

## **MODERN APPROACH OF ZAKAT AS AN ECONOMIC AND SOCIAL INSTRUMENT FOR POVERTY ALLEVIATION AND STABILITY OF UMMAH**

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**Abstrak:** Pendekatan modern lembaga zakat yang signifikan instrumen ekonomi dan sosial untuk pengentasan kemiskinan dan stabilitas ummat Islam. Tulisan ini menyoroti lingkup yang lebih luas pengertian istilah "Kemiskinan" dan membahas bagaimana lembaga zakat dapat memainkan peranan penting untuk mengurangi status kemiskinan di negara-negara Muslim di dunia modern. Tugas utama dari makalah ini adalah menggunakan lembaga zakat untuk melayani sebagai kolam sumberdaya bagi pembangunan ekonomi dan sosial dari awal ummat dengan mereka yang paling membutuhkan. Dana zakat dapat dimanfaatkan untuk pengembangan sumber daya terutama berkonsentrasi di bidang pembangunan modal manusia untuk jangka panjang ketimbang bantuan jangka pendek bagi mereka yang membutuhkan dan pada saat yang sama, mencegah penerimaan zakat dari pengalihan ke arah yang tidak diinginkan (1440H Visi IDB). Kita menggunakan dana zakat sebagai sarana untuk memberikan bantuan yang akan memiliki efek yang lama. Lembaga zakat harus memiliki program jangka panjang untuk mengajar fakir miskin tahu bagaimana menangkap ikan daripada setiap tahun kita hanya memberi mereka ikan untuk makan.

**Kata kunci:** zakat, pengurangan kemiskinan, pembangunan sosial,

**Abstract:** The modern approach to zakat institution is a significant economic and social instrument for the poverty alleviation and stability of the Muslim ummah. This paper highlights a wider scope of understanding the term "Poverty" and discusses how zakat institution can play an important role to alleviate the status of poverty in Muslim countries in the modern world. The main task of this paper is to use zakat institution to serve as a pool of resources for the economic and social development of the ummah beginning with those who most needy. In this regard, zakat funds can be utilized for the development of resources especially concentrate in the area of human capital development for the long-term rather than short-term relief for those in need and at the same time, prevent the zakat revenues from diversion to undesired directions (Vision of IDB 1440H). We should aim at using zakat fund as a means of providing assistance that will have a long lasting effect. Zakat institution should have long-term programme to teach the poor and needy know how to catch fish rather than every year we merely provide them with fish to eat.

**Keywords:** zakat, poverty alleviation, social development, economic instrument

## INTRODUCTION

Poverty alleviation or solving the poverty problem in low-income countries is becoming a worldwide issue today – it requires rapid growth in output, income and employment. But where is the effective demand for massive increases in output to come from? Domestic demand has traditionally been important in the initial stage of accelerated economic growth. But kick-starting domestic demand necessitates rising productivity in the large agricultural sector and creating more employment, increasing income and larger marginal propensity to consume (MPC) through integrated approach of physical investment and human capital. In this connection, zakat institution is one of the significant and obligatory institutions in each Muslim country to be implemented effectively and successfully along with the government plans of economic and social development of the country.

Being a Muslim, zakat is declared as the third pillar in the sunna as well as in the Qur'an, without which the structure of Islam does not stand. Zakat in Islam is not a mere charity left to the righteousness of individuals as part of their good deeds. It is rather an essential pillar of their religion, one of its major rituals, and the second of its four main forms of worship. Zakat is rather a social welfare institution supervised by the state and organized as a tax administration by a specific governmental body. Based on the above Islamic principle and third pillar of Islam – this paper try to seek the most effective and efficient methodology within the modern setting to bring the benefits of zakat to the Muslim ummah.

This paper is organized in the following way. Section 2 presents the general definition, scope and tools of poverty alleviation. Mod-

ernization of zakat institution as an economic and social toll for poverty alleviation and stability of ummah are presented in section 3. Section 4 discusses the concept of zakat's implementation in the modern time. Section 5 briefly proposes some theoretical models for the implementation of zakat in poverty alleviation (these models under the research works in Malaysia for three different States i.e. Kuala Lumpur, Selangor and Kelantan). In the last section some concluding remarks are provided.

## DISCUSSION

### General Definitions, Scope and Tools of Poverty Alleviation

#### 1. Definition of Poverty

Poverty is an income level that is insufficient to supply minimum nutritional and basic non-food requirements (Barry. J.L., et al, 1997); poverty is often defined in terms of people who live on less than \$1.00 per day (1/6 of world population, about 1 billion people); but at the Earth Institution at Columbia University Researchers take a "human needs poverty" approach, by addressing its many causes: hunger, access to health care and water, energy, trade barriers, gender equality, access to education (Earth Institute, 22/12/2004).

Most definitions of poverty by economists have defined it with respect to being able to attain a standard of living – according to Ravallion (1994. p.3), poverty can be said to exist in a given society when one or more persons do not attain a level of economic well-being deemed to constitute a reasonable minimum by the standard of that society. The World Development Report (WDR) in 1990 defined poverty as "the inability to attain a minimal standard of

living", or all households not able to achieve this critical level of consumption expenditure or income are described as poor. Based on Ravallion's definition of poverty who suggests that the concept of poverty or what poverty is, is very much determined by the norms, values and circumstances of the society, then it may be difficult to conduct comparisons across countries and societies since the nature, structure of poverty may vary from one society to another. However, the word poverty can be divided into three different profiles: The poorest, best describes as "the destitute poor" (Fuqara), "the structural poor" and "mobile poor", (UP/Bihar Study in India, Kozel, V. (1999)).

The participatory approach: the voice of the poor, based on this approach – the poor are given a chance to speak for themselves. These methods have indeed confirmed the broad dimensions of being poor. It was found that the main distinguishing features of poverty included "hunger and food insecurity, weak capacity to educate children and access to basic services, inability to honor social obligations, powerlessness and isolation", (Korboe, 1988). Another approach, in Ghana (1995), found that poverty was defined as lack of physical inputs, houses, labor, social capital, good clothing and having to be involved in "by-day" work (Norton, et al). Thus this approach highlights as characteristics of poverty vulnerability, social exclusion and low self-esteem.

## 2. Poverty Indicators

It is necessary to have information on a broad range of indicators including income, consumption poverty and perception, and perspectives of the poor themselves. Based on WDR 1990 – the poverty indicators are income/ consumption measure and supplemented by other indicators i.e. nutrition, life expectancy, under 5 mortality, school enrol-

ment rates, various social and demographic indicators, non-income dimensions of poverty including nutritional status, life expectancy and adult literacy. Therefore, based on above definitions – poverty reduction must start with solving two-thirds of the problem – broad based agricultural growth, rising farm incomes and hence rising effective demand for the high employment farm driven non-farm sector. Then, the thrust for GDP growth can go ahead with minimal social tension, and direct action programme to reach the poor can succeed (Mellor J.K. 1999).

## 3. Tools of Poverty Alleviation

There are various instruments to overcome the problem of poor groups in the society. These are as follow:

- a. Banking for the poor (Grameen Bank)
- b. Agricultural on the road to Industrialization (see J.W. Mellor, 1999)
- c. Best Practice approach – Learn from successful experiments elsewhere which can be transplanted into their own national or cultural setting – lesson from high-achieving countries (S. Mehrotra)
- d. "Pro-poor growth" (see social capital, A. Joshi & M. Moore. (1999))
- e. High macro-economic priority to health and education
- f. Women's agency role (A. sen 1995)
- g. Management of social transformation. (Mohd Shafie 1999)
- h. Innovation approach to land and housing provision (David Dollar) 1999)
- i. Aid, policies and poverty reduction, (David Dollar, 1999)
- j. An Integrated approach to Development – poverty alleviation, environmental protection and sustainable livelihoods

- k. Access of the poor to the financial services especially Islamic Financial Services.
- l. Role of Islamic Institutions such as Zakat, Awqaf, Qard Hassan, Baitulmal Wal Tamweel and Rehn.
- 4. Modernization of Zakat Institution as an Economic and Social Instrument for Poverty Alleviation and Stability of the Ummah

In this section we discuss how the institution of Zakat can play an important role in alleviating poverty in the society. Zakat would have the maximum effect on poverty if it were allocated on the basis of the poverty rate and the quality of economic policy.

- a. **Objectives of Zakat** as a transfer of ownership is supplemented by moral, humanistic, social and economic objectives
  - 1) To use zakat as a mean of providing assistance that will have a lasting effect
  - 2) To utilize zakat funds for the development of resources especially in human capital
- b. **Effects of Zakat on Payers** are to elevate the spirit of human being above the love of material acquisition – as a person who always needs purification and cleansing, both spiritually and materially – "take sadaqa from their wealth by which you might purify and cleanse them". The detail effects of zakat on payers are as follows:
  - 1) Zakat purifies the soul from miserliness
  - 2) Zakat train one to give and inculcate generosity in him.

- 3) Zakat trains people to acquire divine characteristics
- 4) Zakat as an expression of thankfulness to Allah
- 5) Zakat is a cure for the love of worldly things
- 6) Zakat stimulates personality growth in those who pay it
- 7) Zakat improves ties of mutual love between poor and rich and ties of brotherhood and love each other
- 8) Zakat purifies wealth – if you pay zakat on your wealth, you have taken away its evil
- 9) Zakat does not purify unlawful wealth (Allah does not erase evil with evil. He rather removes evil with good)
- 10) Zakat brings growth to wealth – a blessing from Allah that brings prosperity (See verses (34:39), (2:268), (30:39), (2:276))

**c. Effect of Zakat on Recipients**

- 1) Zakat liberates its recipients from material needs.

Living in good and prosperous life is one of the Islamic objectives for all human beings. The satisfaction of the material needs of life is undoubtedly an essential ingredient of human happiness. Obviously, Islam likes people to be prosperous and hates poverty, especially when poverty is the result of unjust distribution of wealth or class oppression. The betterment of material living in Islam is not just a goal in itself likes materialist system, but it is a means of spiritual uplifting and as the liberation of human energy from devotion to seeking bread to worshipping and glorifying Allah. Islam is expressed

in the idea that making one rich is a grace from Allah. Allah tells the Messenger, *"Did He not find you impoverished and enrich you?"* (93:8), He tells the Muslims in Madinah, *"He give you refuge and supported you with His help and provided you with good things so that perhaps you would be thankful."* (8:26). The prophet used to pray, *"My Lord, I ask You for guidance, righteousness, contentment and wealth."* Moreover, He prefers a grateful rich person to a patient poor person. Every Muslim is supposed to believe that prosperity is considered part of the reward which Allah gives to righteous believers while poverty and misery are part of the punishment for disbelief and misconduct. Allah says, *"Anyone who acts rightly, male and female, being a believer, We will give them a good life."* (16:97) and many other verses in this regards likes (7:96), (65:2-3), (16:112).

Allah commands zakat in order to use the surplus wealth of society to satisfy the essential needs of those who are not lucky enough to have wealth of their own so they can enjoy the bounties of Allah and contribute to the progress of society. Letting the poor know that they are not lost or forgotten and that society cares deeply about their needs is in itself an upgrade of their sentiments and sense of brotherhood. Human dignity and the honor given to human being by Allah require that not a single person be neglected or left on the periphery of society.

## 2) Zakat cleanses jealousy and hatred

Zakat is also a means of purifying the soul from envy and hatred. A man, beaten down by poverty and pressed by the material necessities of life, who sees

others around him enjoying a high standard of living and luxuries without helping him or extending any relief to him, will naturally be ravaged by the pressure of unsatisfied material needs and become full of hatred and enmity towards the entire society. Islam wants strong relationship and solidarity between Muslim ummah. Such fraternity, strong relationship and solidarity cannot be established and stabilized if one brother has a full stomach while others are left to hunger, for this nourishes hatred and envy. As the prophet (PBUH) puts it, *"And be, O servants of Allah, one brotherhood,"* (Muslim) and *"A Muslim is the brother of a fellow Muslim"*.

Envy and hatred are some of the most devastating social diseases that destroy people and societies. Therefore, love and brotherhood among people, poor and rich, are nourished by zakat which strengthens the bonds of society and cleanses the hearts and souls of people. The Prophet (PBUH) says, *"None of you is a true believer until he loves for his brother what he loves for himself."* (Al- Bukhari and Muslim)

### d. Objective of Zakat in Society

Clearly, giving zakat to those people in eight categories (eight asnaf), – *the poor, the destitute, those who collect it, reconciling people's hearts, freeing slaves, those in debt, spending in way of Allah, and travelers;* serves important social objectives.

Zakat covers only the areas called social insurance and social security (Yusuf al-Qardawi, 1999). Social insurance systems usually require the users to pay premiums and contributions in order to participate in the benefits,

while social security systems may be guaranteed by the state from its own budget.

Zakat does not make it a condition for any recipient to participate or to have participated in the contributions; zakat simply provides relief to those in needs and collects funds from whoever has excess. Zakat is, in fact, the first system of social security ever enacted in the human history, a system that does not depend on individual voluntary charity but on a governmental institution that collects regular contributions and distributes organized relief to all those who are in need.

This system of zakat provides regular relief as well as emergency aid. We can see from the Islamic history of "Umar ibn Abdul-Aziz", he divided zakat into many shares, for example, a share for the ill, the handicapped, the needy person who cannot provide for himself, the destitute until they can be removed from destitution, a share for those in prison, for those who beg and those who do not, the person whoever in debts provided that such debts did not arise from disobedience to Allah, a share for every traveler in difficulty. Such travelers should be given food and shelter as well as feed for transportation animal until they reach home. This system does not cover only needy Muslims, but extends to needy non-Muslims who live in the Islamic state, as Umar indicated by including the elderly Jewish man and the ill Christians in this social insurance.

Social security that provides help without requiring contributions, there is a complete provision for the poor and needy, organized and implemented by

the state and financed by zakat or a tax imposed on the rich only. It is part of religion of Islam and its third pillar without which the very faith of a Muslim is incomplete.

**e. Zakat and Spiritual Integrity of the Nation**

One can distinguish three major factors to which Islam gives special attention. The first is freedom or liberty. One of the objectives of zakat is to liberate individuals from the bondage of slavery. This is a social obligation for which a certain portion of the community's wealth is to be spent. The second is encouraging individuals to carry out projects of public interest and to spend toward smoothing out differences between segment of the community and reconciling individuals and groups in order to avoid social unrest. Such actions are encouraged by assigning a share of zakat to support those who have to bear financial responsibility for these purposes. The third is spending in the Way of Allah and spreading the sound religion that comes from Him is urged. Fighting in the Way of Allah includes defending the ideals and doctrines for which Allah sent His Messengers and upholding the Oneness of Allah and righteousness on earth.

Therefore, these three areas are essential pillars of social life of the Muslim community. Zakat as an instituted tax is not detached from the principles and worship of Islamic community, nor is it isolated from its values, morals, politics, economics and defense.

f. **Six Major Social Problems and Find How Zakat Contributes to Solving Them and Eliminating Their Causes**

1) Problem of socio-economic gap

Extreme poverty is a major social calamity that Islam does not tolerate in its society. The Qur'an emphasizes, "It is He who created everything on the earth for you" (2:29). One of the objectives Islam aims for is the reduction of socio-economic difference by providing support and financial help to the have-nots to bring them closer to the haves. Islam tackles this problem with much of its legislation, social institutions and economic directives in order to achieve justice both in the distribution of wealth and the distribution of income, (see 59:7). Zakat, as we have seen earlier, does not only provide relief to the poor but aims also at making the poor own the means of production by giving them the tools and machinery necessary for productive work, so that persons given zakat are removed forever from the category of the poor and needy.

2) Problem of beggars and begging

a) Islam fights begging through education and training to the point that asking for any kind of assistance is disliked except in dire need. The prophet (PBUH) said, "That you worship Allah and do not associate any partners with Him whatsoever, that you pray the five prayers, that you listen and obey....." and he whispered a word and continued, "and that you do not ask people for anything".

b) Teaching of the Prophet on self-support, there are two essential principles given by Prophet (PBUH)

to his Companions: *Firstly*, work is the source of gaining income and means of sustenance. Muslims are urged to travel through the earth in search of the bounties of Allah through work. Work, manual or otherwise, is better than living on humiliating grants. *Secondly*, asking people unnecessarily is prohibited because it is undignifying. Muslim is prohibited from resorting to begging for relief except for those who are in desperate needs.

c) Practical cure for the problem of begging. There are two-fold – the first step is providing suitable jobs for all those who can work. This is one of the responsibilities of the Islamic state towards its citizens. The state must not remain idle or paralyzed when faced with the problem of employment. Nor must the state keep providing relief from sadaqah without rectifying the root of the problem. The prophet (PBUH) said that "Sadaqah is not lawful to any rich person or to a strong and capable one"

When we observe in a story narrated by Anas ibn Malik about a man of the Ansar, who came asking the Prophet (PBUH) for financial help. Prophet asked him to bring a cup (that he had) to sell in the public for two dirham – one to buy food for the family and another one to buy an axe-head as an instrument (or capital) to get wood and sell it..... and after that Prophet did not want to see the man for ten days. After ten days the same person came back with ten dirham his income in hand. The Messenger of Allah (PBUH) said, "This is better for you than

the begging that comes as a scar on your face on the Day of Rising. Therefore, begging is not permissible except to one of three. A destitute poor person, or a person with overwhelming debts, or a person who has to pay ransom or to buy the freedom for an accidental homicide"

The practical teaching of the Prophet (PBUH), when he did not want that person to take zakat because he was able to earn, and such taking is not permissible except as a last resort. The government is responsible for helping people to find suitable jobs. The above Hadith outlines the practical teaching of Islam to wipe out poverty and unemployment. The Prophet (PBUH) taught that one must use all one's abilities, no matter how few they might be, and to exhaust all means of productive work before resorting to begging or asking people. The cure is not only to extend immediate relief, but to provide means of self-support and productive work. Or we should aim to use zakat as a means of providing assistance that will have a lasting effect. We should not merely feed the hungry man with fish to eat, but we should have programs to teach them how to catch fish so that they can take care of their own welfare long into the future. This concept of zakat's implementation could be used in these modern times particularly for the purposes of human capital development, both on an individual as well as on a community basis.

The role that zakat can play in this regard is obvious. It can provide the unemployed labor with the necessary tools, machinery and capital for productive work. Zakat also can fund

job training or job rehabilitation programme. Above all, it can establish collective projects and industries run by poor (e.g. Ladang Rakyat in State of Kelantan in Malaysia) and formerly employed workers

The second part of Islam's cure for begging is social insurance for those who have no income. Such persons are guaranteed a minimum standard of living or an income above poverty line in the modern concept suitable to a given Islamic society. Poverty or unemployment may be caused by either of two reasons: physical incapability due to old age, sickness or handicap, or the inability to find a job may be due to economic factors or non-economic factors which go beyond his/her ability, both groups must be supported by zakat.

3) Brotherhood is an Essential Objective of Islam.

The relationship of brotherhood will breakdown, dispute and even fighting each other might be, one of this respects, due to financial matters. Reconciling differences among people and removing factors that cause feuds and may lead to fighting is the collective responsibility of the community and the entire society. Allah encourages reconciliation and making peace among people in more than one place in Al-Quraan (see8:1), (4:114). However, such reconciliation may require financial sacrifices, since many differences arise due to financial matters; many others can be settled by paying ransoms. Therefore in this connection, zakat indeed offers a source for such payment under the title of the share of those in debt.

#### 4) The Problem of Accidents and Natural Calamities

Islam attempts to guarantee each person in Islamic society sufficiency of sustenance and security from fear, so that each human being can devote a good part of his or her energy to worshipping Allah. (See 106:1- 4) and (16: 112)

Islamic law guarantees every person in the Islamic state, Muslim or not, a suitable standard of living, whereby food, clothing and shelter are available in addition to health care and education. It was shown earlier that the system of zakat aims at satisfying the poor and the needy and their families for life. Beside this, "people in debt" includes those afflicted by disaster or accidents are not left to voluntary charity alone, and moreover they are given a share in the proceeds of zakat, (Yusuf al-Qardawi, 1999, p. 564). Question arises! How much are such persons given? In the Hadith, the Prophet (PBUH) says such a person may ask, "Until he secures sufficiency of sustenance." Based on the modern concept, this amount differs from one person to another, depending on factors such as general standard of living, size of family, and social status and act. At the same time, it also depends on the availability of the funds in the zakat agency and several other factors.

#### 5) The Problem of Involuntary Celibacy (remaining unmarried)

There is no monasticism in Islam. Islam does not allow any tendency to voluntary celibacy. Suppression of the sexual drive or its elimination is not accepted by Islam which encourages marriage and forbids taking vows of celibacy and castration. Furthermore,

the Prophet (PBUH) called on youths, "O young people, whoever can afford marriage among you must marry, since marriage is better for lowering the gaze and protecting chastity." (Al Bukhari). Some scholars deduce that marriage is obligatory on each Muslim. Refraining from marrying is not permissible for anyone who has the means to marry. Muslims must not avoid marriage because of constraint in their means or because of the burden of its responsibilities. Allah promises enrichment to those who look to marriage as a means of human satisfaction and protection against the unlawful fulfillment of the sexual drive, (see (24:32). The Prophet (PBUH) says that "Three have the right to help from Allah: a man who seeks marriage in order to satisfy himself and protect his chastity, a slave who has a contract for freeing himself for a certain amount who intends to fulfill his duty, and a fighter in the Way of Allah." In this regard, the institution of zakat is one of the favors Allah has given Islamic society. Zakat must be used to help provide marriage expenses for those who are in need, (see 30:21)

The role of the zakat institution in aiding marriage is not an innovation of mine but was decided by past leading scholars.<sup>1</sup> They declare that getting married is included in provision of sufficiency of sustenance and argue that providing unmarried poor persons with financial help for getting married is an integral part of providing essential needs.

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<sup>1</sup> Reported by Ahmad, an-Nasa'I, at-Tirmidhi, Ibn Majah and al-Hakim from Abu Hurayra via a sound chain, as stated in at-Taysir, vol.1, p. 474.

#### 6) Problem of the Homeless

Islam prefers every person to have a home and belong to a family, and does not like anyone to be homeless. Consequently, adequate shelter for a person and his or her family is included under the essential needs, for the satisfaction of which zakat imposed by Allah. An-Nawawi explains that essential needs include food, clothing, residence and everything that is indispensable for life, at a level that suits the receiver and his or her social status without extravagance or miserliness. Ibn Hazm adds, "It is an obligation on the rich people of every region to provide for all the needs of the poor in that region. If the proceeds of zakat and fay' are not sufficient, satisfaction of the needs for food, clothing for summer and winter, and shelter that protect from the sun, the rain and the eyes of passers-by must nevertheless still be provided from the wealth of the rich.

#### g. Zakat Institution and Government

In reality when we talk about zakat institution, then it will only be proper if we compare the capability of zakat institution and government agencies in the country. The responsibilities of each government in the country are wider scope than institution of zakat. Government is responsible for the matter involving peace and stability in economics, politics and social. Based on that government could develop, create job opportunities to its citizen, attract domestic and foreign investment for manufacture/ industry, build facilities and infrastructures, provide education, develop science and technology, develop the agricultural sector and

other agenda of country's development. Zakat institution can not take over the responsibility and duty of the government agency rather it could and should only complement the duty of the government agency in relating scopes. The scope and the amount of collection of zakat rate, for the lower bound only 2.5% and for the upper bound it may go from 5% - 20%<sup>2</sup>, compare to percentage of income tax of some Muslim countries of 20 -30% (case of Malaysia). Therefore, for the problem of poverty alleviation, government has abandon and more wealth and it is able to implement more programme/projects/efforts and plan to help the poor.

However, based on Islamic history, zakat institution could play important roles in solving the problems of human society, it does not only provide relief to the poor but aims also at making the poor able to access to higher education, get hard and soft skills, and own the means of production by giving them the tools and machinery necessary for productive work, so that persons given zakat are removed forever from the category of the poor and needy. This concept of zakat's implementation could be used in these modern times particularly for the purposes of human capital development, both on an individual as well as on a community basis.

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<sup>2</sup> Ibn al-Qayyim has divided the zakat rates into four i.e. 20% or one-fifth, 10% or one-ten, 5% or one-twentieth and 2.5% or one-fortieth. (Refer to "Labor consideration behind different rates of zakat").

## 5. The Concepts of Zakat's Implementation in the Modern Times

Zakat's implementation in the modern times for the purpose of investment and human capital, these concepts are based on "zakat is due to two kinds of persons – those in need of relief and those needed by Muslim society". The main purpose of the distribution of zakat is to make the poor and needy reach, the upper limit of giving in zakat is the provision of, their sufficiency of sustenance (Yusuf al-Qardawi, 1999, p. 355). For example, a craftsman would be given an amount sufficient to buy tools and equipments that allow him to work and gain his sustenance. Based on the above guide line the areas which zakat suppose to concentrate in the modern society today are as follows:

- a. Zakat should provide students with scholarships for higher education
- b. Zakat should provide for training short-courses which are relevant to market demand
- c. Zakat should provide a fund of Islamic Financial Services (IFS) for the potential poor and needy who are able to work
- d. Zakat should provide tools and machinery necessary for productive work for the poor and needy who are able to work
- e. Zakat should combine its forces between government plans of economic development and institution of zakat to solve the problem of poverty by giving resources' allocations e.g. in agricultural sector – enough farming lands, machineries, plantations, animals (See a model of "Lading Rakyat" in Kelantan, Malaysia) ; and in manufacturing sector likes suitable work-shops, small scale industry, medium scale industry, etc. According to this opinion, based on Yusuf Al-Qardawi, the Muslim state can establish factories and businesses, making them all owned by the poor and needy, whose returns and income would be sufficient for their basic sustenance.
- f. Zakat should also consider providing basic needs, other than foods and clothing, likes shelters to live in for the poor and needy. For example low-cost housing project in certain area for the poor and needy
- g. Zakat should also allocate for Research of dissemination of knowledge (Yusuf al-Qardawi, 1999, P. 360)
- h. Zakat should strongly support fighters of opposing ideologies, since cultural colonialism is worse than military colonialism.
- i. Zakat should cover the wider scope of the term "Fi sabilillah" which means spending to support the din of Allah, its way of life, its law which is Allah's gift to humanity and to fight all its enemies.
- j. The most deserving area of zakat in the category of Fi-sabilillah today is seriously jihad, purposefully organized work to rebuild Islamic society and state to implement the Islamic way of life in the political, cultural, economic and social domains.
- k. The deserving of zakat also on "establishing Islamic Schools, Islamic Libraries, and Islamic Hospitals" in a country whose educational institutions are dominated by secularists and missionaries, in order to protect Muslim children from such destructive and demoralizing preaching and protects Muslim patients from being exploited by missionary hospitals

6. Propose Models for the Implementation of Zakat in Poverty Alleviation

This paper would like to suggest, for the further research works, some potential theoretical and empirical models of Zakat's implementations in the modern time for the purpose of investment and human capital.

- a. Umar Ibn. Abdul-Aziz model of zakat implementation. (From the above discussion on page 6-7), we can use as a role model for the modern concept of zakat implementation.
- b. Ibn. Al-Qayyim's Economic significance of zakat – His special contributions on this field of zakat is "Labor Consideration behind Different Rate of Zakat". This system can be used as a guide line for the development of zakat in agricultural sector in economic development for the modern world today.
- c. Some Muslim scholars add that the poor may take from zakat an amount equal to the nisab for each person in the family. In this connection, poverty is measured based on "the amount equal to nisab for each person in the family as poverty line", and zakat institution needs to provide (directly or indirectly) an equal fund to the poor for poverty alleviation.
- d. Poverty is measured by using \$ 1/day and \$ 2/day poverty lines and provide % of GDP required for poverty alleviation equal funds needed to raise the income of the poor by US \$ 1/day for all the poor in the group for the year as a percentage, i.e.

$$Y = X/GDP \times 100.$$

where

Y = the percentage of GDP required for poverty alleviation

X = Total amount needed for one year for poverty alleviation

N = Total number of poor people = % of poor multiplied by total population

$$N \times 365 \text{ days a year} = X.$$

- e. Model of "Propose Ladang Rakyat (farming of the poor) in Kelantan State" in Malaysia. The basic concept of this model is a combination between agricultural development of the state government and zakat institution. The target group is poor and needy or poverty alleviation.
- f. Model of three essential elements to performance measurement in zakat collections, disbursements, and expenditures. These are referred to as the "Three E's" :<sup>3</sup>
  - 1) **Efficiency:** output divided by resources consumed. Or efficiency is unit cost – the cost of inputs divided by output.
  - 2) **Effectiveness:** how far the output achieves target objectives. Quality of service can often be measured and is regarded as an indicator of effectiveness.
  - 3) **Economy:** how actual input costs compare with planned or expected costs.

The relationships between efficiency, effectiveness and economy are components of value for money. Where

<sup>3</sup> (Chapter 9, The economics of Internal organization: The efficiency of Parastatals in LDCs, by P.M. Jackson and A.J. Palmerp. 195 -209)

they can be measured precisely they are called "performance measure". This model can precisely be used to measure the performance of zakat institution in each country in term of collections, disbursements and expenditures. Based on the results of the performance measure – it is recommended to activate and improve zakat institution in order to meet the main objective of poverty alleviation in Muslim countries.

## CONCLUSION

Zakat is declared as the third pillar (after praying) in Islam, without which the structural foundation of Islam does not stand. The pillar of zakat in Islam is not only a mere charity of collection material means from the rich and distribute them to the one who deserve, but it is rather essential pillar of religious form of worship and its major ritual practices of Muslim society. Since zakat is one of the "Islamic Instrument" to solve the economic and social problems of Muslim society from the history of Prophet Mohammad (PBUH) until the end of the day, This paper attempted to highlight a small contribution regarding the effective and efficient methodology of collection, disbursement and expenditure within the modern setting to bring the benefits of zakat to the Muslim ummah. We concentrated on how zakat funds can contribute not only for the purpose of consumption for those who are needed but more importantly for the purpose of investment on physical and human capital development for those who are able and willing to work. Zakat funds can play an important role in integrated approach to economic development through eradication of illiteracy, diseases, epidemics and poverty. It is stressed that the portion of "Fi sabilillah" can go in various forms of jihad

– jihad may be educational, journalistic, social, economic or political jihad as much as military jihad. We must remember that in all kinds of jihad, the essential condition is that the action helps make Allah's word supreme on earth.

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