent. The Quran has promoted the idea of brotherhood among the people in order to reduce the social and economic inequalities in society: In Islam, differentiation among the people of different communities on the basis of racial origin, economic affiliation or social status is strictly prohibited. Islam teaches universal love, mutual respect and brotherhood, preaches sympathy for others. It encourages the utmost self-restraint and self purification. The concept of social development is one of the Islamic principal values that are inculcated in the Holy Quran. Islam advocates some inevitable components that are the basis for social harmony and peace.

Muslims are brothers. Brotherhood can be created through aid and assistance in various forms. Islamic societies have a rich heritage of philanthropic institution like *zakat*. *Zakat* bridges the gulf between the haves and the have-nots. In capitalistic economies, we see that the wealth accumulates into a few hands and the condition of the poor further deteriorates. One of the purposes of *zakat* is to avoid such social disparity. The Holy Quran Says: *"This (wealth) may not circulate solely among the rich from among you."*²⁴ The concept of social development is one of the Islamic principal values that are inculcated in the Holy Quran. Islam advocates some inevitable components that are the basis for social harmony and peace.

Zakat: Islamic Equipment for Social Equality:

The world's present chaos is a result of our disregard for the principle of justice. In this regard, Islamic principles of justice can ensure righteousness and create a harmonious society. Justice is the central theme of the Quran. In Islam, to establish justice is a compulsory religious duty of human being and justice is opposed to oppression and inequality. In the context of justice, the Quran uses two concepts: '*Adl*' 'justice' and '*Ihsan*' more than justice. Both are related to the idea of justice. The Quran has stated many relevant verses in order to establish justice in human society. It is stated in the Quran: *"And eat up not one another's property unjustly, nor give bribery to the rulers that you may knowingly eat up a part of the property of others sinfully."*²⁵

Islam lays great emphasis on justice in everything one does, so to apportion more profits than losses to either party in contract is deemed as unlawful, the combination of money capital and labor must be rewarded according to the principle of justice above all, given the difficulty to compare the value of labor in relations to money capital. The principle of equity -contribution in the form of effort, risk-taking and capital- is the only basis of distribution of returns applied in the Islamic modes of financing. The selective socio-economic and

financial tools described above are indicative for three key aspects important to the understanding of the concept of distributive justice in Islamic Economics. In Islam, there is great emphasis on justice. The concept of social justice is one of the essential requirements in an Islamic social order, which is based on the concept of Islamic brotherhood.²⁶ 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. *Zakat* is one of the most important elements in establishing social justice among the Muslim community by distributing the wealth of the rich among the less fortunate. *Zakat* exemplifies Islam's strong concern and commitment towards the realization of socio-economic justice. *Zakat* brings the people closer to each other and ensures real brotherhood in the true sense of the word and spirit. The holy Quran has made performance of 'Salat' and payment of 'Zakat' both as pre-requisites of Islamic brotherhood. The Quran says: *"But if they repent and establish worship and pay the poor-due 'zakat', then they are your brethren in religion."*²⁷

Zakat: Islamic Technique for Social Security:

Social security is a fundamental human need. Sudden sickness, death, disability, disease, unemployment, fire, flood, storm, drowning, accidents related to transportation, and the financial loss caused by them are the reasons, which create this need. The sufferings from these events take the victim and his dependants towards poverty. The economic situation of the affected people becomes so unsound that they need economic help. Islam has given the people a happy and prosperous life upholding the sanctity and absolute value of human life. Islam supplies the best ways for virtuous conduct and most effectively prevent evil intentions, malicious activities through its moral and ethical directions on security. In Islam, right from the beginning, fulfillment of the basic needs of everyone who is unable to meet his/her needs was conceived to be the concern of the State. *Zakat* is the first institution of social security in Islam.

Zakat 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 society. *Zakat* ensures social justice by bringing financial balance among various strata of society. It decreases the crime rate and terrorist inclinations among the society members. Thus the whole society strives together and achieves development and prosperity. Equal distribution of wealth curtails the rate of unemployment and reduces chances of economic recession. *Zakat* is not just a charity for beggars and low class people, rather a form of social security which can only be materialized if it is established as an institution.²⁸

For the first time in the Islamic history, 'Umar ibn al-Khattāb, the second caliph, introduced the system of social security in his government. A department of social security was established. A careful census and registration of the citizens was done to ensure the provision of the basic necessities of the life to the destitute citizens of the State. The registration for providing social security had different categories. The allowances and stipends for the Muslim community were graded according to their merit with reference to Islam everyone is a keeper unto every other and responsible for the welfare of all. In an Islamic society the rich, as such, cannot be unmindful of their

brethren in need. According to Quran, wealth is not to circulate among the rich only. It must serve useful purpose and should be grown through traffic and trade as stated in the Quran. It is noteworthy to mention at this point, that the most important institution, which implements the concept of social security in Islam. Through *Zakat*, every individual in the society is assured of minimum means of livelihood, which provides social security system in an Islamic society. *Zakat* is one of the safety net in Islam. The distribution of *zakat* to *asnaf* prioritizes the needs of the needy and maintains the needs of those who are weak.

Zakat: Islamic Device for Social Justice:

Social justice is the pre-condition for social development. The world's present chaos is a result of our disregard for the principle of justice. In this regard, Islamic principles of justice can ensure righteousness and create a harmonious society. Justice is the central theme of the Quran. The Quran has stated many relevant verses in order to establish justice in human society. *Zakat* is the major economic means for establishing social justice. *Zakat*, the most benevolent institution of Islam has been mentioned at eighty two places in the holy Quran. *Zakat* signifies a major economic means for establishing social justice, which will lead to prosperity and security. *Zakat* is obligatory for every adult, mentally stable, free and financially able Muslim as mentioned in the Quran: "*The alms are only for the poor and the needy, and those who collect them, and those whose hearts are to be reconciled, and to free the captives and the debtors, and for the cause of Allah, and (for) the wayfarers; a duty imposed by Allah. Allah is knower, Wise.*"²⁹

Zakat is considered to serve not only the done but also the donor, as it purifies his heart from selfishness and greed for wealth, developing in him sympathy for the poor and needy. The payment of *zakat* is one of the five pillars in Islamic principle. *Zakat* is an important mechanism for the social development as it contributes to social security and harmony to help bridge the gap between the rich and the poor. There are three main reasons why *Zakat* becomes an effective tool for the social justice as given below:

- First, the use or allocation of *zakat* has been determined exactly in the Islamic *Shari'a*, where the *zakat* is only given for eight classes (*asnaf*) alone, namely: *fuqara* (the indigent), *masakin* (the poor), *amilin alaiha* (the *zakat* manager), *muallafat al-qulub* (the person being tamed at his heart), *fi al-riqab* (freed slaves), *gharimin* (people who owe), *Fi sabilillah* (fighters in Allah's way), and *ibn al-sabil* (travelers). Muslim scholars agree that other than the eight groups is not lawful to receive *zakat*.
- Secondly, *zakat* is levied on a broad base and include a variety of economic activities. *Zakat* is levied on agricultural products, pets, gold and silver deposits, commercial activities, commercial and mining goods taken from the earth. In contemporary *fiqh*, *zakat* is even also taken of all revenues generated from the physical and financial assets and expertise of workers. Thus, *zakat* is a very big potential source. This becomes an important basis for capital funding programs to eliminate poverty.

- Third, *zakat* is a spiritual tax paid by every Muslim under any circumstances.

Therefore, the acceptance of *zakat* fund is relatively stable. This will ensure the sustainability of poverty alleviation programs, which typically require a relatively long period of time. Because it bears the characteristics, the presence of *zakat* in the socio-economic framework of Islam can be a strong basis for sustainable poverty alleviation programs. As an instrument of human development, *zakat* could be superior compared to fiscal instruments that currently exist

Islam requires the work of capable people irrespective their social status, but lets the poor be given access and or facilities to do a job so that he/she can be independent. Furthermore, he argues that the utilization of *zakat* funds for income generating activities, such as setting up small and cottage industries, providing necessary training, and other empowerment program for poor communities, will improve their welfare and reduce the poverty rate. *Zakat* institution is planned to be used as the control group. The source of fund is not from *zakat* but other sources of fund that aim to get profit through other scheme such as *murabaha*.

Conclusion:

The paper strongly suggests the socio-economic development process is fully compatible to the Islamic principles as the key for sustainable development which covers both the material and non-material aspects of life. *Zakat* is a right for the poor and needy, so as to set every Muslim free from the enslavement of fear and hunger. The teaching of Islam emphasizes the need to give the poor their rights in such a way that their pride and dignity are well preserved. *Zakat* is used for this important purpose to promote the welfare of the society, equality and social justice, without any religious discrimination. *Zakat* is equal to the spiritual perfection of human individuals. It helps sustain the material life of individuals and society. *Zakat* when diligently implemented can lead to wide scale uplifting of the poor from the vicious shackles of poverty. *Zakat* is an Islamic charitable fund and therefore no form of interest or profit can be made from it. *Zakat* can play a significance role in terms of improving food security and alleviating poverty. Historically, *zakat* has played a key role in alleviating poverty by mobilizing resources. It has helped in attaining social justice and empowering the poor. An innovative means of utilizing *zakat* funds for contributing towards the attainment of food security. The main objective of *zakat* is the achievement of socio economic justice. The whole idea of *zakat* management is to help Muslims perform this pillar of Islam and establish its primary function as a means to alleviate poverty. *Zakat*, as an Islamic faith-based institution, is a strategic tool for combating poverty. The spirit of *zakat* and its general direction aim at the establishment of economic equilibrium and adjustment of wealth compilation in society as a means to the strengthening of social justice and the establishment of a fair order which is one of the fundamental purposes of Islam to establish a balance society on the earth.

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