

**SOME ASPECTS OF THE ECONOMICS
OF ZAKAH**

Proceedings of the Conference on the Economics of Zakah
Organized by

The Economics Group of the Association of
Muslim Social Scientists

Held on

April 13 and 14, 1979 (Jumada I, 16 and 17, 1399)

at

Cornell University, Ithaca, New York

Edited By:

M. Raquibuz Zaman, Chairman
Economics Group, AMSS, and
Chairman, Department of Accounting and Finance
Ithaca College

The Association of Muslim Social Scientists
Plainfield, Indiana 46168

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SOME ASPECTS OF THE ECONOMICS OF ZAKAH

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Abdool Aziz Shaik
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Edited by
M. Raquibuz Zaman

March 1980

The Association of Muslim Social Scientists
Plainfield, Indiana 46168

Dr. Mian. M. Saeed

10-00-00-1

Conference on the Economics of Zakah

- SESSION I: *Concept of Zakah: Survey of Texts and Definitions*
Chairman of the Session: Syed Zafaruddin Sayeed
Paper: Abdool Aziz Shaik, "Zakah — Survey of Qur'anic Texts and Their Definitions in Shari'ah and Contemporary Economics"
Discussant: Dr. Akbar Muhammad
- SESSION II: *Comparative Study of Zakah and Other Taxes*
Chairman of the Session: Dr. Mohammad Zahir Hassan
Paper: Dr. Akbar Mohammad, "Zakah and Taxation in Islam"
Discussant: Mr. Omar Afzal
- SESSION III: *The Economic Effects of Zakah*
Chairman of the Session: Dr. Ali Attia Abdussalam
Paper 1: Dr. Ismail Muhd Saleh and Rogayah Ngah, "Distribution of Zakah Burden on Padi Producers in Malaysia"
Discussant: Dr. M. Raquibuz Zaman
Paper 2: Dr. Masudul Alam Choudhury, "The Role of Az-Zakah in Resource Allocation"
Discussant: Dr. Fahri Unsal

SESSION IV: *Socioeconomic Implications of Zakah*
Chairman of the Session: Dr. Mahmoud Rashdan

Paper 1: Mr. Omar Afzal, "Zakah — The Social Security System of Islam"

Discussant: Dr. Peter Franck

Paper 2: Dr. Ilyas Ba-Yunus, "Social Implication of Zakah in Modern Times"

Discussant: Dr. M. Mahmoud Awan

SESSION V: *Zakah and Economic Policy*

Chairman of the Session: Mr. Sayyid Mohammed Syeed

Paper 1: Dr. Muhammad Mahmoud Awan, "Economic Policy for Development — A Treatise on Zakah"

Discussant: Dr. Ali Attia Abdussalam

Paper 2: Dr. M. Raquibuz Zaman, "Policy Implications of Introducing Zakah into Bangladesh and into Saudi Arabia"

Discussant: Dr. Monzer Kahf

EDITOR'S PREFACE

This volume contains five of the papers presented at the Conference on the Economics of Zakah held at Cornell University in Ithaca, New York on April 13 and 14, 1979. It also includes comments, observations, and criticisms that were offered by the discussants and the audience on each paper. Each paper is also followed by comments by the editor in order to present some additional information and questions that were not raised in the sessions, but were discussed elsewhere.

The reasons for the delay in preparing this volume are in order. *First*, three of the papers presented at the Conference were never completed nor submitted to this editor despite repeated urgings and notifications to the persons concerned. *Second*, except for two discussants, the others did not submit their comments and criticisms in writing, even though they were requested to do so. *Third*, some of the members of the Economics Group urged me to do everything possible to get the three papers and to wait for them, if necessary. However, in response to my memo of September 19, 1979, quite a few members advised me that it was time to go ahead and complete the work. I was particularly encouraged by the news from Br. Abdool Aziz Shaik of South African National Zakat Fund that he recorded most of the Conference proceedings while he was here and that he could send me copies of those tapes if I wanted him to do so. His gracious offer was accepted, gratefully, and I received the tapes in November. Without the tapes it would have been impossible for me to do justice to the audience's comments offered to the authors of the papers. The tapes made it possible to present to the reader the essence of the three missing papers. *Fourth*, some of the blame for the delay must fall on me. Had I not been very busy and preoccupied with all my other duties and responsibilities at Ithaca College, I should have finished the work in January.

A word or two about the arrangement of the materials included in this volume: Each paper is presented in its entirety. Reference and footnoting styles of some papers were changed to bring them into uniformity with the approved standards. No change has been made in the basic content of any paper. Each paper is then followed by comments and observations from the discussant; then from the general audience, including chairman of the session; and, finally, from this editor.

I received full cooperation and help from the Executive Board of the AMSS, especially from Br. Anis Ahmed, President of the Association, and from Br. Sayyid Mohammed Syeed, the Director of Publications. Without their help and encouragement the work would have been difficult to complete. Thanks are due to my wife, Raihana, who devoted considerable time in going over the manuscript and typing a major portion of it. Thanks are also due to Dr. Howard Brown, the Dean of the Business School at Ithaca College, who showed active interest in my work and provided necessary assistance and encouragement in getting the work done. Among my colleagues, Dr. Fahri Unsal, Dr. David Long, and Professor Jim Markowitz were particularly helpful in providing me with moral support at times of need. I would also like to acknowledge my thanks to Mrs. Dee Floros, Administrative Secretary, Mrs. Joyce Stanton, Secretary of the Department of Accounting & Finance, and Mrs. Justine Leaf, Secretary of the Department of the Management, all of the School of Business, for their individual assistance with the work.

M. Raquibuz Zaman
Ithaca, New York

March 1980

A NOTE FROM THE PUBLICATIONS DIRECTOR

Praise be to Allah (sub' hana wa ta' aala) and Peace and Blessings be upon Prophet Muhammad forever. Amin.

As a student of the Islamic perspectives of psychology and culture, I have noted corollary psychological and social diseases that emerge in spurious and negative economic conditions. These diseases include miserliness, narcissism, aggression, primary group deterioration, and a host of mental pathologies. Good economics are essential in any stable society. The more equitable the economic system, the more equitable the interpersonal relations. Islam encourages values and behavior which, when properly injected in any culture, help rectify unbridled economic disparities and promote human development.

Muslim economists' and scholars' presentations on aspects of Zakah discussed in this book are a significant contribution towards understanding one of the Five Pillars of Islam. Moreover, their observations provide a wealth of information for any interested mind exploring this area. The institution of Zakah should be approached with no less degree of piety and dedication in fulfilling any Divine Commandment. *Some Aspects of the Economics of Zakah* is well researched, well written, and timely.

The Executive Board of the Association of Muslim Social Scientists extends its support, gratitude, and appreciation to Dr. M. Raquibuz Zaman — Editor, the volume contributors, and the Economics Group of the AMSS.

May Allah reward you for your unrelenting efforts.

Rashid Hamid, Ph.D.
Publications Director

SOME ASPECTS OF THE ECONOMICS OF ZAKAH

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CHAPTER 1

Concept of Zakah: A Survey of Qur'anic Texts and their Explanations in Shariah and Contemporary Economics

Abdool Aziz Shaik

The author is the Chairman, South African National Zakaat Fund, Natal Region, Durban, South Africa. He is a member of the Chartered Institute of Secretaries, an associate of the Institute of Credit Management. He has been actively involved with the Muslim Youth Movement of South Africa and the Arabic Study Circle.

CONCEPT OF ZAKAH: A SURVEY OF QUR'ANIC TEXTS AND THEIR EXPLANATIONS IN SHARIAH AND CONTEMPORARY ECONOMICS

INTRODUCTION

The Divine attributes of Creation, Preservation and Guidance are evident in all living and non-living things.

"Our Lord is he who gave unto everything its nature, then guided it right." (Qur'an 20:50)¹

But the largest share of them has fallen on the lot of man.

In view of this fundamental reality, which transcends all other realities and is at work in all the religious, moral and economic structures of the world, the Qur'an has committed all human affairs, in their entirety, to the charge and keeping of God, and held man responsible only for the office of Vicegerency. It, sometimes, addresses the Muslims in this way:

"And bestow upon them, of the wealth of Allah which he hath bestowed upon you." (Q. 24:33)

And sometimes, it says:

"And spend of that whereof He hath made you trustees." (Q. 57:7)

These verses proclaim to the world that all things man considers his own, belong in truth, to God who is their real owner. But Allah has not deprived man of the right to own property and to hold and enjoy the fruits of his labour by ascribing them exclusively to Himself. On being deprived of his instinctive joy and possession man would have stopped being what he was. The spirit of love and sincerity and the urge to protect and develop his property would have gone out of him.

¹The first number after Qur'an, or Q., refers to the chapter (Sura), and the second number refers to verse (Aya).

Hence, wealth has been ascribed over and over again in the Qur'an to man and not to his Lord and Creator.

"O ye who believe! Spend of the good things which ye have earned and that which ye bring forth from the earth for you." (Q. 2:7)

"Give not unto the foolish your wealth, which Allah hath made the livelihood for you." (Q. 4:5)

In numerous verses of the Qur'an wealth is not only attributed to man, but whatever he spends from it in the way of Allah and for the welfare of His bondmen is also described as a "goodly loan". (Q. 2:245)

"If you lend unto Allah a goodly loan, He will give it increase manifold." (Q. 64:17)

Although, man, through the Vicegerency bestowed upon him by Allah, has been given the right to possess and own property — this wealth, if not used in the way of Allah, renders human beings inconsiderate of others.

Zakaat is a reminder to owners of wealth and wage earners that this is a religious obligation and a social responsibility. Allah commanded our Holy Prophet in the Holy Qur'an,

"Take alms of their wealth whereby thou mayest purify them and sanctify them." (Q. 9:103)

Thus we see that removing some of the wealth from the mass helps it to purify the remainder; the purification (*concept of TAZKIYAH*) of wealth itself. The word connotes more than "increase" of wealth. Allah forbids that money be honoured or withheld or confined to wealthy people. He requires the actual decrease of hoarded money, and in this requirement, lies the solution of economic problems that all economists have vainly sought. This solution is nothing more than the consideration of money as a commodity that represents other goods, commodities and services. As all goods depreciate with lapse of time, it is quite illogical that

money alone should remain immune from such depreciation which is a cogent characteristic of all beings.

“Everything is perishable except Him.” (Q. 55:27)

Islam forbids money to acquire the divine qualification of immortality and ordains that all beings except Him must depreciate according to the Law of nature. And this is a sort of Purification of money.

Thus the injunction to the Prophet (PBUH; i.e., may peace be upon him) to “take alms of their wealth” is to help individuals purify themselves, to overcome the excess of money, thirst and greed, cement the relationship between them and their society and to strengthen the bonds between them and their creator.

The word “Zakaat”² itself shows that wealth, which is not spent judiciously and wisely on one’s self or others, generates evil (by encouraging unproductive and luxurious industries and creating rivalry and class struggle) in Society. It is only when wealth is spent on good things that it grows and purifies society of its evils (by encouraging the development of healthy, careful and productive industries).

ZAKAAT, SADAQAT, INFAQ

Here, it may be pointed out that the Holy Qur’an has used the words *Zakaat*, *Sadaqat*, and *Infaq* for alms and charity for the poor. They are in fact three sides of the same picture; their true purpose is the moral training of man and the purification of his soul. Sadaqat and Infaq are optional but Zakaat is compulsory and obligatory on every Muslim.

When the word ‘Zakaat’ refers to purity, it conveys two meanings. In the first instance, it refers to that wealth which is paid to attain purity and goodness of soul. Whenever in the Holy Qur’an the words *YOOTOON AZ ZAKAATA* are used, they simply signify that the contributors pay a share of their wealth for purifying their souls, thus the object of

²The words “Zakaat” and “Zakah” are one and the same and they are used interchangeably through this volume.

Zakaat here is confined to the payment of due share which helps in purifying the soul of the contributor.

In the second place, it refers to the actual act of purification. "The people who pay Zakaat do perform the act of purification." In this sense, the act of purifying is not confined to mere payment of material Zakaat but includes purity of soul, purity of character, purity of life, purity of material wealth and, in fact, covers all aspects of human life.

Furthermore, those who pay Zakaat are those who actually do the work of purification. First they purify themselves and then they serve others to enable them to attain purification. Thus they foster true qualities of humanism in themselves and then work for its growth in the lives of others. This function of Zakaat is described at several places in the Holy Qur'an —

"He indeed is successful who purifies himself." (Q. 87:14)

"He is indeed successful who causes it to grow and he indeed fails who buries it." (Q. 91: 9-10)

"Zakaat" means to make something increase or grow, while "Dassaha" means to conceal, bury or corrupt. Thus one purifies and assists in the process of growth while the other checks growth and causes it to become stagnant and corrupt. Thus the faculties of growth, development and perfection are given to every man; there are some who make them thrive and grow through their proper use and development, while others make them stagnant and stale by allowing them to remain unused, underdeveloped and concealed, for they do not use them properly to their advantage.

Sadaqat is a very wide term and used in the Holy Qur'an to cover all kinds of charity. Sadaqat means to give alms, and also legal alms for which the word Zakaat is used in the Qur'an and the Sunnah of the Prophet Muhammed (PBUH). Zakaat has been called Sadaqat because it is also a kind of compulsory charity. It is an obligatory Sadaqa, while ordinary Sadaqa are voluntary. Thus Zakaat has to be collected by the MUHTASIB (collector) or the Government — the Islamic State as a compulsory levy while the other,

Sadaqa, are paid voluntarily. The rate and exemption limits of Zakaat are fixed while Sadaqa depends entirely upon the will of the giver.

When Sadaqa are meant to convey the meaning of a compulsory levy (Zakaat) they are referred to as *FAREEDATAN MINALLAH* (a duty from God). As such it is the duty of every Muslim who owns wealth above Nisab to pay Zakaat.

Zakaat should not be considered merely as a device for ameliorating the lot of poor and distributing the wealth equitably. It is an important form of worship prescribed by Allah. It is a Divinely prescribed way of cleansing one's heart of all kinds of worldly greeds and material love and inculcating love of Allah and preparing one to expend all one's physical and mental capabilities in the way of Allah for the sake of one's spiritual development and satisfaction. The practice of the Holy Prophet and his companions fully confirms this. Zakaat is the third important pillar of Islam and is placed just after Salaat in order of merit. The Qur'an has mentioned them in the same sequence after Iman (faith); and the traditions of the Holy Prophet also confirm the same.

It must be also be noted that Zakaat, like Salaat and Saum, had been ordained as an institution to the people of the Book even prior to Islam. Allama Suleiman Nadvi, writing under the caption "Zakaat in Earlier Religions", in the 5th volume of his monumental work, *Seerat-Un-Nabie* says:³

"Zakaat is among the forms of worship that are common to all Divine faiths but it had been so much neglected by their followers that even its name does not apparently occur in the catalogue of obligatory duties prescribed by them though the Qur'an

³A complete reference to this and many other citations are not available to the editor. It would have been ideal to give proper references to each quote, but an attempt to do so would further delay the publication of this volume. The editor has complete confidence in the integrity of the author and he is sure that all citations were quoted with due care by the author. All footnotes (with the exception of number 4) to this chapter are added by the editor.

asserts, and other revealed Scriptures also confirm, that just as Salaat was an essential feature of all religions, Zakaat, too, has always been one of their main pillars."

The covenant the Israelites made with God included both of these obligations.

"We made a covenant with Children of Israel (Saying) establish worship and pay the poor due." (Q. 2:83)

BENEFICIARIES

The beneficiaries of Zakaat are fixed by Sura 9 verse 60 of the Holy Qur'an (refer Appendix II). Thus the (*Muhtasib*) or the Head of a State has no authority to spend these funds on purposes other than those laid down in the above mentioned verse of the Holy Qur'an. The Holy Prophet had said: "Allah has not left the disbursement of Zakaat money at the whim of a Prophet or a non-Prophet, but has Himself laid down its Heads of expenditure, which are eight in number."

These eight heads of expenditure are as follows:

1. The Indigent (Poor — FUQARAE)

The word (*Faqir*) means a destitute and a poor man who has nothing to live on, or a healthy and honest but unemployed person who has no source of income. The word *faqir* is used in the latter sense in the story of Moses in Sura Al Qasas in these words:

"So he watered (their sheep) for them, then went back to the shade and said: My Lord, I stand in need of whatever good Thou mayest send to me." (Q. 28:24)

Here the word *faqir* is used for an unemployed person who has left his country for fear of oppression to seek refuge in another country. Thus the word may equally be used for all emigrants who are forced to leave their country by political changes (as it happened in India and Palestine after the

Second World War). The Muslims, who emigrated to Medina, to seek refuge from cruelty and oppression of the Meccans are called Faqir in Sura Al-Hashr.

“(It is) for the poor who fled, who were driven from their homes and their possessions, seeking grace of God and (His) pleasure, and helping God and His messenger. (Q. 59:8)

In short the term includes all poor, old, incapacitated individuals and those who cannot earn a livelihood. It is in a way, their national insurance which, by helping them during unemployment periods, protects them against the tyranny of the employers. Thus Zakaat is a double weapon for the assistance and protection of the labourers. As such, it provides some insurance to the labourers to hold on, when unemployed, for a sufficiently long time to enable them to bargain a reasonable wage on equal terms with the employer.

2. The Needy (MASAKEEN)

The person is needy if he depends on others for his maintenance. They are either unable to work or can do some work but do not earn enough to maintain themselves and their family. In the opinion of Iman Abu Hanifa, the needy are worse than the poor because they are rendered quite helpless for lack of money. They include all those who need the monetary assistance and cooperation of others, temporarily or permanently.

In short, the needy are people who possess something but less than the Nisab; i.e., not enough to meet their needs or who are people who possess little but not enough to enable them to live without assistance.

It must be pointed out here that Islam does not only provide the bare necessities of life to the poor and the needy but goes much further to enable them to enjoy a reasonable standard of living. Besides it does not discriminate between the poor and the needy belonging to different races and creeds.

3. The Collectors (AMELEEN-A-ALAIHA)

The third recipient of the Zakaat fund are those who are employed to administer the funds. Where a Baitul Maal is in existence on Governmental level, or where a properly constituted community fund for Zakaat is in existence, collectors, clerks, scribes, distributors, storekeepers, accountants, etc., are paid a wage out of the Zakaat fund, irrespective of their own financial position. It is a salary paid for their work in connection with the Zakaat fund. The salary of each worker will be determined, as in other Government and semi-Government departments, according to the nature and the degree of the responsibility of his work.

Some schools of thought prescribe a ceiling of 5%; some 75% of the amount of Zakaat collected could be utilized for salaries while others do not prescribe any upper limit.

However, the Administrators or the Islamic State must assure that the purpose of Zakaat is not lost; i.e., the expenditure of Zakaat must not be allowed, at any cost, to exceed revenue, otherwise it would become unproductive and would lose all its significance.

4. Those Whose Hearts are to be Inclined (MULLAF-TUL-QULOOB)

Under this heading could be included various classes of people whose friendship and cooperation might help in strengthening Islam. People recently converted to Islam who might have lost their previous property and need encouragement and assistance; such converts could be given financial assistance simply as an encouragement even if they have not lost any of their property and are neither 'poor' or 'needy'. If the Muslims are not allowed to preach and practice their religion and are tyrannized and oppressed in any land, payments could be made from the Zakaat fund if it could help in removing those restrictions and oppressions.

Then the term is wide enough to include the people whose friendship is bought by payment out of the Zakaat fund and who are thus deterred from doing any harm to the Muslims or the Muslim State.

Large sums of money were spent under this head during the time of Holy Prophet (PBUH), but the amount decreased

during the Caliphate of Abu Bakr (APH; i.e., may Allah be pleased with him). When Islam gained strength, Caliph Umar (APH) and others stopped this expenditure and this share of Zakaat fund has lapsed since then.

The Hanafi and Maliki school of thought are of the opinion that this expenditure should now stand abolished. However, other jurists believe that Zakaat money should be used if and when such a need arises. There is no reason to conclude from the action of the two Caliphs that they had disallowed forever the expenses that were permitted by the Qur'an under certain circumstances for the good of Islam.

5. Ransoming of Slaves (FIR-RIKAAB)

Various methods were used in Islam to remove the curse and stigma of slavery from the shoulders of humanity. Slaves could be paid enough money to purchase their freedom or they could be purchased and then freed from the bondage of their masters.

Although this aspect has also lapsed long since, Zakaat could be used to help artisans and handi-craftsmen to set up their own small industries instead of working as labourers. This will not only help them to be their own masters but will also greatly increase the wealth of the country.

If taken in the context of the political situation the Islamic world is confronted with today, Zakaat fund can be used to free political prisoners who have been unjustly imprisoned.

6. The Debtor (GHAREMEEN)

All debtors whose debts exceed their own personal belongings are helped out of the Zakaat fund to pay off their debts, provided their debts were not incurred for unlawful acts; e.g., indulgence in luxuries, drinking, gambling and speculation. The debtors can be classified into two categories

a. Those who incurred their debts in satisfying their necessities of life. If they are not rich and do not possess wealth over the prescribed Nisab.

b. Those who incurred debts in assisting people.

The Holy Qur'an, while describing the beneficiaries of

Zakaat mentions "Gharemeem" along with the 'poor' and 'needy,' which clearly shows that this item of expenditure refers to the 'wealthy' debtors who have been forced by circumstances to take loan, because poor debtors are concerned by the above mentioned categories of 'the poor' and 'the needy.'

The payment of these debts are to be made by the Administrator of the Zakaat fund directly or the Islamic State. This is borne out by the Hadith of the Prophet (PBUH). "Whoever leaves property is for his inheritors and whoever leaves any debt is for us," referring to himself as Head of an Islamic State.

7. In the Cause of Allah (FEE-SABEELILLAH)

"The word *Fi-Sabeelillah* is most comprehensive. It covers in the order of priority:

- a. Military preparedness or Defense.
- b. Propagation of Islam.
- c. To pay salaries of teachers who teach the science of Deen as well as for those who impart other knowledge on which the people's progress and prosperity depends.
- d. Generally for bringing about all-round improvement in matters of Deen and State." (Mufti Shaik Muhammed Abduh [Al Nasri], *Tafseerul Minaar*, Vol. 10, page 587)

"The phrase 'Fi-Sabeelillah' is most comprehensive in scope. Under its sanctions:

- a. Mujahideens could be equipped for Jihad.
- b. Facilities for the healing of the sick could be provided.
- c. Provisions for education for those who were deprived could be made.
- d. For any and all activities that are of benefit to the Umma as a whole." (Shaheed Sayed Qutb [Al-Masri], *Al-Adalatul Ijtimaeeya Fil Islam* [Social Justice in Islam] page 134; and refer for similar comments in his famous Tafseer "Fi-Zilaalil Qur'an," page 83, on the verses of Zakaat [Sura Touba] 9:60)

Fi-Sabelillah (The Way of Allah) is a general term which implies all those good works which please Allah. That is why some Jurist are of the opinion that Zakaat Funds may be spent on every kind of good work.”

“Majority of the earliest scholars have opined, that here the way of Allah stands for Jihaad in the way of Allah that is struggle to eradicate the systems based on Kufr and to establish in their stead the Islamic System. Therefore, Zakaat Fund may be utilized to meet the expenses of the journeys the people make or for procuring means of conveyance, equipment, weapons and other articles needed for Jihaad.”

“It should be noted that there has arisen a misunderstanding regarding ‘Fi-Sabeelillah’ (The Way of Allah). For early scholars usually use for ‘Jihaad’ Guzwa which is synonymous with ‘Fight’. They, therefore, are of the opinion that Zakaat Fund may only be used for the purpose of fighting. But Jihaad in the Way of Allah is a much comprehensive term than mere fighting in the Way of Allah. Jihaad applies to all those efforts that are made to degrade the word of Kufr and to exalt the word of Allah and to establish the Islamic System of Life whether by propagating the Message of Allah in the initial stage; or by fighting in the final stage of the struggle.” (Moulana Abul Ala Moududi, *The Meaning of the Qur’an*, Vol. 4, page 205)

“In the usage of the Qur’an, ‘Fe-Sabeelillah’ applies to all activities that promote the protection and strengthening of Deen and Millat. If Military preparedness is the immediate need, then it should be given priority or else it could be used for the general welfare of the Deen and the Umma; for example, for the propagation of the knowledge of the Qur’an and religious sciences and towards maintaining educational institutions, remunerating teachers, dispatching Mubulligins for the spread of Islam, and for the guidance of the Umma by all effective means.” (Moulana Abul Kalam Azaad. *Tarjumanul Quraan*, Vol. 2, page 137)

“Fi-Sabeelillah is a wide and comprehensive term in which all good and noble works are included. Most jurists

have taken Fi-Sabeelillah for war only, but this restrictive meaning does not seem to be correct. The term Fi-Sabeelillah by consensus is not only Holy War, but it applies to every pious religious work." (Moulana Shibli Noumani. *Seeratun Nabi*, Vol. 5, page 238)

"Fi-Sabeelillah embraces every kind of struggle in righteous causes, both in war and in peace including expenditure for the propagation of Islam and for all charitable purposes." (Muhammed Asad. *The Message of the Quraan*, page 354)

"Fi-Sabeelillah" (those engaged in the way of Allah) is a term which jurists generally apply to those who are actively engaged in fighting for the defence of Islam in the battle fields, but in this category could be included:

a. Those who are engaged in acquiring religious education and who cannot afford the requisite expenses, such as tuition fees, boarding, lodging, clothes, etc.

b. Those who are engaged in missionary work for the propagation of Islam without receiving any payment for their services, and/or they are able to maintain their families with great difficulty.

c. Those who are engaged in the work of imparting knowledge of Islam; e.g., teachers, through educational centres such as Madressas or schools, but who do not receive adequate salaries to maintain themselves and their families. Those could be assisted from the Zakaat Funds and sums given to them, not as salaries, but as gifts or bonuses without the need to tell them that the money comes from Zakaat.

d. Those who are poor students in secular schools and colleges. Money from Zakaat Funds could be given to them for fees, textbooks, boarding and lodging expenses, for clothes, etc. (Moulana Abdur Rahman Ansary,⁴ *Zakaat—The Religious Tax of Islam*, page 22)

⁴Moulana Abdur Rahman Ansary is the former President of the Jamiatul Ulema of Natal and is one of the most senior Aalim in South Africa. At present, he is the Imam of the West Street Musjid, Durban.

“Islam is a Religion of unity and action which safeguards individual rights and liberties and provides at the same time for ‘COLLECTIVE WELFARE’. I refer to the Institution of Zakaat and Baitul Mall. As its call was not meant from its very inception for any particular country, it was an advance over what had been hitherto done to internationalize human society.” (Dr. Muhammad Hamidullah, *The Muslim Conduct of State*, page 42)

“Fi-Sabeelillah (first, military defense) the term applies in fact to all sorts of charitable work such as helping students and collaborating in Religious Causes.” (Sayed Muhammad Brelvi, *Islamic Ideology*, page 29)

8. The Wayfarers (WABNUS—SABEEL)

A person who becomes destitute but cannot benefit from his wealth, being away from home on a journey, is called a wayfarer. He needs financial help to complete his journey — from the Zakaat Fund — provided his claim is genuine and reasonable.

Even emigrants, who have to leave their homes and all their belongings, owing to political oppression, war and racial and religious hatred and persecution, could be included in the definition of a wayfarer.

Briefly, all that facilitates an easy and comfortable journey in the country and encourages traffic could come under this heading.

DISTRIBUTION

1. There is no need to inform the recipients that they are being paid from Zakaat Fund. The payer, however, must have the intention of disbursing Zakaat.

2. Since the purpose of the Zakaat Fund is to help people out of their financial troubles and not to make them dependent upon it, it is therefore, reasonable to pay them enough to get over the period of stress. The debtors should be paid an amount large enough to pay off their debts and leave something to meet their own needs.

3. It is permissible to pay Zakaat in advance before the passing of the year and also by monthly installments provided

that the payer possesses the necessary Nisab. But, a person cannot pay Zakaat in anticipation of his becoming possessor of Nisab. Refer to Appendix V.

4. The payment of Zakaat must result in the transfer of ownership to the recipient of the thing given. Payment of Zakaat must not result in direct or indirect benefit to the giver (of Zakaat).

5. Zakaat in kind should be of moderate quality; i.e., neither inferior goods be given nor superior stuff be demanded by the collector. Thus the payer has the option to pay Zakaat in cash or kind. However, it must be remembered that where Zakaat is not paid in time, the value of Zakaat at the time of payment should be according to the prevalent value and not according to the value when Zakaat became due.

6. It is permissible to advance interest-free loans (Qard Hassanah) to the needy individuals. It is rather commendable to do so with a view to helping them become self-supporting.

EXCEPTIONS

The following categories of people are not entitled to Zakaat — if paid to any of them by the payer individually, it will not be valid.

1. Parents, grandparents and others in line of ascent.
2. Children, grandchildren and others in line of descent.
3. A woman's own husband.
4. A man's own wife.

This is so because one is not allowed to benefit one's own self and family with Zakaat — it is a duty enjoined by Shariah on every Muslim to help and support one's family from one's wealth. Apart from these relations, it is not only lawful, but preferable and praiseworthy to give Zakaat to all other relations.

5. Well-to-do people who possess Nisab — unless they belong to one of the following five categories.:

- a. The fighter in the way of Allah
- b. The collector of Zakaat, ushr, etc.
- c. The debtor

d. The person who purchases charity goods from the recipient with his money

e. The rich person who has a poor neighbor and the poor neighbor presents the charity goods as a gift to the rich neighbor.

6. Non Muslims.

7. The members of the family of the Holy Prophet (PBUH) which includes the following:

a. Children of Hazrat Abbas

b. Children of Harith

c. Children of Abu Talib

d. Direct descendents of Hazrat Fatima and Hazrat Ali.

However, it has become difficult these days to distinguish the "Bani Hashim" from the others. Therefore, Zakaat Fund should be used to help the needy and poor unless the person claims to be of Banu Hashim.

There is a tradition (TIRMIZI—MISHKAT 6:1) which gives the person paying Zakaat, the choice of spending on charity a part of Zakaat payable by him to the Communal Fund. The maximum allowed is one-third of the total amount by making this special concession; this tradition adds to the importance of an institution to administer the fund and discourages handling of the poor due wholly by individuals.

CONDITIONS THAT MAKE PAYMENT OF ZAKAT VALID

1. Must Be a Muslim

A non-Muslim cannot pay Zakaat even in anticipation of his becoming a Muslim. If so, he will have to pay afresh after embracing Islam.

2. Right Intention

There must be intention of paying Zakaat. If there is no intention, the Zakaat goods must be passed into the possession of the recipient and ownership transferred so that Zakaat dues may be considered to have been paid.

3. Pass Ownership Test

The recipient has to be made the rightful owner of the Zakaat money, whether it is the deserving poor, or the collector, or the institution responsible for its distribution.

4. Spent on Prescribed Heads

Zakaat must be spent on the prescribed heads only, or it will not be deemed to have been paid.

5. Sanity of Payer

There is a difference of opinion on this aspect and six below. The Hanafite school are of the opinion that no Zakaat other than Id-ul-Fitr is incumbent on, or on behalf of, minor children and of insane persons, since in their case voluntary compliance with this act of worship cannot be fulfilled due to the lack of understanding. Al Ghazzali holds that the mere fact that the wealth of minor children and insane persons is by nature taxable and, legitimately owned, is sufficient to warrant its being subject to Zakaat. It must, however, be noted that where such wealth is not being used for development, whereby profit is derived, if Zakaat is paid on such wealth, then this wealth could whittle away — and the purpose of Zakaat is not this.

6. Must Be An Adult

He must have attained maturity; a minor child cannot be a valid payer of Zakaat.

NISAB (MINIMUM EXEMPTION LIMIT)

All types of wealth, which remain in the possession of the owner for one year, are subject to Zakaat, provided they exceed a prescribed limit. If the quantity of wealth is less than the minimum prescribed by Muslim Law, it is exempted from Zakaat. Islam has prescribed, for each type of wealth, a minimum exemption limit called NISAB. The minimum exemption limit, in case of debtor, will be arrived at after deducting the amount of debt from his total wealth.

According to the majority of Islamic Jurists, the rates have been agreed as follows:

On all types of wealth	2½%
Mines and treasuretroves	20%
Irrigated land	5%
Unirrigated land	10%
Animals (as detailed below)	1%-2½%

Thus, all types of wealth, which are productive at present

like commercial goods, agricultural and pastoral lands and animals which are capable of assisting in production, and gold and silver, are subject to Zakaat over the minimum exemption limit. On the other hand, all articles which are considered necessities or which are not productive in the above sense, or both, are exempt from Zakaat.

The following are exempt:

- a. Dwelling houses
- b. Wearing apparels
- c. Household utensils
- d. Riding animals
- e. Arms for use
- f. Food, etc.
- g. Articles of adornment, other than gold and silver
- h. Coins for personal expenditure
- i. Books
- j. Tools and machinery used for further production
- k. Animals used in agriculture

The above mentioned articles are not subject to this levy so long as they are not intended for trade.

Articles belonging to the same genus (kind) only are taken into consideration for purpose of Nisab. Each type of wealth constitutes a separate kind for the levy of Zakaat. Thus, a man who owns animals, commercial goods and gold and silver, and if these are severally above Nisab, then they would be taxable. Similarly, the jurists are of the opinion that where individual shares of several partners in trade separately fall short of Nisab, none of them will be required to pay Zakaat even though combined value of shares equals or exceeds the Nisab. However, Imam Shafi holds the view that Zakaat is payable on the total value of trade goods provided that it equals or exceeds the Nisab and not on the value of the individual shares which may fall short of the Nisab.

QUESTION OF RE-FIXATION OF NISAB

Due to excessive devaluations of currency in almost every country and the great difference in the value of Nisab in gold, silver and animals as against that in the time of the Holy Prophet (PBUH), some people have urged that the religious

scholars should consider re-fixation of the Nisab of Zakaat.

Hazrat Umar not only brought additional items under Zakaat, he also changed its rate whenever he deemed fit. Ibn Khaldun writes: "Hazrat Umar at first fixed 10% as customs duty as was being done in other countries, but after some time, he ordered that 10% duty should be charged only from those who lived in Darul Harab, 5% from non-Muslims and 2½ from Muslims."

According to the 'Hedaya,' the rate of Zakaat on horses is one dinar per horse or 5% of its price. The rate of Zakaat as laid down by the Holy Prophet (PBUH) for animals was 2½%. Thus the departure here was in degree as well as kind. Thus a mere departure in degree would be legitimate.

Thus in the context of today, we should re-examine the provisions of Zakaat and see whether, in the case of any of them, the Muslims need to exercise their inherent right of IJTIHAD. It should be clearly understood that it is the principle of Zakaat which is fixed and unchangeable for all times, not so the details of the form. If at any time we find that the poverty of masses cannot be removed by the revenue of Zakaat assessed on conventional basis, there is nothing to check the Muslims from increasing the ratio of the tax or changing its form. Indeed, this would be in complete conformity according to the spirit of the Qur'an. Allah says that forms are not important. Righteousness does not lie in turning our faces towards the East or West. The principles are important. We have to practice regular charity towards certain ends. Whatever the form which will suit the ends, we must adopt it. We have to follow the path which leads us to our goal, and that is rooting out the evil of poverty. This has been made clear by Hazrat Ali; "Allah has ordained that the rich are to pay out of their wealth to that extent which is sufficient to the needs of the poor. . . ."

ASSESSMENT RATE

There are two types of wealth which are subject to Zakaat; i.e., visible and invisible wealth. Visible wealth means that wealth which cannot be easily hidden to avoid Zakaat levy, such as agricultural produce, herds of cattle, etc. Invisible

wealth, on the other hand, is that which can be hidden; e.g., gold, silver, commercial and industrial goods, etc.

1. Visible Wealth

1-1. Agricultural Produce — Ushr

This is the obligatory charge (Zakaat) in the form of produce which is explained in the Qur'an 6:142 and Sura 2:267. The Holy Prophet (PBUH) Himself determined the rate of Ushr.

If the farm or garden is watered naturally by rain or spring water, or river or stream water, a tenth part of the produce is obligatory, and if the farm or garden is irrigated by artificial means like the well, tube well, canals, etc., a twentieth part is obligatory.

It must be remembered that no Ushr is obligatory on less than 1000 Kgs. of produce. This is in accordance with Imam Shafi. It may, however, be pointed out that a reasonable allowance is given for the portion of the produce which has to be consumed by the cultivator and his family in determining the Nisab.

Regulations Concerning Ushr

a. Usher has to be taken out from the total produce, and after that other charges; e.g., ploughing, watering, supervision, etc.

b. Usher becomes obligatory as soon as the crop becomes fit for use.

c. If a person sells the farm or garden before the crop is usable, then the purchaser becomes liable, but if sold after the crop becomes usable, it is the seller's responsibility.

d. Payment of Ushr is the responsibility of the cultivator of the land whether he has taken it on lease or borrowed it for a short period.

e. There is no condition of the passage of a year either. Each crop is taxable whether harvested once or twice a year.

f. Ushr is leviable on the produce of lands owned by minors and insane persons.

g. Wawf lands are also subject to Ushr.

- h. Ushre can be paid in cash or kind.
- i. Lands in possession of Muslims living in non-Muslim states are subject to Ushr.
- j. The heads of expenditure of Ushr are the same as of Zakaat.

1-2. Animals

Pasturing cattle reared for procreation and milk purposes, which are termed SAIMAH, are subject to Zakaat, but the riding animals or those meant to be slaughtered for food, or wild animals like deer, antelope, etc., are exempted; unless they are reared for trade purposes in which case they will be subject to Zakaat like trade goods.

Where animals of different kinds are involved, each qualifying for Nisab, Zakaat will be paid separately for each category. However, if the number of one category falls short of Nisab, he will combine the two and give away in Zakaat an animal or animals belonging to the larger class. If the number of animals in both classes are equal, the payer will have the option to give away any animal. The payment can be made in cash or kind.

NISAB AND RATE FOR SHEEP AND GOAT

40-120 sheep and goats	1 goat or sheep up to 1 year or more
121-200 sheep and goats	2 goats or sheep up to 1 year or more
201-399 sheep and goats	3 goats or sheep up to 1 year or more
1400 sheep and goats	4 goats or sheep up to 1 year or more

For every additional 100 goats or sheep (or part of hundred) one goat or sheep. There is no Zakaat for less than 40 sheep or goats.

NISAB RATE FOR COWS AND BUFFALO

Zakaat is leviable from 30 upwards as follows:

30-39 cows or buffaloe	1 calf of a year or more
40-59 cows or buffaloe	1 calf not less than two years
60 cows or buffaloe	2 one-year old calves

For additional 30 cows or buffaloe 1 one-year old calf. For each additional 40 cows or buffaloe, 1 two-year old calf.

NISAB AND RATES FOR CAMELS

A person having 5 camels is owner of Nisab and will pay Zakaat at the following rates:

5-9 camels	.....	1 goat
10-14 camels	.....	2 goats
15-19 camels	.....	3 goats
20-24 camels	.....	4 goats
25-35 camels	.....	1 camel colt in its second year
36-45 camels	.....	1 camel colt in its third year
46-60 camels	.....	1 camel colt in its fourth year
61-75 camels	.....	1 camel colt in its fifth year
76-90 camels	.....	2 camel colts in their third year
91-120 camels	.....	2 camel colts in their fourth year

For more than 120 camels, the rates are started again.

It is interesting to note that the ruling price in Ramadan 1398 was as follows:

Sheep or goat	R 30.00	(\$ 34.50)
Cow or buffalo	R 200.00	(1230.00)
Camel	R 250.00	(\$287.50)

These prices are approximations and subject to fluctuations.

Horses

The Holy Prophet (PBUH) exempted horses from Zakaat. But this referred to riding horses because during the time of the Prophet (PBUH) horses were not kept for procreation. However, Hazrat Umar after consulting with other companions including Ali, levied Zakaat on horses. This would also apply to other animals reared for trade or procreation.

2. Invisible Wealth

2-1 Nisab of Gold and Silver

Gold or silver, or ornaments of these metals, according to jurists are subject to Zakaat by reason of their commercial value. These metals are capable of further production. It is a stimulus to investment. The capitalist has to pay Zakaat at the end of each year even though he has not invested his wealth. If capital is left unused for some time, it will be consumed by

annual Zakaat levy. It is, therefore, in the interest of the capitalist to utilize his accumulated wealth in production and pay Zakaat from his profits. As all accumulated wealth is liable to Zakaat levy at the end of twelve months, the capitalists are forced by this levy to invest it in trade, industry and other productive openings.

It must be pointed out that Zakaat is not levied on income, but on capital that remains lying with the owner for one full year — this also includes all excess annual earnings over expenditure.

The Holy Prophet (PBUH) is reported to have said, "Zakaat is 1/40th in Gold and Silver." There is no Zakaat on less than 7½ tolas (3 ozs.) of gold or 52½ tolas (21 ozs.) of silver. The Prophet (PBUH) had said that there is no Zakaat on gold until its value amounts to 200 Dirhims. The Prophet (PBUH) has also said that 1/40th is compulsory on silver. According to Hazrat Ali (APH), the Holy Prophet (PBUH) said, "I remit Zakaat on horses for riding and slaves for service; but pay Zakaat on silver, one dirham on every 40 dirhams, and there is no Zakaat if there are 190 dirhams, but when the amount reaches 200 dirhams, there are to be paid out of it 5 dirhams in Zakaat." According to Abu Saeed (APH), the Holy Prophet (PBUH) said that, "There is no Zakaat in less than 5 Auqiyah of silver." And one Auqiyah is equal to 40 dirhams.

Thus it is a consensus of opinion that Nisab for gold is 3 ozs. and for silver it is 21 ozs. or its equivalent value in currency.

It may however, be pointed out that according to Imam Malik, Shafi, and even Abu Hanifa, there is no Zakaat on lawful gold and silver ornaments for women. These include jewelry which is used by women for adornment; but does not include dozens of sets of jewelry kept by wealthy people as a mark of distinction. Such unnecessary accumulation of jewelry does not come under the definition of lawful ornaments and is, therefore, subject to Zakaat like gold and silver.

Although this is a conventional assessment as far as jewelry is concerned and thus its inclusion would be unjustified on the grounds of productivity and trade value;

however, it must be remembered that the majority ruling is that Zakaat is payable on gold and silver in all forms, whether currency, bars, gold thread, or lace woven in cloth, gold thread embroidered dresses or ornaments for ladies, etc.

Moulana Moududi has written an explanatory note regarding Zakaat on ornaments which is translated as follows:

There are a number of views about Zakaat on ornaments which are as follows:

- i. It is not obligatory to pay Zakaat on ornaments — supported by Annas bin Malik, Said bin Al Musayyab, Qatadah and Sha'bi.
- ii. Zakaat on ornaments is due only once in a lifetime.
- iii. There is no Zakaat on ornaments which the women are constantly wearing, but Zakaat has to be paid on the ornaments which she does put away and are not in use.
- iv. Zakaat has to be paid regularly on all kinds of ornaments.”

2-2. Nisab on Hard Currency and Notes

The currency issued by governments in the shape of coins of any metal or paper notes is subject to Zakaat on account of its purchasing power. It actually represents silver and gold. Therefore, if the amount of currency possessed by a person equals the value of the Nisab for silver or gold, he will have to pay Zakaat on it.

2-3. Nisab on Precious Stones and Other Minerals; e.g., Diamonds, Sapphires, etc.

A study of the Law of Zakaat points to the inexorable fact that this obligatory charity was levied under the express ordinance of Allah for the equitable distribution of wealth so as to keep the circulation of material strength of the community in continuous flow for the healthy growth of Muslims. The introduction of the rate and Nisab was brought about to suit the conditions and circumstances keeping in view the principle enunciated in the text of the Qur'an. When the Prophet (PBUH) uttered his traditions to guide the enquirer and through him the followers of Islam, he could

only refer to specific situations. During his time, there was no organized trade in precious stones and jewels in which the value in terms of money of such precious commodities could be easily known and stability of value assured. Also, very few people of the community possessed such valuable jewels.

In the absence of organized markets, it was considered unprofitable to propose Zakaat on precious stones for one could hardly cut it into forty pieces and collect the tiny and therefore, valueless pieces of stones in lieu of Zakaat. If, however, it was negligible then, it is not so now, when stability of the value of jewels and precious stones is assured with the advent of an organized market to buy and sell such commodities; in other words, precious stones and minerals have now assumed the role of wealth and therefore, should fall under the Nisab owing to Zakaat. Law is made of words which may bear conflicting interpretations but the principle underlying the Law can never brook any conflict. The following Hadith of the Prophet (PBUH) illustrates this point:

“Allah has fixed on you Zakaat of your rank just as He has fixed Zakaat of your wealth. Without doubt, Zakaat has to be paid out of all possessions. . .”.

This would apply equally to copper, tin, lead, zinc, platinum, aluminum, antimony, uranium, mercury, etc.

Imam Ahmad Bin Hambal holds the view that all minerals, whether in solid or liquid state, are subject to Zakaat at 2½%, provided their value reaches Nisab — and they are in private ownership. In the time of Hazzrat Umar bin Abdul Aziz this was the actual practice of the state.

2-4 Nisab on Hidden Treasurer — Mines, etc.

This may be minerals or some other treasure hidden in the earth. Regulations concerning it are briefly as follows:

- i. According to Hadith, 1/5th of a treasure, which is unearthed, belongs to the public treasury in an Islamic state or the collection otherwise.
- ii. In case of minerals like iron, silver, gold, tin, etc., 1/5th

will be handed for Zakaat and 4/5ths will be retained by the mine owner.

2-5. Nisab on Commercial Trade Goods

The Nisab for trade and commercial goods is the same as for gold and silver, and Zakaat is to be paid on this basis. To calculate Zakaat on trade goods, one should calculate the value of the stock in trade after the passage of one year from the date of the commencement of the period, include the cash in hand, and pay Zakaat if the total value equals or exceeds Nisab. Where there has been increase in price, the Zakaat year will commence from the date the price increased.

In case of partnership in trade, Zakaat will not be payable on the combined stock in trade and cash in hand, but on the value of the share and profits of each partner, if it equals or exceeds Nisab, otherwise not. It must be noted here that Imam Shafi and Imam Malik hold the view that Zakaat must be calculated on the total value of stock in trade and cash in hand.

While calculating Zakaat, loans made or received should also be taken into account.

Hazrat Samura bin Jundab says: "The Holy Prophet (PBUH) had enjoined on us to pay Zakaat on our stocks in trade." (Abu Dawud)

OBSERVATIONS

1. That a majority of Muslims who pay Zakaat do so in the month of Ramadaan. Zakaat becomes obligatory on completion of twelve months whether it be at the beginning of the year, the middle or the end. Zakaat must be paid when the period of 12 months is completed and one should not wait for Ramadaan or Muharram, etc. In this way, Zakaat will be payable throughout the year and the Administering authority will have funds available all the time to fight against social evils confronting Muslims.
2. That every Muslim is required to keep proper records of income, expenditure, tax, wages, household requirements, etc.
3. That the concept of Nisab may be re-examined. In the days of the Holy Prophet (PBUH), coins were either of silver

(dirhams) or of gold (dinars). Ten dirhams were equal to one dinar. This ratio no longer holds because of changes in the relative prices of gold and silver over time.

In South Africa we have the added problem where Nisab is based on the value of silver three years ago and is R 85.00 (\$97.75) whereas the value of silver in Ramadaan 1398 was 100.00 (\$115.00).

Since the whole idea of Zakaat to be obligatory only when one has a Nisab means that a Muslim has to have an amount set aside for emergencies or unforeseen expenses. In today's economy is the Nisab calculated on the basis of the value of silver, enough for such a circumstance?

On the other hand if we consider the Nisab on sheep and goats (R 1200.00 or \$1380.00), cows and buffaloe (R 6000.00 or \$6900.00), camels (R 1250.00 or \$1437.50), one wonders if the whole question of Nisab should not be changed and be made more equitable and practical in the economy created by the so-called rat race.

Nowhere in the Qur'an or the Hadith are we asked to levy Zakaat on the lesser Nisab — this has been left to the conception of IJTIHAD which is always capable of unfolding new meanings in the eternal principle of Islam, which Iqbal had in his mind when he said:

*New foliage would its principles put
on; eternal though, it would new
shapes assume; no shift would ever
shatter it within; without it would
forever be renewed.*

CONCLUSION

The concept of Zakaat as one of the fundamental tenets of Islam has been most misunderstood or shunned by those who are in a position to educate the masses. The underlying principle of Zakaat, i.e., social upliftment, is hardly mentioned in the lectures of our learned scholars. Too much emphasis is placed on the rewards in the hereafter. As a result the payment of Zakaat has also retrogressed into a ritual without aim or understanding.

To make this fundamental pillar once more a vibrant feature so that it can help the Muslims throughout the world to rise and extricate themselves from the economic degradation that has made them paupers socially, the time has arrived where more discussions and meetings on the subject has to be organized at international, national, regional and every level where Muslims congregate.

Reading material must be made available to the masses not in detailed book form, which only decorates the shelves, but in a form which will be attractive and encouraging.

Zakaat must be organized and administered as was the practice during the time of the Holy Prophet (PBUH). The individual Zakaat contributor does not always reach people in outlying regions or those who are really in need. Attempts have been made over the past years to organize the South African National Zakaat Fund in such a way that those who are in desperate need of economic assistance are helped before they succumb to un-Islamic solutions to solve their problems. It is not claimed that these attempts have been optimally successful.

The most important requirement from those who are committed to the furtherance of this principle of Zakaat is sincerity of purpose. With sincere efforts and dedication, the task will not, Inshallah, be very difficult.

May Almighty Allah grant us all wisdom and guidance to continue working effectively in order to alleviate the misery of want amongst those that are in need.

JAZAKALLAH

APPENDIX I
from the Holy Qur'an
(Yousuf Ali's Translation)

“And be steadfast in prayer; practice regular charity (ZAKAAT); and bow down your heads, with those who bow down (in worship).” (2:43)

“And remember We took a covenant from the Children of Israel (to this effect): Worship none but Allah; treat with kindness your parents and kindred, and orphans and those in need; speak fair to the people; be steadfast in prayer; and practice regular charity (ZAKAAT). Then did they turn back except a few among you, and ye backslide (even now).” (2:83)

“And be steadfast in prayer and regular in charity (ZAKAAT): And whatever good ye sent forth for your soul before you, ye shall find it with Allah; for Allah sees well all that ye do.” (2:110)

“It is not righteousness that ye turn your faces towards East or West; but it is righteousness — to believe in Allah and the Last Day, and the Angels, and the Book, and the Messengers; to spend of your substance out of love for Him, for your kin, for orphans, for the needy, for the wayfarer, for those who ask, and for the ransom of slaves; to be steadfast in prayer, and practice regular charity (ZAKAAT), to fulfill the contracts which ye have made; and to be firm and patient, in pain (or suffering) and adversity, and throughout all periods of panic. Such are the people of truth, the God fearing.” (2:177)

“Those who believe and do deeds of righteousness, and establish regular prayers and regular charity (ZAKAAT) will have their reward with their Lord; on them shall be no fear, nor shall they grieve.” (2:277)

“Hast thou not turned thy vision to those who were told to hold back their hands (from fight) but establish regular Prayers and spend in regular charity (ZAKAAT)? (When at length) the order for fighting was issued to them, behold, a section of them feared men as — or even more — they should have feared Allah; they said: ‘Our Lord! why hast thou

ordered us to fight? Wouldst thou not grant us respite to our natural term, near (enough)'. Say: Short is the enjoyment of this world; the Hereafter is the best for those who do right; never will ye be dealt with unjustly in the very least!" (4:77)

"But those among them who are well grounded in knowledge, and the Believers, believe in what hath been revealed to thee and what was revealed before thee; and (especially) those who establish regular prayers and practice regular charity (ZAKAAT) and believe in Allah and the Last Day; to them shall We soon give great reward." (4:162)

"Allah did aforetime take a Covenant from the Children of Israel, and We appointed twelve captains among them, and Allah said: 'I am with you; if ye (but) establish regular prayers, practice regular charity (ZAKAAT), believe in my apostles, honour and assist them, and loan to Allah a beautiful loan, verily I will wipe out from you your evils, and admit you to Gardens with rivers flowing beneath; but if you, after this, resisteth faith, he hath truly wandered from the path of rectitude'." (5:13)

"Your (real) friends are (no less than) Allah, His Apostle, and the (Fellowship of) Believers, — those who establish regular Prayers and regular charity (ZAKAAT), and they bow down humbly (in worship)." (5:58)

"And ordain for us that which is good, in this life and in the Hereafter; for we have turned unto Thee. He said: 'With My punishment I visit whom I will; but My Mercy extendeth to all things. That (Mercy) I shall ordain for those who do right, and practice regular charity (ZAKAAT), and those who believe in our signs'." (7:156)

"But when the forbidden months are past, then fight and slay the Pagans wherever ye find them and seize them, beleaguer them and lie in wait for them in every strategem (of war); but if they repent, and establish regular prayers and practice regular charity (ZAKAAT), then open the way for them; for Allah is Oft Forgiving, Most Merciful." (9:5)

"But (even so), if they repent, establish regular Prayers, and practice regular charity (ZAKAAT), — they are your

brethren in Faith; (Thus) do We explain Signs in detail, for those who understand.” (9:11)

“The mosques of Allah shall be maintained by such as believe in Allah and the Last Day, establish regular Prayers, and practice regular charity (ZAKAAT), and fear none (at all) except Allah. It is they who are expected to be in true guidance.” (9:18)

“The believers men and women are protectors of one another; they enjoin what is just, and forbid what is evil; they observe regular Prayers, practice regular charity (ZAKAAT), and obey Allah and His apostle. On them shall Allah pour His Mercy; for Allah is Exalted in Power, Wise.” (9:71)

“And He hath made me blessed wheresoever I be, and hath enjoined on me Prayer and Charity as long as I live.” (19:31)

“He used to enjoin on His people Prayer and Zakaat, and He was most acceptable in the sight of His Lord.” (19:55)

“And We made them leaders, guiding (men) by Our Command, and We sent them inspiration to do good deeds, to establish regular Prayers and to practice regular Zakaat; and they constantly served Us (and Us only).” (21:73)

“(They are) those who, if We establish them in the land, (they) establish regular PRAYERS and give regular ZAKAAT, enjoin in the right and forbid the wrong; with Allah rests the end (and decision) of (all affairs).” (22:41)

“And strive in His cause as ye ought to strive, (with sincerity and under discipline); He has chosen you, and has imposed no difficulties on you in religion; it is the deen of your father Abraham. It is He Who has named you Muslims, both before and in this Revelation; that the apostle may be a witness for you and ye be witnesses for mankind! So establish regular PRAYERS, give regular ZAKAAT, and hold fast to Allah! He is your protector — the best to protect and the Best to help!” (22:78)

“Who are active in deeds of ZAKAAT?” (23:4)

“By men whom neither traffic nor merchandise can divert from the remembrance of Allah, nor can regular PRAYER, nor from the practice of regular ZAKAAT. (Their (only) fear

is for the Day when hearts and eyes will be transformed (in a world wholly new).” (24:37)

‘So establish regular PRAYER and give regular ZAKAAT; and obey the apostle; that ye may receive mercy.” (24:56)

“That which ye lay out for increase through the property of (other) people, will have no increase with Allah; but that which ye lay out for ZAKAAT, seeking the countenance of Allah, will increase; it is those who will get recompense multiplied.” (30:39)

“Those who establish regular PRAYERS and give regular ZAKAAT, and have (in their hearts) the assurance of the Hereafter.” (31:4)

“And stay quietly in your homes, and make not a dazzling display, like that of former times of ignorance; and establish regular PRAYER and give regular ZAKAAT; and obey Allah and His apostle. And Allah only wishes to remove all abomination from you, ye members of the Family, and to make you pure and spotless.” (33:33)

“Those who practice not regular ZAKAAT, and who even deny the Hereafter.” (41:7)

“Is it that ye are afraid of spending sums in charity before your private consultation (with him)? If, then, ye do not so, and Allah forgives you, then (at least) establish regular PRAYER; practice regular ZAKAAT; and obey Allah and His Apostle. And Allah is well acquainted with all that ye do.” (58:13)

“The Lord doth know that thou standest forth to (Prayer) nigh two-thirds of the night, or half the night or a third of the night, and so doth a party of those with thee, but Allah doth appoint Day and Night in due measure. He knoweth that ye are unable to keep count there of. So He hath turned to you in (mercy); read ye therefore, of the Qur’an as much as may be easy for you. He knoweth that there may be among you in ill health; others travelling through the land, seeking of Allah’s Bounty; yet others fighting in Allah’s cause. Read ye, therefore, as much of the Qur’an as may be easy (for you); and establish regular PRAYER and give regular ZAKAAT; and loan to Allah a beautiful loan. And whatever good ye send

forth for your souls, ye shall find it in Allah's presence — yea, better and greater in Reward. And seek ye the Grace of Allah; for Allah is Oft Forgiving, Most Merciful." (73:20)

"And they have been commanded no more than this: to worship Allah, offering Him sincere devotion, being true (in Faith); to establish regular PRAYER and to practice regular ZAKAAT; and that is the religion right and straight." (98:5)

APPENDIX II

Texts on Sadaqat from the Holy Qur'an

(Yusuf Ali's Translation)

"If ye disclose (acts of) Charity (SADAQAT), even so it is well, but if ye conceal them, and make them reach those (really) in need, that is best for you; it will remove from you some of your (stains of) evil. And Allah is well acquainted with what ye do." (2: 271)

"Allah will deprive usury of all blessings, but will give increase for deeds of Charity (SADAQAT) for he loveth not creatures ungrateful and wicked." (2:276)

"And among them are men who slander thee in the matter of (distribution) of the Alms (SADAQAT); for if they are given part thereof, they are pleased, but if not, Behold! they are indignant! (9:58)

"ALMS (SADAQAT) are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the Cause of Allah; and for the wayfarer. (Thus it's) ordained by Allah, and Allah is full of Knowledge and Wisdom." (9:60)

"Those who slander such of the Believers as giveth themselves freely to (Deeds of) Charity (SADAQAT), as well as such as can find nothing to give except the fruits of their labour, — and throw ridicule on them, — Allah will throw back their ridicule on them; and they shall have a grievous penalty." (9:79)

"Know they not that Allah accept repentance from His votaries and receive their gifts of Charity (SADAQAT), and that Allah is verily He, The Oft Returning, Most Merciful?" (9:104)

"Is it that ye are afraid of spending sums in Charity (SADAQAT) before your private consultation (with him)? If, then, ye do not so, and Allah forgives you, then (at least) establish regular prayer; practice regular Charity (ZAKAAT); and obey Allah and His Apostle; and Allah is well acquainted with all that ye do." (58:13)

APPENDIX III

Texts on Anfaq from the Holy Qur'an

(Yusuf Ali's Translation)

YON-FI-QU

"Speak to my servants who have believed that they may establish regular prayers and SPEND (YON-FI-QU) out of the sustenance We have given them, secretly and openly, before the coming of the Day in which there will be neither mutual bargaining, nor befriending." (14:31)

YON-FI-QO

"O ye who believe! Cancel not your charity by reminders of your generosity or by injury — like those who SPEND (YON-FI-QO) their substance to be seen of men, but believe neither in Allah nor in the Last Day. They are in parable like a hard, barren rock, on which is a little soil; on it falls heavy rain, which leaves it (just) a bare stone. They will be able to do nothing with aught they have earned. And Allah guideth not those who reject faith." (2:264)

"Some of the desert Arabs look upon their PAYMENTS (YON-FI-QO) as a fine, and watch for disasters of Evil; for Allah is He that heareth and knoweth (all things)." (9:98)

"But some of the desert Arabs believe in Allah and the Last Day, and look on their PAYMENTS (YON-FI-QO) as pious gifts bringing them nearer to Allah and obtaining the prayers of the Apostle. Aye indeed they bring them nearer to Him; soon will Allah admit them to His Mercy; for Allah is Oft Forgiving, Most Merciful." (9:99)

"Allah sets forth the parable (of two men; one) a slave under the dominion of another, he has no power of any sort; and (the other) man of whom We have bestowed goodly favours from Ourselves, and he SPENDS (YON-FI-QO) thereof (freely), private and publicly. Are the two equal? (By no means); Praise be to Allah. But most of them understand not." (16:75)

"Let the man of mean SPEND (YON-FI-QO) according to his means, and the man whose resources are restricted, let him

SPEND (YON-FI-QO) according to what Allah has given him. After a difficulty, Allah will soon grant relief." (65:7)

YON-FIQ'UNA

"Who believe in the Unseen, are steadfast in prayer, and SPEND (YON-FIQ'UNA) out of what We have provided for them." (2:2)

"They ask thee what they should SPEND (YON-FIQ'UNA): SAY: Whatever ye spend that is good, is for parents and kindred and orphans and those in want and for the wayfarers. And whatever ye do that is good — Allah knoweth it well." (2:215)

"They ask thee concerning wine and gambling, Say: 'In them is great sin, and some profit, for men; but the sin is greater than the profit.' They ask thee how much they are to SPEND (YON-FIQ'UNA); say: What is beyond your needs. Thus doth Allah make clear to you His signs; in order that ye might consider." (2:219)

"Those who SPEND (YON-FIQ'UNA) their substance in the cause of Allah, and follow not up their gifts with reminders of their generosity or with injury — for them their reward is with their Lord; on them shall be no fear, nor shall they grieve." (2:262)

"And the likeness of those who SPEND (YON-FIQ'UNA) their substance, seeking to please Allah, and to strengthen their souls, is as a garden, high and fertile; heavy rain falls on it but makes it yield a double increase of harvest, and if it receives not heavy rain, light moisture sufficeth it. Allah seeth well whatever ye do." (2:265)

"Those who SPEND (YON-FIQ'UNA) of their goods by night and by day, and in secret and in public, have their reward from their Lord. On them shall be no fear, nor shall they grieve." (2:74)

"What they SPEND (YON-FIQ'UNA) in the life of this (material) world may be likened to a Wind which brings a nipping frost; it destroys the harvest of man who have wronged their own souls, it is not Allah that hath wronged them, but they wrong themselves." (3:117)

“Those who SPEND (YON-FIQ’UNA) whether in prosperity, or in adversity; who restrain anger, and pardon (all) men; and Allah loves those who do good; —.” (3:134)

“Nor those who SPEND (YON-FIQ’UNA) of their substance, to be seen of men, but have no faith in Allah and the Last Day. If any take the Evil One for their intimate, what a dreadful intimate he is.” (4:38)

“Who establish regular prayers and SPEND (YON-FIQ’UNA) out of the gifts We have given them for sustenance.” (8:3)

“The believers SPEND (YON-FIQ’UNA) wealth to hinder (men) from the path of Allah, and so will they continue to spend; but in the end they will have only regrets and sighs. At length they will be overcome; And the Unbelievers will be gathered together to Hell.” (8:36)

“The only reasons why their contributions are not accepted are: that they reject Allah and His apostle; that they come to prayer without earnestness and that they offer CONTRIBUTIONS unwillingly.” (9:54)

“There is no blame on those who are infirm, or ill, or who find no resources to SPEND (YON-FIQ’UNA), if they are sincere (in duty) to Allah and His Apostle. No ground (of complaint) can there be against such as do right; and Allah is Oft Forgiving, Most Merciful.” (9:91)

“Nor (is there blame) on those who came to thee to be provided with mounts, and thou saidst, ‘I can find no mounts for you’, they turned back, their eyes streaming with tears of grief that they had no resources to provide the EXPENSES.” (9:92)

“Nor could they SPEND (YON-FIQ’UNA) anything (for the Cause) — small or great — nor cut across a valley, but the deed is inscribed to their credit; that Allah might require their deed with the best (possible reward).” (9:121)

“To those whose hearts, when Allah is mentioned, are filled with fear, who show patient perseverance over their afflictions, keep up regular prayer, and SPEND

(YON-FIQ'UNA) out of what We have bestowed upon them.”
(22:35)

“Twice will they be given their reward, for that they have preserved, that they avert evil with good and that they SPEND (YON-FIQ'UNA) out of what We have given them.”
(28:54)

“They do forsake their beds of sleep, the while their call on their Lord, in fear and hope; and they SPEND (YON-FIQ'UNA) out of the substance which We have bestowed on them.” (32:16)

“Those who hearken to their Lord, and establish regular prayers; who conduct their affairs by mutual consultation; who SPEND (YON-FIQ'UNA) out of what We have bestowed on them for sustenance.” (42:38)

SADA KA TE KOM

“O ye who believe! Cancel not your charity by reminders of your generosity or by injury — like those who spend their substance to be seen of men, but believe neither in Allah nor in the Last Day. They are in parable like a hard, barren rock, on which is a little soil; on it falls heavy rain, which leaves it (just) a bare stone. They will be able to do nothing with aught they have earned. And Allah guideth not those who reject faith.”
(2:264)

ANFA-QA

“So his fruits (and) enjoyments were encompassed (with ruin), and he remained twisting and turning his hands over what he SPENT (ANFA-QA) on his property, which had (now) tumbled to peeces to its very foundations, and he could only say, ‘Woe is me! Would I had never ascribed partners to my Lord and Cherisher!’.” (18:42)

“And what cause have ye why ye should not SPEND (YON-FI-QU) in the cause of Allah? — For to Allah belongs the heritage of the heavens and the earth. Not equal among you are those who SPENT (ANFA-QA) (freely) and fought, before the victory, (with those who did so later). Those are higher in rank than those who SPENT (ANFA-QA) (freely) and fought afterwards. But to all Allah has promised a

goodly (reward). And Allah is well acquainted with all that ye do.” (57:10)

ANFAQ-TA

“And (moreover) He hath put affection between their hearts; not if thou hadst *spent* all that is in the earth, couldst thou have produced that affection, but Allah hath done it; for He is Exalted in Might, Wise.” (8:63)

ANFAQU

“And what burden were it on them if they had faith in Allah and the Last Day, and they SPENT (ANFAQU) out of what Allah hath given them for sustenance? For Allah hath full knowledge of them.” (4:39)

“Those who patiently persevere, seeking the countenance of their Lord; establish regular prayers; SPEND (ANFAQU) out of (the gifts) We have bestowed for their sustenance, secretly and openly; and turn off evil with good: for such there is the final attainment of the (Eternal) Home:—” (13:22)

“Those who, when they SPEND (ANFAQU), are not extravagant and not niggardly, but hold a just (balance) between those (extremes):” (25:67)

“Those who rehearse the book of Allah, establish regular prayer and SPEND (ANFAQU) out of what We have provided for them, secretly and openly, hope for a commerce that will never fail:” (35:29)

“Believe in Allah and His Apostle and SPEND (ANFAQU) out of the (substance) whereof He has made you heirs. For those of you who believe and SPEND (ANFAQU); for them is a Great Reward.” (57:7)

“O ye who believe! When there come to you believing women refugees, examine (and test) them: Allah knows best as to their faith. If ye ascertain that they are believers, then send them not back to the unbelievers. They are not lawful (wives) for the Unbelievers, nor are the (unbelievers) lawful (husbands) for them. But PAY (ANFAQU) the unbelievers what they have SPENT (on their dower), and there will be no blame on you if ye marry them on payment of their dower to them. But hold not to the guardianship of unbelieving

women; ask for what ye have SPENT (ANFAQ-TUM) on their dowers, and let the (unbelievers) ask for what they have SPENT (ANFAQU) on the dowers of women who come over to (you). Such is the command of Allah: He judges (with justice) between you; And Allah is Full of Knowledge and Wisdom.” (60:10)

“And if any of your wives deserts you to the Unbelievers, and ye have an accession (by the coming over of a woman from the other side), then PAY (ANFAQU) to those whose wives have deserted the equivalent of what they had spent (on their dower): And fear Allah, in Whom you believe.” (60:11)

TONFI 'QU

“By no means shall ye attain righteousness unless ye SPEND (TONFI 'QU) of that which ye love; and whatever ye give, of a truth Allah knoweth it well.” (3:92)

“Against them make ready your strength to the utmost of your power, including steeds of war, to strike terror into (the hearts of) the enemies, and others besides, whom ye may not know, but whom Allah doth know. Whatever ye shall SPEND (TONFI 'QU) in the Cause of Allah, shall be repaid unto you, and ye shall not be treated unjustly.” (8:61)

“Behold ye are those invited to SPEND (TONFI 'QU) (of your substance) in the way of Allah: but among you are some that are niggardly; But any who are niggardly are so at the expense of their own souls. But Allah is free of all wants, and of ye that are needy. If ye turn back (from the path), He will substitute in your stead another people; then they would not like you.” (47:38)

“And what cause have ye why ye should not spend in the cause of Allah? For to Allah belongs the heritage of the heavens and the earth. Not equal among you are those who SPENT (ANFAQU) (freely) and fought, before the Victory, (with those who did so later). Those are higher in rank than those who SPENT (ANFA-QU) (freely) and fought afterwards. But to all has Allah promised a goodly (reward). And Allah is well acquainted with all that ye do.” (57:10)

“They (hypocrites) are the ones who say SPEND (TONFI

'QU) nothing on those who are with Allah's Apostle, to the end they may disperse (and quit Medina). But to Allah the treasures of the heavens and the earth: but the hypocrites understand not." (63:7)

ANFI-QU

"And SPEND (ANFI-QU) of your substance in the cause of Allah, and make not your own hands contribute (to your destruction); but do good; for Allah loveth those who do good." (2:195)

"O ye who believe! SPEND (ANFI-QU) out of (the bounties) We have provided for you, before the Day comes when no bargaining (will avail), nor friendship nor intercession. Those who reject faith — they are the wrong doers." (2:254)

"O ye who believe! Give of the good things which ye have (honourably) 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 may give away something, when ye yourselves would not receive it except with close eyes. And know that Allah is Free of all wants, and worthy of all Praise." (2:267)

"Say: SPEND (ANFI-QU) (for the Cause) willingly or unwillingly: not from you will it be accepted: for ye are indeed a people rebellious and wicked." (9:53)

"And when ye are told, SPEND (ANFI-QU) ye of (the bounties) with which Allah has provided you, you Unbelievers. Say to those who believed, 'Shall we then feed those whom, if Allah had so willed, he would have fed, (Himself)? — Ye are nothing but manifest error'." (36:47)

"And SPEND (ANFI-QU) something (in charity) out of the substance which We have bestowed on you, before death should come to any of-you and he should say, 'Oh my Lord! why didst thou not give me respite for a little while? I should then have given (largely) in charity, and I should have been one of the doers of good'." (63:10)

"So fear Allah as much as you can; listen and obey; and SPEND (ANFI-QU) for the benefits of your own souls; and

those saved from the covetousness of their own souls — they are the ones that achieve prosperity.” (64:16)

“Let the women live (in iddat.) in the same style as ye live, according to your means; annoy them not, so as to restrict them. And if they carry a life in their wombs, then SPEND (ANFI-QU) (your substance) on them until they deliver their burden; and if they suckle your (offspring), give them their recompense; and take mutual counsel together, according to what is just and reasonable. And if ye find yourselves in difficulties, let another woman suckle (the child) on the (father’s) behalf.” (65:6)

ANFAQ-TA

“And (moreover) He hath put affection between their hearts; not if thou hadst spent all that is in the earth, couldst thou have produced, that affection, but Allah hath done it; for He is Exalted in Might, Wise.” (8:63)

TONFIQU-NA

“O ye who believe! Give of the good things which ye have (honourably) 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 (TONFIQU-NA) 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.” (2:267)

“It is not required of thee (O Apostle), to set them on the right path, but Allah sets on the right path Whom He pleaseth. Whatever of good ye GIVE (TONFIQU-NA) benefits your own souls, and ye shall only do so seeking the ‘FACE’ of Allah. Whatever good ye GIVE (TONFI-QU), shall be rendered back to you, and ye shall not be dealt with unjustly.” (2:272)

APPENDIX IV

Extracts from Kitab Al Zakaat

Sahih Al Bukhari

"And the statement of Allah *"Establish the prayer, and pay the Zakaat"*. Ibn Abbas (APH) said Abu Sufyan (APH) narrated to me the Hadith of the Prophet (PBUH) (the conversation which happened between him [Abu Sufyan] and Heraclius) and quoted from it: "He (the Prophet [PBUH]) ordered us to establish the prayer, to pay the Zakaat, to keep good relations with kith and kin, and to be chaste".

478 — Narrated Ibn Abbas (APH)

The Prophet (PBUH) sent Mu'adh (APH) to Yemen and said: "Invite the people to certify that none has the right to be worshipped but Allah and I am Allah's Apostle, and if they obey you to do so, then teach them that Allah has enjoined on them five prayers in every day and night (in twenty-four hours), and if they obey you to do so, then teach them that Allah has made it obligatory for them to pay the Zakaat from their property and it is to be taken from the wealthy among them and given to the poor."

483 — Narrated Abu Huraira

When Allah's Apostle had died and Abu Bakr (APH) had become the caliph and some Arabs renegaded, Abu Bakr decided to declare war against them. Umar (APH) said to Abu Bakr, "How could you fight with these people?" Allah's Apostle said, I have been ordered to fight the people until they say that none has the right to be worshipped but Allah, and whoever said it then he saved his life and property from me except on trespassing the law (rights and conditions), and their accounts will be with Allah." Abu Bakr said: "By Allah! I will fight those who differentiate between the prayer and the Zakaat because Zakaat is the compulsory right (of the poor) from the property (of the wealthy). By Allah! If they withheld even a she-kid which they used to pay at the time of Allah's Apostle (PBUH), I would fight with them". Then Umar said: "By Allah, it was nothing, but Allah gave Abu Bakr (APH) the true knowledge and later I came to know that he was right".

486 — Narrated Abu Huraira

Allah's Apostle (PBUH) said: "*Whoever is made wealthy by Allah and does not pay the Zakaat of his wealth, then on the Day of Resurrection his wealth will be made like a baldheaded poisonous male snake with two black spots over the eyes. The snake will encircle his neck and bite his cheeks and say, 'I am your wealth; I am your treasure'.*" Then the Prophet (PBUH) recited the holy verses:

'Let not those who are misers think. . .'

CHAPTER — A property from which the Zakaat is paid is not hoarded money according to the statement of the Prophet (PBUH). "There is no Zakaat on property mounting to less than five Uqiyas (of silver) (one Uqiya equals 38 2/5 grams)". And narrated Khalid bin Aslam: We went out with Abdullah bin Umar (APH) and a Bedouin said (to Abdullah): "Tell me about Allah's saying: 'And there are those who hoard gold and silver, and spend it not in the way of Allah' ". Ibn Umar said, "Whoever hoarded them and did not pay the Zakaat thereof, then woe to him. But these holy verses were revealed before the verses of Zakaat. So Allah made Zakaat a purifier of the property".

487 — Narrated Abu Sa'id

Allah's Apostle (PBUH) said, "No Zakaat is due on property mounting to less than five Uqiyas (of silver), and no Zakaat is due on less than five camels, and there is no Zakaat on less than five Wasqs". (A Wasq equals 60 Sa's) & (1 Sa equals 2, 1 K gms App)

CHAPTER — To spend money righteously.

490 — Narrated Ibn Mas'ud (APH)

I heard the Prophet (PBUH) saying, "There is no envy except in two: a person whom Allah has given wealth and he spends it in the right way, and a person whom Allah has given wisdom (i.e. religious knowledge) and he gives his decisions accordingly and teaches it to the others".

491 — Narrated Abu Huraira (APH)

Allah's Apostle (PBUH) said, "If one gives in charity what equals one date-fruit from honestly earned money — and

Allah accepts only the honestly earned one — Allah takes it in His right (hand) and then enlarges its reward for that person (who has given it), as anyone of you brings up his baby horse, so much so that it becomes as big as a mountain.”

495 — Narrated Abu Musa (APH)

The Prophet (PBUH) said, “A day will come upon the people when a person will wander with gold as Zakaat and will find nobody to accept it, and one man will be seen followed by forty women to be their guardian because of scarcity of men and great number of women.”

500 — Narrated Abu Huraira (APH)

A man came to the Prophet (PBUH): “O Allah’s Apostle! Which Charity is the most superior in reward?” He replied, “The charity which you practice while you are healthy, niggardly and afraid of poverty and wish to become wealthy. Do not delay it to the time of approaching death and then say, ‘Give so much to such and such, and so much to such and such’. And it has already belonged to such and such (as it is too late)”.

502 — Narrated Abu Huraira

Allah’s Apostle (PBUH) said, “A man said that he would give something in charity. He went out with his object of charity and unknowingly gave it to a thief. Next morning the people said that he had given his object of charity to a thief. (On hearing that) he said, ‘O Allah! All the praises are for you. I will give alms again’. And so he again went out with his alms and (unknowingly) gave it to an adulteress. Next morning the people said that he had given his alms to an adulteress last night. The man said, ‘O Allah! All the praises are for you. (I gave my alms) to an adulteress. I will give alms again’. So he went with his alms again (unknowingly) gave it to a rich person. The people next morning said that he had given his alms to a wealthy person. He said, “O Allah! All praises are for you. (I had given my alms) to a thief, to an adulteress and to a wealthy man’. Then someone came and said to him, ‘The alms which you gave the thief, might make him abstain from committing theft, and that given to the adulteress might make her abstain from adultery, and that given to the wealthy man

might make him take a lesson from it and spend his wealth which Allah has given him, in Allah's cause'."

597 — Narrated Abu Huraira

The Prophet (PBUH) said: "The best charity is that which is practiced by a wealthy person. And start *giving first to your dependents*".

513 — Narrated Asma

The Prophet (PBUH) said to me, "Do not withhold your money, (for if you did so Allah would hold His blessings from you)".

522 — Narrated Abu Huraira

The Prophet (PBUH) said, "There is no Zakaat on less than

522 — Narrated Abu Huraira

The Prophet (PBUH) said, "Every day two angels come down from Heaven and one of them says, 'O Allah! Compensate every person who spends in your cause,' and the other (angel) says, 'O Allah! Destroy every miser'".

526 — The Zakaat of silver — Narrated Abu Sa'id Al Khudri

Allah's Apostle (PBUH) said, "There is no Zakaat on less than five camels and also there is no Zakaat on less than five Awaq (of silver) (5 Awaq equals 22 Fransa Riyals or 200 Dirhams). And there is no Zakaat on less than five Awsuq (1) (a special measure of food grains, and one Wasq equals 60 Sa's) (For gold 20, Dinars i.e., equal to 12 Guinea English. No Zakaat for less than 12 Guineas (English) of gold or for silver less than 22 Fransa Riyals)."

528 — Narrated Anas (APH)

Abu Bakr (APH) wrote to me what Allah had instructed His Apostle (PBUH) to do regarding the one who had to pay one Bint Makhad (i.e., one year-old she-camel) as Zakaat, and he did not have it but had got Bint Labun (two-year old she-camel). (He wrote that) it could be accepted from him as Zakaat, and the collector of Zakaat would return him 20 Dirhams (1) or two sheep; and if the Zakaat payer had not a Bint Makhad, but he had Ibn Labun (a two-year-old he-camel)

then it could be accepted as his Zakaat, but he would not be paid anything.

530 — Narrated Anas (APH)

Abu Bakr (APH) wrote to me what was made compulsory by Allah's Apostle (PBUH) and that was (regarding the payments of Zakaat): Neither the property of different people may be taken together nor the joint property may be split for fear of (paying more, or receiving less) Zakaat. (1)

531 — Narrated Anas (APH)

Abu Bakr (APH) wrote to me what Allah's Apostle (PBUH) had made compulsory (regarding Zakaat) and this was mentioned in it: If a property is equally owned by two partners, they should pay the combined Zakaat and it will be considered that both of them have paid their Zakaat equally.

533 — Narrated Anas (APH)

Abu Bakr (APH) wrote to me about the Zakaat which Allah had ordered His Apostle (PBUH) to observe: Whoever had to pay Jadh'a (Jadh'a means a four-year-old she-camel) as Zakaat from his herd of camels and he had not got one, and he had Hiqqa (three-year-old she-camel), that HIQQA should be accepted from him along with two sheep if they were available or twenty Dirhams (one dirham equals about 1/4 Saudi Riyal) and whoever had to pay Hiqqa as Zakaat and he had no Hiqqa but had a Jadh'a, the Jadh'a should be accepted from him, and the Zakaat collector should repay him twenty dirhams or two sheep; and whoever had to pay Hiqqa as Zakaat and he had not got one, but had a Bint Labun (two-year-old she-camel), it should be accepted from him and the Zakaat collector should repay him twenty dirhams or two sheep; and whoever had to pay Bint Labun and he had not got one but had a Bint Makhad (one-year-old she-camel), that Bint Makhad, should be accepted from him along with twenty Dirhams or two sheep.

534 — The Zakaat of Sheep Narrated Anas (APH)

When Abu Bakr (APH) sent me to (collect the Zakaat from) Bahrein, he wrote to me the following:

(In the name of Allah, the Beneficent, the Merciful) these are the orders for compulsory charity (Zakaat) which Allah's Apostle (PBUH) had made obligatory for every Muslim, and which Allah had ordered His Apostle (PBUH) to observe: Whoever amongst the Muslims is asked more than that (what is specified in this script) he should not pay it (to the Zakaat collector); for twenty-four camels or less, sheep are to be paid as Zakaat; for every five camels, one sheep is to be paid, and if there are between twenty-five to thirty-five camels, one Bint Makhad is to be paid, and if they are between forty-six to sixty (camels), one Hiqqa is to be paid; and if the number is between seventy-six to ninety (camels) two Hiqqa is to be paid, and if they are from ninety-one to one hundred and twenty (camels) for every forty (over one hundred and twenty), one Bint Labun is to be paid, and for every fifty camels (over one hundred and twenty) one Hiqqa is to be paid; and whoever has got only four camels, has to pay nothing as Zakaat, but if the owner of these four camels wants to give something, he can.

If the number of camels increases to five, the owner has to pay one sheep as Zakaat. As regards the Zakaat for the (flock) of sheep, if they are between one hundred and twenty sheep, one sheep is to be paid; and if they are between two hundred to three hundred (sheep), three sheep are to be paid; and for over three hundred sheep, for every extra hundred sheep, one sheep is to be paid as Zakaat.

And if somebody has got less than forty sheep, no Zakaat is required, but if he wants to give, he can. For silver: The Zakaat is one fortieth of the lot (i.e., 2.5%), and if its value is less than two hundred Dirhams, Zakaat is not required, but if the owner wants to pay he can.

535 — Narrated Anas (APH)

Abu Bakr (APH) wrote to me what Allah had ordered His Apostle (PBUH) (about Zakaat) which goes: Neither an old nor a defected animal, nor a male goat may be taken as Zakaat except if the Zakaat collector wishes (to take it).

CHAPTER — To accept a she-kid as Zakaat.

536 — Narrated Abu Huraira (APH)

Abu Bakr (APH) said by Allah! If they (pay me the Zakaat and) withhold even a she-kid which they used to pay during the lifetime of Allah's Apostle (PBUH) I will fight with them for it. Umar said, it was nothing but Allah who gave Abu Bakr (APH) the knowledge to fight, and later I came to know that he was right.

537 — Narrated Ibn Abbas (APH)

When Allah's Apostle (PBUH) sent Mu'adh to Yemen, he said (to him) You are going to people of a Divine Book. First invite them to Allah's worship and when they come to know Allah inform them that Allah has enjoined on them, five prayers in every day and night; and if they start offering these prayers, inform them that Allah has enjoined on them, the Zakaat. And it is to be taken from the rich amongst them and given to the poor amongst them; and if they obey you in that, take Zakaat from them and avoid (don't take) the best property of the people as Zakaat.

538 — Narrated Abu Sa'id (Al Khudri) (APH)

Allah's Apostle (PBUH) said, "No Zakaat is imposed on less than five Awag of silver, and no Zakaat is imposed on less than five camels".

542 — Narrated Abu Huraira (APH)

Allah's Apostle (PBUH) said: "There is no Zakaat either on a horse or a slave belonging to a Muslim".

545 — Narrated 'Amr bin Al Harith

Zainab, the wife of Abdullah (APH) said I was in the Mosque and saw the Prophet (PBUH) who said, "O woman! Give alms even from your ornaments". Zainab used to provide for Abdullah and those orphans who were under her protection. So she said to Abdullah, "Will you ask Allah's Apostle (PBUH) whether it will be sufficient for me to spend part of the Zakaat on you and the orphans who are under my protection?" He replied, "Will you yourself ask Allah's Apostle (PBUH)?" (Zainab added): So I went to the Prophet (PBUH) and I saw there an Ansari woman who was standing at the door (of the Prophet (PBUH)) with a similar problem as

mine. Bilal passed by us and we asked him, Ask the Prophet (PBUH) whether it is permissible for me to spend the (Zakaat) on my husband and the orphans under my protection. And we requested Bilal not to inform the Prophet (PBUH) about us. So Bilal went inside and asked the Prophet (PBUH) regarding our problem. The Prophet (PBUH) asked, "Who are those two?" Bilal replied that she was Zainab. The Prophet (PBUH) said, "Which Zainab?" Bilal said, "The wife of Abdullah (bin Mas'ud)". The Prophet (PBUH) said, "Yes, (it is sufficient for her) and she will receive two rewards (for that): One for helping relatives, and the other for giving Zakaat".

546 — Narrated Zainab, the daughter of Um Salama (APH) My mother said, "O Allah's Apostle! Shall I receive a reward if I spend for sustenance of the sons of Abu Salama, and in fact they are also my sons?" The Prophet (PBUH) replied, "Spend on them and you will get a reward for what you spend on them".

547 — Narrated Abu Huraira (APH)

Allah's Apostle (PBUH) ordered (a person) to collect Zakaat, and that person returned and told him that Ibn Jamil, Khalid bin Al Walid, and Abbas bin Abdul Muttalib had refused to give Zakaat. The Prophet (PBUH) said, "What made Ibn Jamil refuse to give Zakaat though he was a poor man, and was made wealthy by Allah and His Apostle (PBUH)? But you are unfair in asking Zakaat from Khalid as he is keeping his armour for Allah's course (for Jihad). As for Abbas bin Abdul Muttalib, he is the uncle of Allah's Apostle (PBUH) and Zakaat is compulsory on him and he should pay it double".

559 — Narrated Abu Humaid As-Sa'di (APH)

We took part in the holy battle of Tabuk in the company of the Prophet (PBUH) and when we arrived at the Wadi-al-Qura, there was a woman in a garden of hers. The Prophet (PBUH) asked his companions to estimate the amount of the fruits in the garden, and Allah's Apostle (PBUH) estimated it at ten Awsuq (one Wasuq equals 60 Sa's) and 1 Sa equals 3 kg. approximately). The Prophet (PBUH) said to that lady, "Check what your garden will yield". When we reached

Tabuk, the Prophet (PBUH) said, "There will be a strong wind tonight and so no one should stand and whoever has a camel, should fasten it". So we fastened our camels. A strong wind blew at night and a man stood up and he was blown away to a mountain called Taiy. The King of Aila sent a white mule and a sheet for wearing to the Prophet as a present, and wrote to the Prophet that his people would stay in their place (and will pay Jizya taxation). (1)

When the Prophet reached the Wadi-al-Qura he asked that woman how much her garden had yielded. She said "Ten Awsuq", and that was what Allah's Apostle had estimated. Then the Prophet said "I want to reach Medina quickly, and whoever among you wants to accompany me, should hurry up".

The sub-narrator Ibn Bakkar said something which meant: When the Prophet (PBUH) saw Medina he said, "This is Taba". And when he saw the mountain of Uhud, he said, "This mountain loves us and we love it. Shall I tell you of the best amongst the Ansar?" They replied in the affirmative. He said, "The family of Bani Abdul Ash hal, then the family of Bani Sa'ida or Bani Al Harith bin Al Khazraj (the above mentioned are the best) but there is goodness in all the families of Ansar".

560 — Narrated Salim bin Abdullah (APH) from his father The Prophet (PBUH) said, "On land irrigated by rain water or by natural water channels or if the land is wet due to a nearby water channel 'Ushr (i.e., one tenth) is compulsory; and on the land irrigated by the well; half of an Ushr (i.e., one twentieth) is compulsory".

561 — Narrated Abu Sa'id Al Khudri (APH)

The Prophet (PBUH) said, "There is no Zakaat on less than five Awsuq (of dates), or on less than five camels, or on less than five Awaq of silver". (22 Riyals Faransa)

566 — Narrated Abdullah bin Umar (APH)

Umar bin Al Khattab gave a horse in charity in Allah's cause and later he saw it being sold in the market and intended to purchase it. Then he went to the Prophet (PBUH) and asked

his permission. The Prophet (PBUH) said, "Do not take back what you have given in charity". And in case he had purchased something (unknowingly) he would give it in charity again.

560 — Narrated Abu Huraira (APJ)

Al Hasan bin Ali took a date from the dates given in charity and put it in his mouth. The Prophet (PBUH) said, "Expel it from your mouth. Don't you know that we do not eat a thing which is given in charity?"

CHAPTER — Zakaat should be taken from the rich (Muslims) and given to the poor (Muslim) wherever they are.

573 — Narrated Abu Ma'bad, the slave of Ibn Abbas (APH)

Allah's Apostle (PBUH) said to the Mu'adh when he sent him to Yemen, "You will go to the people of a divine book. So, when you reach there, invite them to certify that none has the right to be worshipped but Allah, and that Muhammed is His Apostle. And if they obey you in that, tell them that Allah has enjoined on them five prayers in each day and night. And if they obey you in that tell them that Allah has made it obligatory on them to pay Zakaat which will be taken from the rich among them and given to the poor among them. If they obey you in that, avoid taking the best of their possessions, and beware the curse of the oppressed person because there is no screen between his invocation and Allah."

CHAPTER — (Is Zakaat imposed on) what is taken out of the sea (or not)? And said Ibn Abbas (APH) "Ambergris (a special kind of perfume), is not Rikaz (1), but a thing which is thrown out by the sea". And Al Hasan said, "Khumus (i.e., one fifth) is imposed on Ambergris and pearls". The Prophet (PBUH) fixed Khumus (2) on Rikaz but not on the things taken out of the water.

CHAPTER — There is Khumus on Rikaz. And Malik and Ibn Idris said, "Rikaz is the buried treasures in the Pre-Islamic Period and Khumus is compulsory on it whether the treasure is small or large, but the mines are not considered as Rikaz". No doubt, the Prophet (PBUH) had said, "There is no Zakaat on minerals. And Khumus is compulsory on it. Some people

considered minerals as Rikaz similar to the buried treasures of Pre-Islamic Ignorant days. (Few explanations of Arabic words are not translated)

CHAPTER — Branding the camels given in charity (Zakaat) by the Imam with his own hands.

578 — Narrated Anas bin Malik (APH)

I took Abdullah bin Abu Talha to Allah's Apostle (PBUH) to perform Tahnik for him. (Tahnik was a custom among the Muslims that whenever a child was born they used to take it to the Prophet (PBUH) who would chew a piece of date and put a part of its juice in the child's mouth). I saw the Prophet's (PBUH) and he has an instrument for branding in his hands and was branding the camels of Zakaat.

APPENDIX V

Mishkat-Al-Masabih

45 — Ibn Abbas reported that the Holy Prophet sent Mu'az to Yemen saying:

Certainly you will come across a people, the People of the Book. Call them to bear witness that there is no God but Allah and that Muhammed is the Ms. of Allah. If they submit to that, teach them that Allah has made obligatory upon them prayer for five times a day and a night. If they submit to that, teach that Allah has made obligatory over them Zakaat which will be given to the poor among them. If they then obey that, avoid taking the best part of their property; and fear the invocation of the oppressed; and between it and Allah, there is no veil. 659

Agreed

48 Abu Zarr reported from the Holy Prophet who said: There is no man who having got camels, or cattle, or sheep, does not still pay their dues except that he will be brought with them on the Resurrection day (with a form) as huge as possible; and those that are fatter than him will kick him with their hoofs and knock him down with their horns. Whenever the last of them will pass by him, the first of them will be returned to him till he will be brought for judgement among men.

Agreed

51 — Bashir b Khasaiyyah reported: We said: The Zakaat collectors exceed limit regarding it. Shall we conceal something of our properties to the extent of what they realize in excess? "No" replied he.

Abu Daud

52 — Ibn Omar reported that the Ms. of Allah said: Whoever acquires wealth, there is no Zakaat therein till a year passes over it.

Tirmizi

53 — Ali reported that Abbas asked the Prophet about advance payment of his Zakaat before a year passed. He gave him permission for that.

Abu Daud, Tirmizi, Ibn Majah, Darimi

54 — Abu Hurairah reported: When the Holy Prophet was dead and Abu Bakr succeeded him, and those who returned to disbelief from desert Arabs returned to disbelief, Omar b-al Khattab said to Abu Bakr: How can you fight with the people while the Ms. of Allah said: I have been ordered to fight with the people will they utter: There is no deity but Allah, his property and life are under my protection except for its tax, and its account is upon Allah. Abu Bakr said: by Allah, I shall surely fight against him who differentiates between prayer and Zakaat, because Zakaat is a duty on property. By Allah if they refuse me to deliver young goats which they use to deliver to the Prophet of Allah, I will fight against them in spite of their refusal. Omar said: By Allah he was not except that I saw that Allah expanded the chest of Abu Bakr for fighting. Then I recognized that it was right.

Agreed

Abu Huraira reported that the Ms. of Allah said: The treasure of any of you will become on the Resurrection Day a huge bald-headed serpent from which its owner will flee away while it will be following him till it will bite him, his fingers.

Ahmad

57 — Abu Sayeed al Khodri reported that the Ms. of Allah said: There is no Zakaat in what is less than five wasaqs of dates; there is no Zakaat in what is less than five wasaqs of silver; and there is no Zakaat in what is less than five zaods of camels.

Agreed

60 — Abdullah b Omar reported from the Prophet who said: There is one-tenth in what is watered by clouds or fountains or what grows in a fertile land. And there is half of one-tenth in what is watered by camels.

Bukhari

61 — Abu Hurairah reported that the Messenger of Allah said: The wounds caused by animals are exempted, and mines

are exempted, and there is one-fifth due from the buried treasure.

Agreed

62 — Ali reported that the Messenger of Allah said: I have exempted horses and asses (from Zakaat), so take Zakaat of silver, one dirham from every forty dirhams. There is no Zakaat for 190 dirhams. When they reach 200 (dirhams), then there are 5 dirham Zakaat therefor.

Tirmizi, Abu Daud

63 — Ali reported: Zohair said: I take it from the Prophet who said: Bring one-fourth of Oshar, meaning there is one dirham for every 40 dirhams and there is nothing on you till it completes 200 dirhams. So when it comes up to 200 dirhams, there are 5 dirhams due, and what is in excess is upon that (proportionate) account. And as for goats, there is one goat in every forty up to 120; if they increase by one, then up to 200, two she-goats (of one year); if they increase, then up to 300 — 3 goats of one year; if they increase over 300, then for every one hundred she-goats; if you have no more than 39 goats, there is no Zakaat due on you regarding them. And about cows, in every thirty there is one calf of full two years, and there is no Zakaat due for the cattle engaged in labour.

Abu Daud

64 — Ma'az reported that when the Prophet sent him to Yemen he ordered him to take one male or female yearling for every thirty cattle, and one cow of 2 years old for every 40 cattle.

Abu Daud, Tirmizi, Nisai

65 — Abu Sayeed al Khodri reported that the Holy Prophet said: There is no Zakaat for seeds or dates till they come up to 5 Wasaqs.

Nisai

66 — Atta b Osaid reported that the Prophet said: In Zakaat of grapes these shall be appraised as dates are appraised and then their Zakaat shall be paid after being dried up, as Zakaat of fresh dates are paid after being dried up.

Tirmizi, Abu Daud

67 — Sahl b Abi Hatmah reported that the Prophet used to say: When you appraise dates, take (them) and give up one-third; if you do not give up one-third, then give up one-fourth.

Tirmizi, Daud, Nisai

69 — Abu Omar reported that the Messenger of Allah said about (Zakaat of) honey: For every ten leather bottles, one bottle falls due.

Tirmizi

70 — Jainab, wife of Abdullah reported: The Messenger of Allah addressed us and said: O assembly of women! give Zakaat although it be from your ornaments, because you will form the majority of the dwellers of Hell on the Resurrection Day.

Tirmizi

71 — Amr b Shuaib reported from his father from his grandfather who said that two women came to the Holy Prophet with two bangles of gold in their hands. He asked them: Have you paid its Zakaat? "No" replied they. The Holy Prophet then asked them. Do you both like that Allah will dress you with bangles of Hell? "No" replied they. He said: Then pay its Zakaat.

Tirmizi

72 — Umme Salamah reported: I used to put on bars of gold. So I enquired: O Ms. of Allah! is it a hoarded treasure?

Malek, Abu Daud

73 — Samorah b Jundab reported The Ms. of Allah used to direct us to collect Zakaat from that which we counted as merchandise.

Abu Daud

74 — Rabiah b Abdur Rahman reported from more than one that the Messenger of Allah granted free the mines of Qabaliyyah (and that is by the side of Fur) to Bilal b Hares al Mujni. So (as for) those mines, nothing but Zakaat is levied from them up to this day.

Abu Daud

258w — Musa b Talha reported: We had with us a letter of Mu'az b Jabal from the Holy Prophet. He said: the Prophet ordered him to take Zakaat from wheat, barley, raisins and dates.

Sharh i Sunnat
(Defective)

259w — Ali reported that the Messenger of Allah said: There is no Zakaat for vegetables, nor there is Zakaat for cultivated plants, nor there is Zakaat for less than five wasaqa nor there is Zakaat for animals of labour, nor there is Zakaat for Jabha. (Saqr said: Jabha is horse, mule and servants).

Darquini

260w — Taus reported that when some cows were brought before Muas b Jabal, he said: The Prophet did not direct me to levy anything therefor.

Darquini, Shafeyi

APPENDIX VI
KITAAB - AL - ZAKAAT
SAHIH MUSLIM

(2134) Abu Sa'id al Khudri reported Allah's Messenger (may peace be upon him) as saying: No Sadaqa (Zakaat) is payable on less than five wasqs of (dates or grains), on less than five camel heads and on less than five uqiyas (of silver).

(2139) Abu Sa'id Khudri reported Allah's Messenger (may peace be upon him) as saying: No Sadaqa is payable on the grains and dates till it (comes to the weight) of five wasqs, or less than five heads of camels, or less than five uqiyas (of silver).

(2143) Jabir b Abdullah reported Allah's Messenger (may peace be upon him) as saying: A tenth is payable on what is watered by rivers, or rains, and a twentieth on what is watered by camels.

(2144) Abu Huraira reported Allah's Messenger (may peace be upon him) as saying: No Sadaqa is due from a Muslim on his slave or horse.

(2168) Jabir b Abdullah reported: There came people from among the Bedouins to the Messenger of Allah (may peace be upon him) and said: Collectors of Sadaqa come to us and treat us unjustly. Upon this the Messenger of Allah (may peace be upon him) said: Please your collectors. Jarir said: Ever since I heard it from the Messenger of Allah (PBUH) no collectors had departed but was pleased with me.

(2170) Abu Dharr reported: I went to the Apostle of Allah (may peace be upon him) and he was sitting under the shade of the Ka'ba. As he saw me he said: By the Lord of the Ka'ba they are the losers. I came there till I sat and I could not stay (longer) and (then) stood up. I said: Messenger of Allah, let my father be ransom for you, who are they (the losers)? He said: They are those having a huge amount of wealth except so and so and (those who spend their wealth generously on them whom they find in front of them, behind them and on their right side and on their left side) and they are few. And no owner of camels, or cattle or goats and sheep, who does not

pay Zakaat (would be spared punishment) but these (camels, cattle, goats and sheep) would come on the Day of Resurrection wearing more flesh and would gore him with their horns and trample them with their hooves. And when the last one would pass way, the first one would return (to trample him) till judgement would be pronounced among people.

(2177) Ahnaf b Qais reported: While I was in the company of the (elites) of Quraish, Abu Dharr came there and he was saying: Give glad tidings to the hoarders of riches that their backs would be branded (so deeply) that (the hot iron) would come out of their sides, and when the backs of their necks would be branded, it would come out of their foreheads. He (Abu Dharr) then went away and sat down. I asked who he was. They said: He is Abu Dharr. I went to him and said to him: What is this that I heard from you which you were saying before? He said: I said nothing but only that which I heard from their Prophet (may peace be upon him). I again said: What do you say about ths gift? He said: Take it, for today it is a help. But when it becomes a price for your religion, then abandon it.

(2181) Abu Huraira reported Allah's Messenger (may peace be upon him) as saying: Of the dinar you spend as a contribution in Allah's path, or to set free a slave or as a Sadaqa given to a needy, or to support your family, the one yielding the greatest reward is that which you spent on your family.

(2205) Abu Huraira reported Allah's Messenger (may peace be upon him) as sayng: There is never a day wherein servants (of God) get up at morn, but are not visited by two angels. One of them says: O Allah, bring destruction to one who withholds.

(2300) Sa'd reported that the Messenger of Allah (may peace be upon him) bestowed (some gifts) upon a group of people and I was sitting amongst them. The Messenger of Allah (may peace be upon him), however, left a person and he did not give him anything, and he seemed to me the most excellent among them (and thus deserved the gifts more than anyone else). So I

stood up before the Messenger of Allah (may peace be upon him) and said to him in undertone: Messenger of Allah, what about so and so? By Allah, I find him a believer. He (the Messenger of Allah) said: He may be a Muslim. I kept quiet for a short while, and then what I knew of him urged me (to plead his case again) and I said: Messenger of Allah what about so and so? By Allah, I find him a believer. Upon this he (the Holy Prophet) said: He may be a Muslim. I often bestow (something upon a person, whereas someone else is dearer to me than he, because of the fear that he may fall headlong into the fire. And in the hadith transmitted by Hulwani this statement was repeated twice.

(2261) Abu Huraira reported Allah's Messenger (may peace be upon him) as saying: The poor man (miskin) is not the one who goes round to the people and is dismissed with one or two morsels, and one or two dates. They (the Prophet's Companions) said: Messenger of Allah, then who is miskin? He said: He who does not get enough to satisfy him, and he is not considered so (as to elicit the attention of the benevolent people), so that charity may be given to him, and he does not beg anything from people.

(2303) Anas b Malik reported that when on the Day of Hunain Allah conferred upon His Apostle (may peace be upon him) the riches of Hawazin (without armed encounter) the Messenger of Allah (may peace be upon him) set about distributing to some persons of Quraish one hundred camels. Upon this they (the young people from the Ansar) said: May Allah grant pardon to the Messenger of Allah (may peace be upon him) that he bestowed (these camels) upon the people of Quraish, and he ignored us, whereas our swords are still dripping blood. Anas b Malik said: Their statement was conveyed to the Messenger of Allah (may peace be upon him) and he sent (someone) to the Ansar and gathered them under a tent of leather. When they had assembled, the Messenger of Allah came to them and said: What is this news that has reached me from you? The wise people of the Ansar said: Messenger of Allah, so far as the sagacious amongst us are concerned they have said nothing, but we have amongst us persons of immature age; they said: May Allah grant pardon

to the Messenger of Allah (may peace be upon him) that he gave to the Quraish and ignored us (despite the fact) that our swords are besmeared with their blood. Upon this the Messenger of Allah said: I give (at times material gifts) to persons who were quite recently in the state of unbelief, so that I may incline them to truth. Don't you feel delighted that people should go with riches, and you should go back to your places with the Apostle of Allah? By Allah, that with which you would return is better than that with which they would return. They said: Messenger of Allah, we are pleased. The Holy Prophet said too: You would find marked preference (in conferring of the material gifts) in future, so you should show patience till you meet Allah and His Messenger and I would be at the Haud Kauthar. They said: We would show patience.

(2339) Abu Huraira reported that Hasan b Ali took one of the dates of the sadaqa and put it in his mouth, whereupon the Prophet (may peace be upon him) said: Leave it, leave it, don't you know that we do not eat the sadaqa?

(2347) Abd al Muttalib b. Rabi'a b. al Harith reported that Rabi'a al Harith and Abbas b. Abd al Muttalib gathered together and said: By Allah, if we had sent these two young boys (i.e., I and Fadl b Abbas) to the Messenger of Allah (may peace be upon him) and they had spoken to him, he would have appointed them (as the collectors) of these sadaqat; and they would (collect them) and pay (to the Holy Prophet) as other people (collectors) paid and would get a share as other people got it. As they were talking about it there came Ali b. Abu Talib and stood before them, and they made a mention of it to him. Ali b Abu Talib said: Don't do that; by Allah he (the Holy Prophet) would not do that (would not accept your request). Rabi'a b. Harith turned to him and said: By Allah, you are not doing so but out of jealousy that you nurse against us. By Allah, you became the son-in-law of the Messenger of Allah (may peace be upon him) but we felt no jealousy against you (for this great privilege of yours). Ali then said: Send them (if you like). They set out and Ali lay on the bed. When the Messenger of Allah (may peace be upon him) offered the noon prayer, we went ahead of him to his apartment and stood near it till he came out. He took hold of our ears (out of

love and affection) and then said: Give out what you have kept in your hearts. He then entered the apartment and we also went in and he (the Holy Prophet) was on that day (in the house of) Zainab b. Jahsh. We urged each (of us) to speak. Then one of us thus spoke: Messenger of Allah, you are the best of humanity and the best to cement the ties of blood-relations. We have reached the marriageable age. We have come to you so that you may appoint us (as collectors) of these sadaqat, and we would pay you just as the people (other collectors) pay you, and get our share as others get it. He (the Holy Prophet) kept silence for a long time until we wished that we should speak with him (again), and Zainab pointed to us from behind the curtain not to talk (anymore). He (the Holy Prophet) said: It does not become the family of Muhammed to accept sadaqat for they are the impurities of people. You call to me Mahmiya (and he was in charge of khums, i.e., of the one-fifth part that goes to the treasury out of the spoils of war), and Naufal b harith b. Abd al Muttalib. They both came to him, and he (the Holy Prophet) said to Mahmiya: Marry your daughter to this young man (i.e. Fad b Abbas), and he married her to him and he said to Naufal b Harith: Marry your daughter to this young man (i.e., Abd al Muttalib b Rabi'a, the narator of this hadith) and he married her to me, and he said to Mahmiya: Pay so much mahr of both of them from this khums. Zuhri, however said: He did not determine (the amount of mahr).

(2360) Jarir b. Abdullah said: When the collector of sadaqat (Zakaat) comes to you, (you should see) that he goes away pleased with you.

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COMMENTS ON "CONCEPTS OF ZAKAH: SURVEY OF TEXTS AND DEFINITIONS"

DISCUSSANT'S COMMENTS

Dr. Akbar Muhammad, the discussant of the paper, congratulated Br. Abdool Aziz Shaik for presenting an exhaustive paper on the concept of Zakah. His comments on the paper were in the form of questions to Br. Shaik. Referring to page two of the paper, he asked the author whether he considered the payment of Zakah as a means of removal of part of the community's wealth to purify it. The reply was that the Zakah was paid by the rich and as such, it was the wealth of the rich, that needed to be purified by means of Zakah, not that of the entire community.

The second question was with reference to the use of Zakah funds for payment of salaries of officials who were not responsible for collecting Zakah funds or administering it. Br. Shaik pointed out that the use of Zakah funds for salaries was always limited throughout the Medieval period only to Zakah collectors and distributors. The author's response was that an exception to the usual practice could be made for salaries of teachers of religion if the community could not afford to pay them.

The next question raised by the discussant was whether or not Zakah funds could be used to help Muslims, say in South Africa, to relieve them of political suppression, even if such use of Zakah funds did not fall under the eight categories of use prescribed in the holy Qur'an. The response was that it could be used to release Muslims anywhere from the bondage of political suppression. The author added, that nowhere in the Qur'an nor in the Hadith it was mentioned that Zakah money be used only for Muslims. The Muslim jurists always implied that it was to be used for Muslims only as they were the only ones required to pay Zakah. If, after meeting the needs of the Muslims, any proceeds from Zakah were left, the author did not see any reason why that money could not be used to help non-Muslims. The discussant had no other comments or questions.

COMMENTS FROM THE AUDIENCE

Br. Shamim Siddiqui made five observations of his own: (1) that Zakah did not depend on the will of the giver. It is a compulsory levy and it should be collected by the state without fail; (2) that the salary of the collectors of Zakah fund was to be fixed in such a way that it provided enough to maintain a proper standard of living; (3) that the distribution of Zakah to *Mu-Allafa-tul-Quloob* cannot be suspended; (4) that the determination of *Nisab* was a truly controversial subject, and that there was no need to change the rate of Zakah on gold because it is not only the prices of gold that changed, but also the overall size of income of the people who had gold; and (5) that the Zakah funds could be used for freeing Muslims in bondage anywhere, but should not be used for non-Muslims.

Br. Omar Z. Hafiz asked Br. Shaik whether it is necessary to have some kind of priorities in the distribution of Zakah funds. The reply was that the priorities were already delineated in the Qur'an and should be followed in the order in which the use of Zakah funds were described in the Qur'an. Br. Hafiz also enquired whether monthly salaries were subject to Zakah levies. Br. Shaik replied that Zakah was payable on capital only and not on salaries. He added that Zakah depended on *Nisab*, which, in turn, depended on capital. Br. Abdullah Abdulkader observed that nowadays hardly anyone's income was derived from such sources as so many cows, goats, camels, etc. He wanted to know how was *Nisab* determined on modern income (i.e., income from wages and salaries, commissions, etc.) and obligations, such as loans (secured and unsecured). Br. Shaik replied to this question by using an accountant's balance sheet. He suggested that Zakah be imposed on the net worth (which is assets-liabilities) of the individual at the end of a twelve-month period. He also suggested that secured loans should be included in income to determine the amount of Zakah to be paid.

Br. Nagly Amin observed that after every harvest the farmer has to pay Zakah above his *Nisab*. Then why not the salary earner pay Zakah everytime after he received his monthly salary? Br. Amin further observed that he did not see

why agricultural income could be subject to Zakat and not salary income. In response to this question Br. Shamin Siddiqui observed that in case of harvest the farmer was sure about the final output whereas in case of salary this was not clear. The individual salary earner was not in a position to know how much of his salary would be left after meeting the needs of his family. He added, Zakah was to be paid on savings only.

Professor Peter Franck, quoting from Monzer Kahf's work on Zakah, said that since 10 percent of agricultural output was to be paid as Zakah, it was a clear demonstration of the fact that Zakah was also a levy on income and not only on capital. As such, there was no reason why income from salary should not be subject to Zakah. Professor Fahri Unsal observed that Zakah was to be paid on salary income also. He argued that if a farmer with relatively low income had to pay Zakah on his output, then it did not make much sense if someone receiving a salary of say \$40,000 paid nothing on the ground that he used it all up during the course of the year in maintaining his high standard of living. Br. Shaik replied that Zakah aims to maintain one's standard of living and if someone had a large income and he needed that to maintain his standard of living, whatever that might be, he should not be required to pay Zakah. This brought a comment from Sr. Rogayah Ngah who thought it was unfair to ask a poor farmer who earned, let us say, \$2,000 to pay Zakah while a salary earner of \$40,000 was exempt from Zakah on the ground that he needed the money to maintain his standard of living. The final comment came from the Chairman of the session, Br. Syed Zafaruddin Sayeed, who said that the Muslim scholars did consistently uphold the principle that income from salary was not subject to Zakah — only savings were. He argued that if salary income was to be subject to Zakah, a new ruling from the Muslim scholars was now in order.

A NOTE ON THE CONCEPT OF ZAKAH AND TAXATION

**based on the talk by
Dr. Akbar Muhammad**

This note is based on the talk by Dr. Akbar Muhammad on "Zakah and Taxation in Islam," delivered at the Second Session of the Conference. The editor's notes are based in this case solely on the speech as it was taped. Dr. Akbar Muhammad is an Associate Professor of History, and Chairman of the Department of Afro-American and African Studies at the State University of New York at Binghamton.

A NOTE ON THE CONCEPT OF ZAKAH AND TAXATION

The term "Zakah" has three different connotations. One is linguistic, the second one is theological, and the third one is legal. Linguistically, Zakah means cleansing or purification of something from dirt or filth. It also means praise, growth, and increase. Theologically, it means spiritual purification resulting from giving of Zakah. Legally, Zakah means transfer of ownership of specific property to specific individuals or individuals under specific conditions.

This last definition contains some significant implications and connotations. First, the transference of the specific property is a divine injunction upon the Muslims. Second, traditionally the property concerned must be gold, *Dinar*, silver, *Dirham*, precious minerals, particular animals, and produce of the land. Third, there was a one year minimal limit, *Nisab*, of possession for most items upon which Zakah was payable. Fourth, most of the jurists, *Fuqaha*, agree that the recipients of Zakah cannot be *Hashimies* or the descendants of Prophet Muhammad (PBUH), dependent relatives, nor spouses. The recipients must be considered poor, *Fuqarah*, or indigent, *Masakeen* — the latter being more deserving — and may include Christian and Jewish subjects of an Islamic state. The other legal recipients are Muslim captives, debtors, participants in *Jihad*, travellers, collectors of Zakah, and those who might convert to Islam or adopt a favorable attitude towards the Islamic polity, *Al-Muallafa Qoolubuhum*. The giver, *Al-Muzakki*, must be a Muslim, free, sane, and mature, *ba'legh*. This simplistic definition was accepted by most medieval scholars. Modern modifications are concerned with the modalities of application and collection of Zakah, but have not sought to make basic changes in the concept — i.e., jurists and economists seem to be absorbed with the categorization of the post-medieval form of wealth and the conversion of *Nisab* to their modern equivalent.

The Qur'an, books on traditions, or *Hadith*, and jurisprudence, *Fiqa*, and financial administration used the terms Zakah and *Sadaqa* synonymously. Indeed the *Shafii*

jurist, Al-Mawardi, who died in 1058, wrote, “*Sadaqa* is Zakah and Zakah is *Sadaqa* — the nouns differ but the designations are the same.” The usual distinction is made by the explicit use of a modifier or the contextual use of the words Zakah and *Sadaqa*. Hence, *Sadaqat-e-Tatu'waa* is voluntary charity, and *Sadaqatul Fitr*, which is paid at the end of Sha'wal or sometime there about, is an obligatory contribution which is often called *Zakatul Fitr*.

The legal sources of revenue during the life of Prophet Muhammad (PBUH) was Zakah or *Sadaqa*, *Ga'nima*, *Fa'ee*, and *Jijia*. Zakah and *Sadaqa* have already been discussed. *Ga'nima* represented the moveable spoils of war taken from the vanquished unbelievers by force. Prisoners of war were included in the spoils. Four-fifths of the total was divided among the fighters. The remaining one-fifth, theoretically the property of Allah, belonged to

“His Prophet, his family (i.e., the family of the Prophet), the orphan, the indigent, and the traveller.” (Q. 8:41)

Fa'ee refers to immovable property obtained from the unbelievers without the actual use of force. This category often consisted of land, the revenues from which were varied, e.g., *Kharaj* and *Jijia*. *Dhimmi*s or the non-Muslims who did not convert to Islam were obliged to pay *Jijia* of one *Dinar* or its equivalent per free adult or slave. The produce of their lands were subjected to the *Ushr* levy of one-tenth on those naturally irrigated and one-twentieth on those artificially irrigated. These revenues were often considered part of the total Zakah collection. With the accession of the Caliph Omar ibn Khattab (APH), who reigned from 633-644 A.D., the geopolitics of the Islamic state resulted in a considerable modification of its economic base. Omar is credited with the introduction of the *Kharaj* levy, initially included in the *Jijia* upon the harvest of the newly acquired territories and the *Ushr* upon land and commercial items. With respect to the latter, the percentage differed according to whether the goods belonged to a Muslim or a *Dhimmi* or a *Harbi* — a *Harbi* being a person who is a non-Muslim resident outside an Islamic state. The disposition of the *Kharaj* land became the

prerogative of the Caliph. He could distribute it among the fighters or declare it the public property, *Waquf*, of the Muslims.

Let us now move to another group of levies that were historically applied in the Muslim world, particularly during the medieval period. Before doing that it may be worthwhile to mention, briefly, a term which is very often used in Arabic works today — *Dariba*. The term *Dariba* was used in the medieval period of Islamic history in reference to a tax or an impost. This seems to be the sense in which Al-Makrizi uses it. Most specifically, *Dariba* denoted a particular portion of *Jijia* and the part of a master's *Kharaj* which a servant or a slave was obliged to deliver to him. In time, the plural form of *Dariba* — which is *Dara'eb* — came to be applied to a group of levies, fees and dues, *Rusoom*, which were not mentioned in the *Shariah*. In modern usage, *Dariba* means anyone of several taxes imposed by a governmental authority, and does not have an intrinsically divine denotation.

Another group of levies came into general use during the *Fathemide*, *Ayubide*, and *Mamluk* periods in Egypt, i.e., a period of roughly 919-1517 A.D. This group that came into vogue at that time in Egypt, and was associated with *Dara'eb*, was called *Mukus*, the singular form being *Ma'ks*. The term was applied initially in a manner similar to that of *Ushr* with respect to commercial items. Interestingly, the *Ma'ks* levy was generally considered illegal by the jurists, because of the *Hadith*:

“*Inna Sahabal Ma'ksi Fin-Na'r*” —
i.e., “Surely the *Maks* collector will go
to Hell.”

According to one of our best contemporary sources for this type of levy, Al-Makrizi, who died in 1442 A.D., the state revenue was derived from two sources. One he calls *Kharajee*, the other *Hilalee*. The *Kharajee* tax was levied on the land, or its produce, basically. The *Hilalee* tax, which literally means or implies the collection of tax at the end of the lunar year, became known as *Mukus*. They included a large group of imposts, custom duties and tolls, many of which were previously collected under the rubrics of *Zakah*, *Kharaj*,

Ushr, and even in some instances, *Jijia*. It may be added here that *Jijia* became known as the *Jawali*. The *Jawali* taxes were, in fact, *Jijia* with an added extra-*Shariah* tax. Hence, the *Dhimmis* supposedly paid *Jijia* and an extra-*Shariah* tax — i.e., outside *Shariah* tax. However, there were some taxes in this category that were clearly illegal, e.g., on prostitution; on the sale of intoxicating drinks; and an additional sum, the *Jawali*, that the non-Muslims paid, in some cases, for the upkeep of the army, over and above the required *Jijia*. It is apparent that among the alleged justification for such collections was the sporadic manner in which *Zakah* and other *Shariah* based taxes were applied, that being one reason, and another was the perceived socio-political considerations and the ever increasing financial needs of government. Finally, it should be mentioned that the various sub-categories of the *Hilalee* or *Mukus* levies came to encompass such a wide range of properties, commercial activities, etc., that economic decadence and political upheavals ensued.

The above discussion alludes to an important theoretical question concerned with the categorization of Islamic contributions, especially *Zakah*. Within the modern definitional framework of taxation, is *Zakah* a tax? Obviously, there are some fundamental aspects of the Western system of taxation which have few or no correlates in the Islamic system. Significantly, the imposing authority in the Western system is neither divine or quasi-divine in nature. Therefore, contravention of the system is not tantamount to disobedience to Allah. The applied uses of non-Islamic tax revenues are, most often, unknown to the tax payer and unspecified by the collecting authority, except in cases of particular revenue stamps and similar temporary measures. *Zakah* and its component levies are to be distributed according to specified rules and for specific ends. Amongst the primary functions of the Western fiscal and budgetary needs of government (including salaries) are: (1) to ensure a healthy degree of economic growth and stability; (2) to achieve fullest possible level of national employment; and (3) to reduce the potential mal-effects of unequal income distribution. With respect to the budgetary requirements of

the state, it is clear that Zakah was not envisioned as a revenue source for government spending. Rather, government was to be the just agent of equitable distribution to particular recipients. National economic growth was to be achieved via individual or collective effort on the part of the citizenry. There can be no doubt about the fundamental socioeconomic principle of individual productivity in Islam which, if applied, would ensure a high level of personal output through self-employment, or otherwise. However, this is not a function of Zakah. It is questionable whether Zakah contributions, given the tax base (i.e., above *Nisab*), could appreciably affect unequal income distribution. It should be added that in the Western taxation system, also, there should be no discrimination in the actual application of the tax. In other words, Christians, Muslims, Jews, or others would also pay the same. The payment of Zakah is not an obligation to anyone other than a Muslim.

In sum, when we think about the administration of Zakah (i.e., collection of Zakah, distribution of its proceeds and, if any, left over proceeds, the use of that excess fund), can we still think of Zakah as a tax? Most likely, we cannot call it a tax. Once we make a final decision about whether or not Zakah is a charity, a contribution, a social tax without any imposing authority resembling government, then and only then, we can consider whether or not Zakah can be the only source of *Shariah*-approved revenue for the government. When one reads the works of modern scholars like Al-Qardawi, Ahmed Al-Misri, etc., one finds it very interesting in that at this particular time in history, Zakah is being put forward, for one, as a tax, and that it will suffice for running the state along modern lines as the proceeds from Zakah will be enough to meet all governmental expenses including capital development projects.

COMMENTS ON THE NOTE

Br. Omar Afzal, the discussant, observed that during the time of the Prophet (PBUH) and the first four Caliphs, all levies collected were placed in the same account and all were termed Zakah. The *Baitul Ma'l*, the government exchequer,

was created during the time of Caliph Omar (APH), and even during that period all levies were kept in the same place and were distributed in the same manner as Zakah. Dr. Akbar Muhammad concurred and added that the fine line of distinctions or differences that exist today between *Zakah*, *Sadaqa*, *Ga'nima*, *Fa'ee*, *Jijia*, etc. were made by historians some two hundred years after the death of the Prophet (PBUH). There is no doubt of the fact that the term Zakah was used in three occasions by the Prophet (PBUH) for the Christians of Nazareth (in Southern Arabia) who actually paid *Kharaj* according to later classification. Br. Afzal pointed out that during the time of Caliph Omar (APH), the Christian tribe of Banu Tahlab was asked to pay Zakah. The rate was different, however. In response to a statement by Br. Syed Zafaruddin Sayeed, Dr. Akbar Muhammad observed that the Muslims at the time of the Prophet (PBUH) memorized the verses of the Qur'an and the *Hadith* which were then passed on to the next generation until everything was put in black and white. It is unlikely, however, that anyone would have memorized the various letters that were attributed to the Prophet (PBUH) in the same vein. So the reference to the letter in which the Prophet (PBUH) supposedly asked some *Dhimmis* to pay *Jijia* may not be historically accurate. It is quite possible that the later historian used the term *Jijia* to describe the levy as it was the term used for such a levy during the time period when the historian lived. It is clear that all contributions from Muslims as well as non-Muslims during the time of the Prophet (PBUH) and the *Khulaf-e-Rashedeen* (i.e., the first four Caliphs) were treated as Zakah. It represented not one particular levy, but a group of levies.

A second point that was raised by Br. Afzal was about *Dara'eb* and *Mukus*. He observed that if those two categories of taxes were considered illegal by the *Ulema* (i.e., the religious scholars), then what suggestions did they have for the government to raise revenues for meeting its expenses? Dr. Akbar Muhammad replied that the *Ulema* declared both *Dara'eb* and *Mukus* illegal and suggested the use of Zakah and its components for raising revenues. Zakah, as perceived by the *Ulema*, did not provide enough resources to the state

and, as such, Muslim rulers, time and again, resorted to all kinds of levies — e.g., *Dara'eb*, *Mukus*, *Hilallee*, etc. — to augment their revenues. Al-Makrizi maintains that around the time of Sultan Salahuddin and especially after his death, almost all activities in Egypt were taxed. Some medieval Muslim rulers demanded *Ata'ya* or gifts to the state from the rich. The *Ulema* did not like this either.

In order for any kind of *Maks* to be instituted or get accepted by the *Ulema*, Dr. Akbar Muhammad suggested, call it by a name which they cannot argue about. There is nothing in the *Shariah* which says that the only acceptable levy is *Zakah*. Why not thus introduce a series of taxes and call them, say *Alif*, *Ba'*, *Ta'*, etc., and get them incorporated into law through *Ijma'*? In his conclusion he said that we should also reassess the *Nisab* and bring it in line with modern realities.

EDITOR'S COMMENTS: SESSIONS ONE AND TWO

Amongst the myriad of issues and questions that were raised during the first two sessions at least three deserve some further analysis. These are: (1) the question of Zakah on salary income, (2) the question of reassessment of *Nisab*, and (3) the question of raising enough revenues through Zakah and/or other levies to run a modern government.

QUESTION OF ZAKAH ON INCOME FROM SALARIES:

Despite the claims by some scholars that Zakah is payable only on savings or accumulated wealth, it is quite clear that it was also levied on agricultural produce (clearly, an income) and on animals (a source of income) by the Prophet (PBUH) and the early Muslim rulers. During the time of the Prophet the service sector, as it exists today, was practically non-existent, and so was salary income. The principal sources of income in those days were trade, agriculture, animal husbandry, and related industries. Income and/or savings from these sources were subject to levies, proceeds from which were distributed among the eight categories prescribed in the Qur'an for Zakah. Thus, to argue that one cannot impose Zakah on a biweekly or a monthly salary of an individual while a farmer has to pay Zakah right after every harvest on the gross value of the produce, is illogical. After all it is the size of income which determines the size of accumulated wealth, on which one has to pay Zakah. The argument that imposition of Zakah on a regular salary income may affect one's standard of living, and that the purpose of Zakah is not to change anyone's standard of living, falls flat on its face when we know that a farmer has to pay Zakah on his produce, and that it affects his standard of living. It seems obvious that Muslim social scientists have to give a considerable thought on the dynamics of Zakah and come to a logical conclusion with respect to collection of Zakah from salary income. If they want to coin a new name for such a levy rather than using the name Zakah, nothing should prevent them from doing so.

QUESTION OF REASSESSMENT OF NISAB

The *Nisab*, or the minimum exemption limit for Zakah was fixed by the Prophet (PBUH) to suit the needs of the Arabian society in the seventh century. To the best of my knowledge, there is no evidence that he exhorted his followers never to change the *Nisab* or the rate of Zakah. Caliph Omar (APH) did, in fact, change the rate of Zakah once, even though he decided to change it back to the old rate. And this was done only a few years after the death of the Prophet (PBUH). Since, with the passage of time, the sources of income and expenditure have changed, there is a need for a whole new set of *Nisab* or exemption limits for each country, as the situation differs from country to country.

Before one can determine what should be the *Nisab* on the overall income and savings in a particular society, the society must define the level of income which is required to maintain a reasonable standard of living for a Muslim. This minimum, but adequate, income should be considered as *Nisab*, and this should be periodically adjusted to reflect changes in the costs of living.

As pointed out earlier by some of the participants of the Conference, Zakah represented a group of levies during the time of the Prophet (PBUH) and the *Khulafa-e-Rashedin*, and that various groups of people paid various rates of Zakah (depending on whether they were Muslims or non-Muslims) on similar income and savings, it appears that the rate of Zakah should not be considered sacrosanct and that it should be allowed to change according to the need of the society concerned. If the *Ulema* unanimously insist that the rate cannot be changed, then the state should go ahead and impose new taxes as suggested by Dr. Akbar Muhammad in his presentation.

QUESTION OF RAISING ENOUGH REVENUE THROUGH ZAKAH

The proceeds from Zakah are to be spent on eight specific categories as described in the Qur'an. Thus, a question can be raised whether a modern state can spend Zakah to finance a social welfare type of program that exists in the U.S., or engage in economic development schemes that are

implemented in many planned economies with the proceeds from Zakah. This is a controversial issue. Some argue the state can, while others say, no. Those who argue in favor say such programs are clearly for the benefit of the poor and the helpless and that economic development programs not only help those who are direct participants in such programs, but also those who would have remained unemployed or underemployed, and hence, poor and indigent, in the absence of them. They add that any governmental expenditure on manpower training or education in various scientific or technical fields should also be acceptable as the almighty God wants the Muslims to excel in this life as well as in the life hereafter. Similarly, expenditures on defense is clearly permissible, as an attack on a Muslim country is synonymous with an attack on Islam, which must be defended by the Muslims even at the cost of their lives.

Those who argue against the use of Zakah proceeds for such purposes as described above, maintain that Zakah was not intended to be a source of revenue for the government. The responsibility of the government was simply to collect and distribute it, as against investing it for future benefits, among the eight prescribed categories.

Perhaps it is appropriate to remind ourselves that Islam is an universal religion and a way of life, which is meant for all ages. Clinging to the seventh century and trying to do what the *Khulafa-e-Rashedin* supposedly did, will not solve the problems that exist in the twentieth century. The principles laid down by the *Shariah* are simple, and they are general, in nature, and, as such, they can be applied in today's world without much difficulty.

SOME ASPECTS OF THE ECONOMICS OF ZAKAH

CHAPTER 2

Distribution of Zakat Burden on Padi Producers in Malaysia

by

Dr. Ismail Muhd Salleh and Rogayah Ngah

Dr. Ismail Muhd Salleh and Rogayah Ngah are members of the Faculty of Economics and Management in the Universiti Kebangsaan Malaysia, the National University of Malaysia at Bangi, Selangor. Dr. Ismail M. Salleh could not attend the Conference. Sister Rogayah Ngah presented the paper.

DISTRIBUTION OF THE ZAKAT BURDEN ON PADI PRODUCERS IN MALAYSIA

INTRODUCTION

Zakat as one of the pillars of Islam has been instituted for the purpose of purifying and cleansing oneself and one's property.¹ However, in a wider context, Zakat may serve as an instrument for redistributing income and wealth to achieve social and economic justice among the Muslim community, thus strengthening the economy of the Muslim state (Basawi, 1977).

As an instrument of income and wealth redistribution, Zakat may be regarded as a form of religious tax levied on Muslims who own wealth or receive income in excess of certain minimum levels for a period of a year or farmers who produce in excess of specified minimum production for a season. These minimum exemption levels — *nisab* — however, vary from state to state in Malaysia. For instance, the *nisab* of Zakat on padi ranges from 363 gantang in the state of Perak, 375 gantang in the states of Trengganu and Kelantan to 480 gantang in Kedah.² In addition there also exist major differences in the administration and implementation of Zakat collection among the different states in Malaysia. The reason for this variation is attributable partly to the fact that under the Malaysian Constitution, all matters pertaining to Muslim religion are under the jurisdiction of the states' governments. Malaysia is a federation comprising thirteen states and although there is a central agency to coordinate and streamline religious matters, the process proves to be a difficult one. This is especially true since any state through its veto power can frustrate any attempt towards coordination by the majority. The central coordinating agency thus serves more as an advisory rather than a policy making body.

In Malaysia, a major part of Zakat revenue collected by the

¹"Take of their wealth alms to purify and clean them thereby." Q.: 9:103.

²One (1) gantang is equivalent to 5.6 lbs. of padi.

state governments is derived from Zakat on padi, while the contribution from other forms of Zakat is extremely negligible. The reliance on Zakat on padi can perhaps be explained by the fact that Zakat on padi is relatively easy to administer and its collection easy to enforce when compared to other forms of Zakat. The nature of its implementation in Malaysia, therefore, delimits our study on Zakat to that on padi. Data for this study are collected from the states of Kedah, Perak, Kelantan, and Trengganu which together account for about 74.64% of the total padi production in Malaysia in 1977.

Zakah in Islam is basically designed to ensure social and economic justice via redistribution of income and wealth. However, its current administration and implementation renders it inadequate as a measure to achieve this objective. In view of its inadequacy, there has been growing concern to review the present structure and administration of the Zakah system in Malaysia. The arguments put forward to call for the review of the Zakat system are:

Firstly, Zakah in Malaysia is essentially borne by padi producers while other agricultural producers, property owners, wage and salary earners, etc. hardly pay any Zakat. According to the *Third Malaysia Plan*, it was estimated that in 1970 about 88% out of the total of 140 thousand households engaged in padi production fell below the poverty line (*Third Malaysian Plan, 1976-80, 1976*). It would be contrary to Islamic justice and common sense to collect Zakat on this group while at the same time exempting other agricultural sectors, business profits, wages and salary, and income from other property and wealth from Zakat. This therefore gives rise to the question of equity.

Secondly, Zakah on padi in Malaysia is imposed at a flat *ad valorem* rate of 10% levied on padi producers producing in excess of a minimum production level — *nisab*. The rate is applied on total gross rather than on total net output. Gross output inclusive of production cost, however, does not reflect the true economic capacity of the producers. The use of new padi varieties makes farmers increasingly dependent on purchased *inputs* in order to achieve potential high yields. In view of the increasing cost of purchasing these *inputs*, Zakat

rate which appears to be acceptable in terms of gross income may prove to be excessive in terms of net income. [*Inputs would be tools and machinery.*]

Thirdly, padi producers in Malaysia may be classified into three categories: namely, owner-operators, tenants, and owner-tenants.³ As far as tenants are concerned, most of the tenancy arrangements contracted in Malaysia places the responsibility of Zakat payment solely on the tenants. This is certainly not in the direction of the overall strategy of redressing poverty among the poor especially among the tenant poor.

Finally, although the actual amount of Zakat paid by the sample producers amounted to about M\$117,000, only 32% of it is paid to the government. The remainder is disbursed by the producers themselves to individuals and others whom they consider to be the rightful recipients of Zakat. This disorganized method of disbursement is another reason which calls for a review of the Zakat system in Malaysia.

The objectives of this paper are, firstly, to quantify statistically the distribution of the Zakat burden on padi farmers in different income classes in the four states of Malaysia for 1978. In addition, this study tries to examine the differences in the patterns of distribution of the Zakat burden within each income class. This is significant since the Zakat burden estimates calculated for each income class conceal great differences in the relative Zakat burden among producers within the same income class. Besides computing the effective Zakat rates for the total producers, estimates of the effective Zakat rates for different producer subgroups will also be calculated.

Secondly, this study seeks to determine the impact of Zakat on the distribution of income among padi producers. This would provide some indication concerning the relative redistributive goal of Zakat as being practiced in Malaysia. In

³Owner-operators are farmers who own all the land they operate; tenants are those who rent all the land they operate; and owner-tenants are those who own a part of the land while renting the remaining part of the land they operate.

addition, the impact of Zakat on the distribution of income of various producer subgroups will also be measured.

Finally, this paper presents some suggestions and recommendations for improving both the administrative machinery and the structure of Zakat on padi in Malaysia.

The remaining part of the paper is divided into five sections. Section I describes the method of estimating the burden of Zakat and also discusses the rationale of the underlying assumption used to allocate Zakat to different producers at different income ranges. This section also presents the method of measuring the redistributive impact of Zakat. A brief description of the major features of the survey, from which the underlying estimates of the distribution of income among padi producers re generated, is given in section II. Section III presents the results of the distribution of the Zakat burden both for the total producers as well as for the producer subgroups. Section IV analyses the impact of Zakat on the distribution of income, and, finally, section V presents policy implications and steps to improve the administrative machinery and structure of Zakat on padi in Malaysia.

METHODOLOGY

The distribution of the Zakat burden borne by padi producers is estimated in this paper by computing the effective Zakat rates at different points of income distribution. Derivation of the effective rates schedules involves three major steps:

a. Estimation of the distribution of income by income classes for total producers and producer subgroups.

The estimates of the income distribution used in this study are obtained from a survey conducted in four major padi producing states in Malaysia, discussed in the next section. Since the choice of different concepts of income would influence the calculation of the burden distribution, two alternative definitions of incomes will be used — gross income and net income from padi production. The choice of the two alternative concepts of income is significant in our study, because under the prevailing Zakat structure in Malaysia, the rate is levied on gross income. However, economic standing of padi producers is better reflected by

their net income rather than their gross income from padi production. Hence, both concepts are used so that the two results may be compared.

b. Allocation of Zakat which is presumed to be borne by padi producers at the different income levels.

In this study, it is assumed that Zakat imposed on padi production is borne by the initial payee. This stems from our assumption that the aggregate supply of labor is inelastic in the production of padi. Hence, the imposition of Zakat would not alter work hours (Musgrave, 1959).

c. Determination of the schedules of the effective Zakat rates by expressing as a percentage the ratio of Zakat to income in each income class.

From these ratios the degree of progression, regression or proportionality of the Zakat structure may be measured.

The redistributive impact of Zakat on income distribution is measured by comparing the state of income distribution before and after the imposition of Zakat. For this purpose, various measures of inequality may be used. However, in this paper, we shall be using Gini Coefficient, which is one of the most common measures of inequality.⁴ The difference between before and after Zakat distributions as measured by the inequality index is termed as "reduction index." This index would indicate whether Zakat has improved income distribution among padi producers or otherwise.

Gini Coefficient is based on the Lorenz curve and it is defined as the ratio of the area bounded by the Lorenz curve and the diagonal to the area below the diagonal. The coefficient varies from zero to one with zero indicating perfect equality and one perfect inequality. The formula used to estimate Gini Coefficient is as follows:

$$G = \sum_{t=1}^T P_t Q_{t+1} - \sum_{t=1}^T P_{t+1} Q_t$$

Where G = Gini Coefficient, P_t is the cumulative share of recipients in the t th group and Q_t is the cumulative share of income in the t th group, for $t = 1, \dots, T$.

⁴These inequality measures are discussed in Henri H. Theil's *Economics and*

DISTRIBUTION OF GROSS AND NET INCOME FROM PADI PRODUCTION, 1978

The distribution of income among padi producers is derived from a survey conducted in four padi producing states of Kedah, Kelantan, Trengganu and Perak in November 1978. The survey is based on a stratified random sample of 600 padi producers in these states, using the same sample frame as that of the "crop-cutting survey" conducted by the Malaysian Department of Statistics.⁵

In addition to total gross money and non-monetary income, the survey also collected information on both gross as well as net returns from padi production. Since our study attempts to estimate the effective Zakat rates on padi production, the latter income concepts — gross and net income from padi production — are utilized in the computation. Net income from padi production is defined here as gross income from padi production minus paid-out cost in cash and kind. Net income so defined constitutes returns to the producer for him and his family labour and other *inputs* that are owned and personally utilized by him for the purpose of padi production. Data on gross and net income from padi production are obtained both for the total producers as well as for other producer subgroups.

The annual income data are then arrayed into sixteen income classes at an interval of M\$400 with the highest interval extending upward beyond M\$6,001. The income distributions generated from this survey are presented in Table 1 and 2 below for the total producers' gross income and net income, respectively. The income distributions for other producer subgroups are given in the appendix to this paper (see Appendix, Tables A1 through A10).

Table 3 presents the Gini Coefficients for gross as well as net income distributions before Zakat for the total producers and other producer subgroups. In all cases, the Gini

Information Theory (Amsterdam: North-Holland Publishing Company, 1967).

⁵See Government of Malaysia, Department of Statistics, *Crop-Cutting Survey* for estimating yield rate of padi (Malaysia, 1975), pp. 58-60.

TABLE I
GROSS INCOME DISTRIBUTION OF TOTAL
PRODUCERS IN WEST MALAYSIA 1978

Income Range M\$ (1)	No. of producers (2)	% of producers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0-400	107	18.54	18.54	59566.80	2.10	2.10
401-800	133	23.04	41.58	83127.00	5.89	7.99
801-1200	73	12.65	54.23	74655.88	5.29	13.29
1201-1600	45	7.80	62.03	63729.86	4.51	17.79
1601-2000	32	5.54	67.57	58445.12	4.14	21.94
2001-2400	25	4.33	71.90	55140.74	3.90	25.84
2401-2800	23	3.99	75.89	58862.80	4.17	30.02
2801-3200	14	2.43	78.32	42744.88	3.03	33.05
3201-3600	17	2.95	81.27	57618.52	4.08	37.13
3601-4000	6	1.04	82.31	22940.46	1.63	38.75
4001-4400	8	1.39	83.70	33187.44	2.35	41.10
4401-4800	12	2.08	85.78	55803.64	3.95	45.06
4801-5200	2	0.35	86.13	10000.00	0.71	45.77
5201-5600	7	1.21	87.34	37547.66	2.66	48.43
5601-6000	5	0.87	88.21	28981.44	2.05	50.49
6001 and above	68	11.79	100	698593.66	49.51	100

TABLE 2
NET INCOME DISTRIBUTION OF TOTAL
PRODUCERS IN WEST MALAYSIA 1978

Income Range M\$ (1)	No. of producers (2)	% of pro- ducers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0 - 400	236	40.9	40.9	28353.61	3.80	3.80
401-800	116	20.1	61.00	67919.54	9.11	12.91
801-1200	51	8.84	69.84	50242.90	6.74	19.65
1201-1600	37	6.41	76.26	51671.41	6.93	26.58
1601-2000	25	4.33	80.59	44920.15	6.02	32.60
2001-2400	20	3.47	84.06	44743.95	6.00	38.60
2401-2800	17	2.95	87.00	43240.03	5.80	44.40
2801-3200	16	2.77	89.77	47966.89	6.43	50.83
3201-3600	5	0.87	90.64	17345.74	2.33	53.16
3601-4000	7	1.21	91.85	26596.67	3.57	56.72
4001-4400	9	1.56	93.41	37155.96	4.98	61.71
4401-4800	3	0.52	93.93	13591.34	1.82	63.53
4801-5200	6	1.04	94.97	29302.56	3.93	67.46
5201-5600	3	0.52	95.49	15998.80	2.15	69.60
5601-6000	2	0.35	95.84	11821.44	1.59	71.19
6001 and above	24	4.16	100	214837.85	28.81	100

TABLE 3
GINI COEFFICIENTS FOR GROSS AND NET INCOME

	Gross Income	Net Income
Total Producers	0.583	0.640
Owner Operators	0.571	0.626
Tenants	0.557	0.677
Owner Tenants	0.568	0.632
Single Croppers	0.382	0.457
Double Croppers	0.478	0.554

Coefficients are found to be larger for net income compared to gross income which indicates that net incomes for all cases are more unequally distributed compared to gross income.

DISTRIBUTION OF THE ESTIMATED ZAKAH BURDEN IN MALAYSIA FOR 1978 BASED ON GROSS AND NET INCOME FROM PADI PRODUCTION

This section presents the results of the estimated burden of Zakat levied on padi producers in various income classes. Table 4 gives the summary of the estimated distribution of Zakat burden or the effective Zakat rates for both the total producers and other producer subgroups based on their respective gross incomes.

As indicated in column 2, Table 4, and illustrated in Chart 1, Zakat imposed on total padi producers is progressive over the first few income brackets with some fluctuating tendencies for the remainder of the income ranges. Progressivity at the lower end of the income scale is due mainly to the fact that the majority of producers falling into the first income class do not pay Zakat since their production is less than the required *nisab*. Similarly, regressivity at the upper end of the income scale is understated somewhat because all brackets above the \$6,000 income bracket are combined into one class. On the average, total producers pay about 8.3% of their gross return in the form of Zakat. However, since the statutory rate of Zakat on padi is 10%, it can be estimated that about 18% of the potential Zakat is not paid, due probably to evasion or

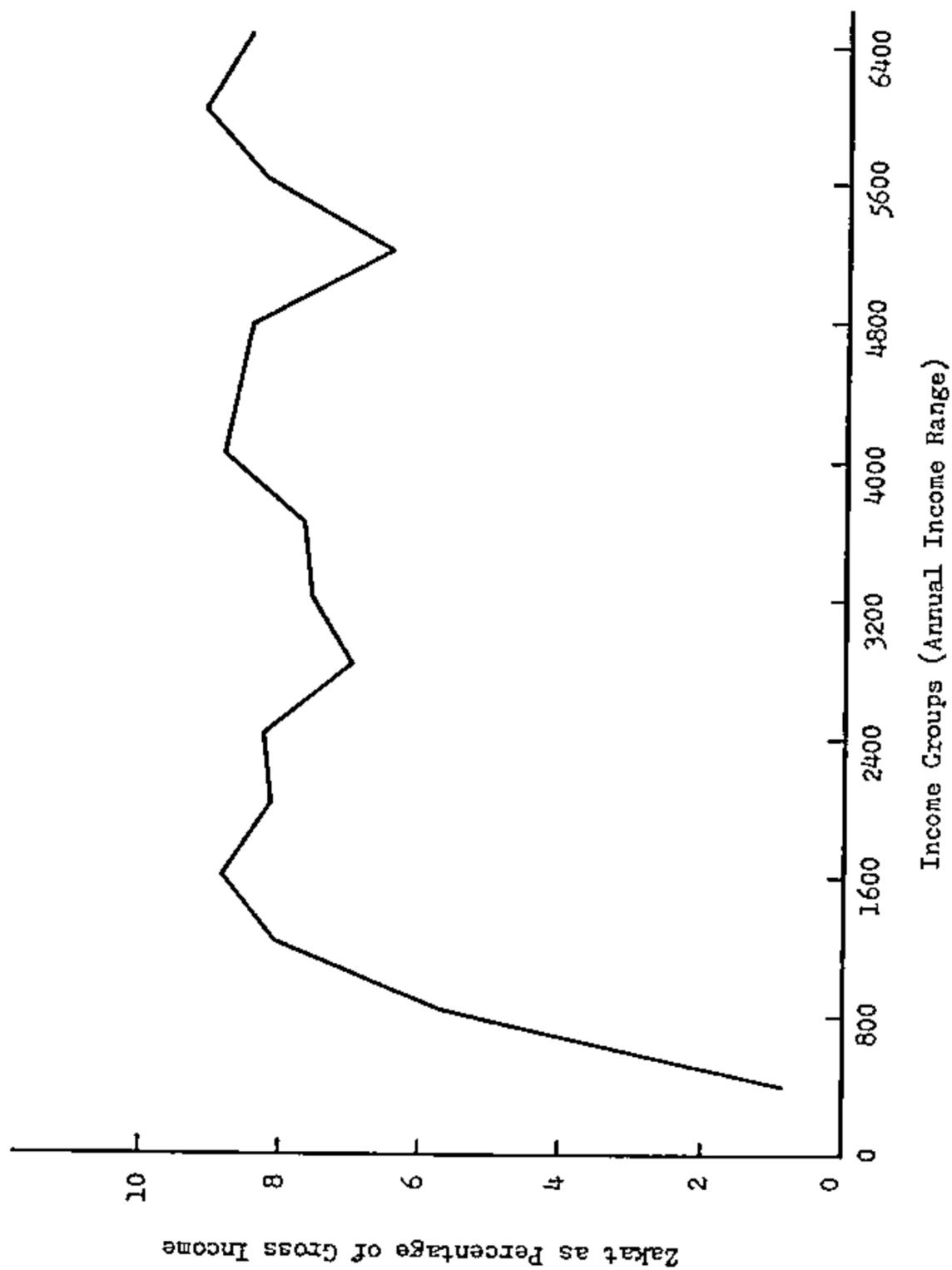
avoidance on the part of producers or due to poor administrative and collection machinery.

TABLE 4
DISTRIBUTION OF ESTIMATED ZAKAH BURDEN
ON TOTAL PRODUCERS AND OTHER PRODUCER
SUB-GROUPS BASED ON GROSS INCOME

Income range M\$	Total producers %	Owner operators %	Tenants %	Owner Tenants %	Producers engaged in single cropping %	Producers engaged in double cropping %
0 - 400	0.79	1.23	3.25	3.84	5.39	4.12
401 - 800	5.17	8.95	7.68	7.28	8.44	4.83
801 - 1200	8.15	8.47	7.93	7.79	8.72	7.50
1201 - 1600	8.86	8.36	8.70	9.35	9.82	8.23
1601 - 2000	8.20	8.80	7.93	7.77	8.79	8.06
2001 - 2400	8.26	8.97	8.73	5.77	6.75	8.46
2401 - 2800	7.00	8.72	7.10	5.45	10.0	6.87
2801 - 3200	7.62	6.96	6.06	9.37	8.46	7.55
3201 - 3600	7.79	8.63	4.08	10.22	-	7.79
3601 - 4000	8.91	7.61	9.46	10.0	10.0	8.39
4001 - 4400	8.75	9.64	9.53	7.34	-	8.75
4401 - 4800	8.51	9.68	9.02	7.77	-	8.51
4801 - 5200	6.5	2.86	10.0	-	-	6.5
5201 - 5600	8.41	7.39	9.17	-	10.21	7.79
5601 - 6000	9.28	-	10.56	8.94	-	9.28
6001 and above	8.74	8.67	8.96	8.60	-	8.74
Average effective zakat rate	8.3	8.14	8.47	8.31	8.22	8.35

Source : See Appendix, Table A 11 - A 16

CHART I
Distribution of Zakat Burden on Total Producers Based on
Gross Income, 1978



In essence the above discussion focused mainly on the question of vertical equity — how Zakat burden is distributed over the different income classes. Vertical equity, however, conceals great differences in the relative Zakah burden borne by different categories of producers within the same income class. Tenorial forms for instance may affect the method of paying Zakat. In the case of the tenant, Zakat payment could either be made entirely by him or by the landlord or shared between both of them. Who actually pays the Zakat could affect estimates of the effective Zakat rate. In the case of double-croppers, statute requires that when output of any season falls short of *nisab*, total output for the purpose of Zakat should be based on the sum of the output of two seasons within a year. However, there may be cases where double-croppers pay Zakat only on one season output, if output of the other season is below *nisab*. This would again affect the estimated pattern of the effective Zakāt rates.

The effective Zakat rates for producers with different tenural status at the different income levels are given in columns 3-5, Table 4, and illustrated in Charts 2-4, respectively. On the average, the effective Zakat rates are 8.14% for owner-operator, 8.4% for tenants, and 8.31% for owner-tenants.

In broad terms, the overall patterns of the effective Zakat rates structure for the three groups exhibit roughly similar characteristics. They all appear to be progressive for those producers in the lower income ranges with some fluctuations over the middle and upper income levels. In the case of owner-operators, the effective Zakat rates pattern seems to depict three distinct zones: progressive for the first and the last three income brackets with fluctuations in the middle. On the other hand, the patterns of the effective Zakat rates for the other two subgroups seem to indicate progressivity at the lower income scale, with some fluctuations over the middle ranges and slightly regressive towards the upper end.

The overall effective rates structure also shows substantial differences in the Zakat burden borne by the different producer subgroups within the same income class. Cases where tenants pay lower Zakat rates compared to other producer subgroups within the same class, can be partly

CHART 2
Distribution of Zakat Burden on Owner-Operators Based on
Gross Income, 1978

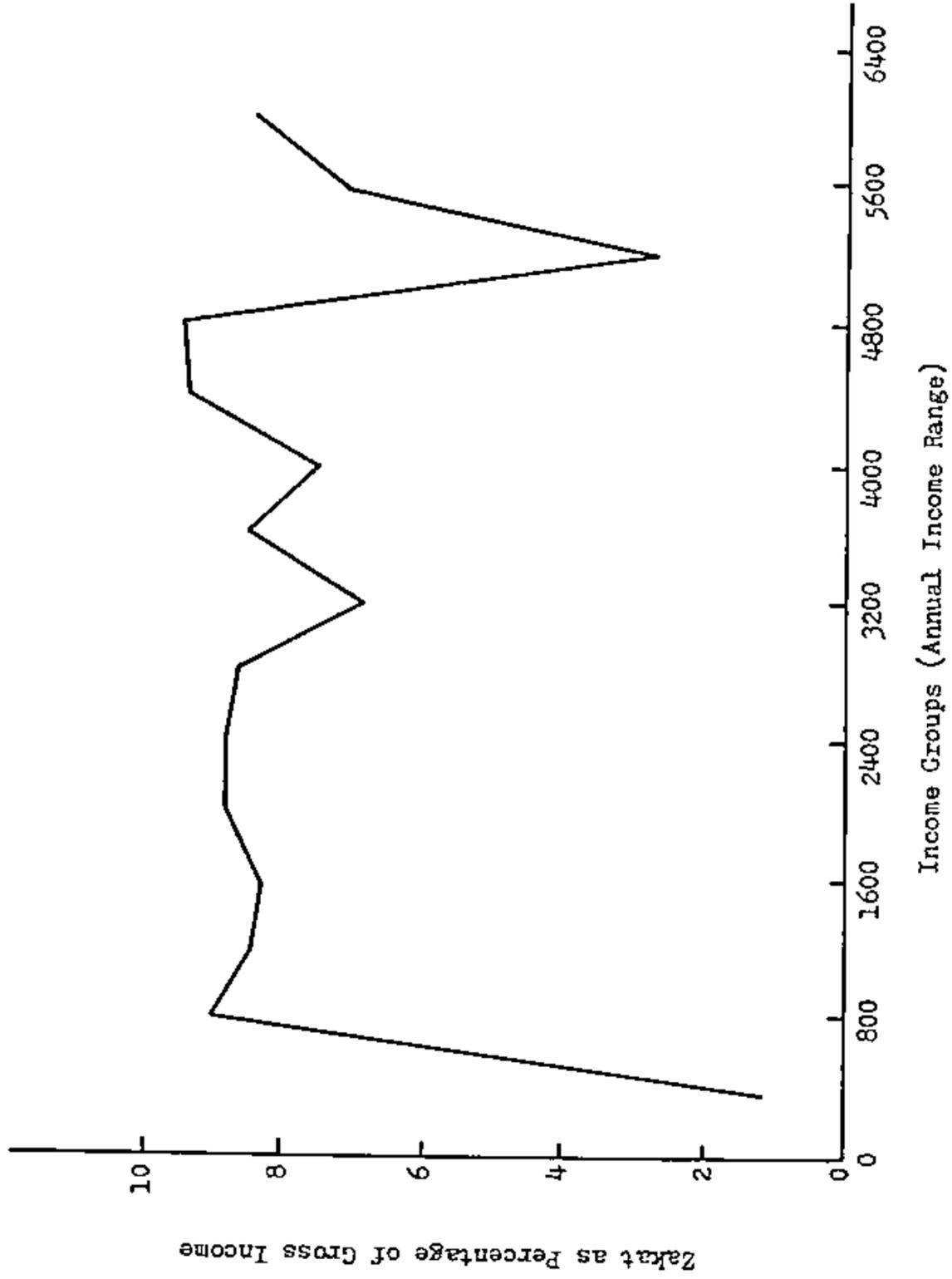
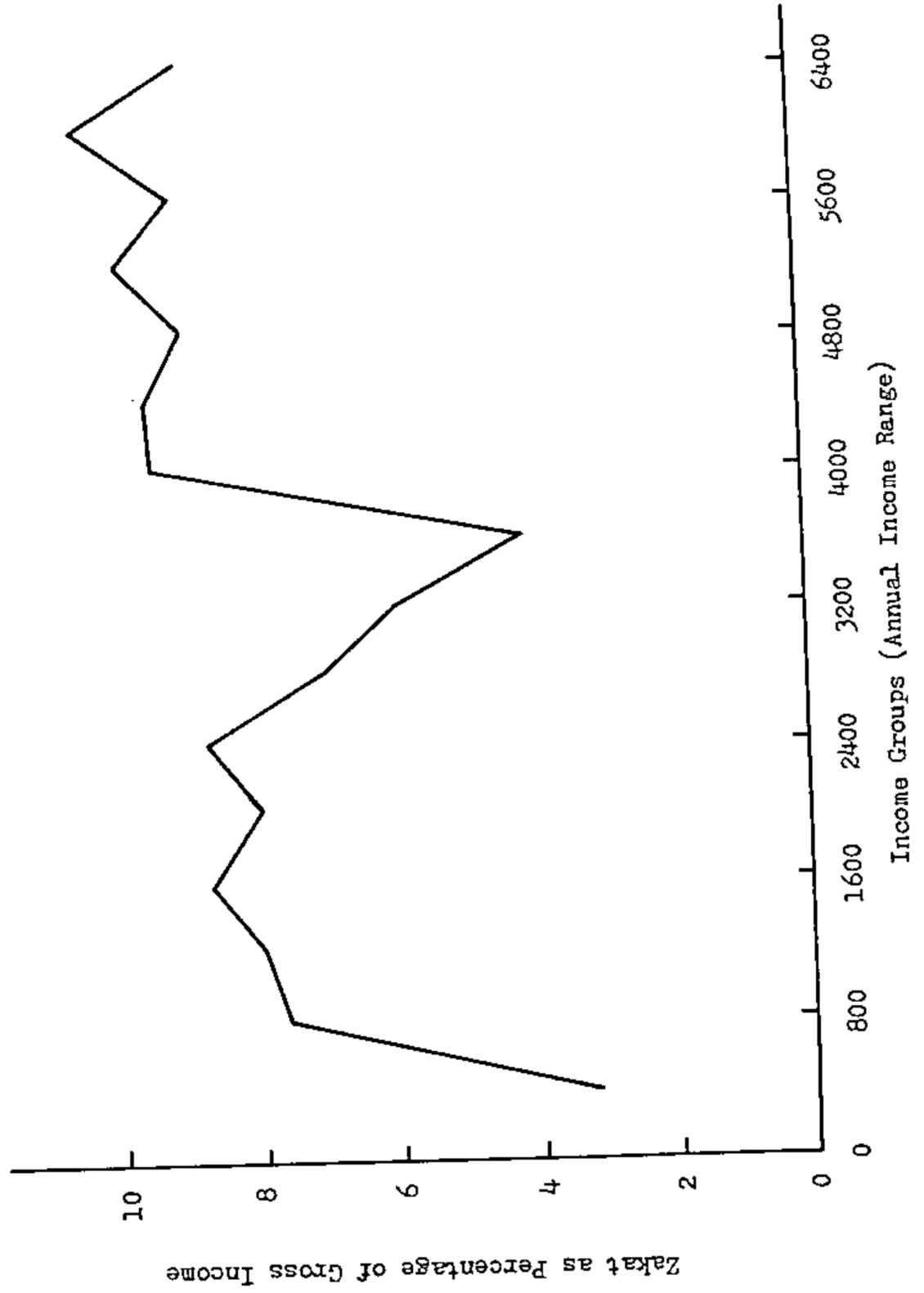
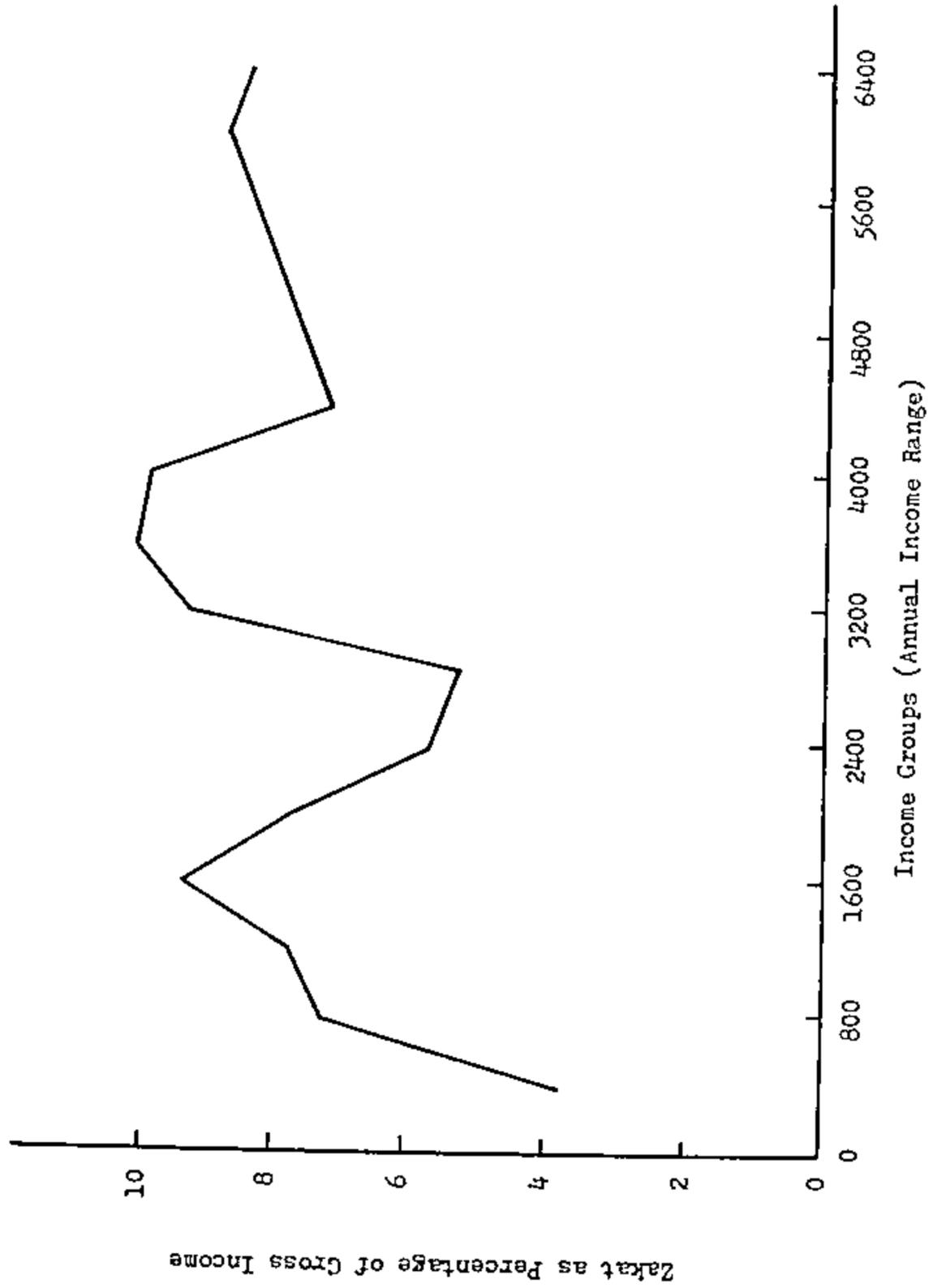


CHART 3
 Distribution of Zakat Burden on Tenants Based on
 Gross Income, 1978



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CHART 4
 Distribution of Zakat Burden on Owner-Tenants Based on
 Gross Income, 1978



explained by the nature of the tenurial arrangement where zakat burden is shared between the tenant and the landlord.⁶

Again, based on the statutory Zakat rate of 10%, it can be estimated that about 18%, 17%, and 15% of potential Zakat are not being paid by owner-operators, owner-tenants, and tenants, respectively.

The distribution of the Zakat burden on producers engaged in single and double-cropping of padi are given in columns 6 and 7, Table 4 and depicted in Charts 5 and 6 respectively. The effective Zakat rates schedules for both single and double-croppers show somewhat similar features to those discussed earlier. Progressivity seems to appear for the first income classes and thereafter the pattern shows erratic fluctuations. However, progressivity at the lower end of the income scale is steeper for the single-croppers compared to that of the double-croppers. On the average, single-croppers effectively pay lower Zakat at the rate of 8.22% compared to 8.35% paid by producers cultivating two crops a year.

An interesting feature of the patterns of the effective Zakat rates structure is that, except for those in the M\$2,001-2,400 income bracket, double-croppers seem to bear a relatively lower proportion of Zakat compared to single-croppers in the same income bracket. One factor that may account for this difference, as indicated earlier, is that some double-croppers may pay Zakat only on one season output if output of the other season is below *nisab*. There may be cases where double-croppers do not pay Zakat at all when the output of both seasons fall short of *nisab* but the sum of the two seasons' output reaches the *nisab*.

The potential Zakat based on the statutory rate of 10% of gross income not paid by single- and double-croppers is estimated to be about 15% and 16%, respectively.

So far, discussions have focused on the distribution of Zakat burden borne by padi producers in Malaysia based on their gross income. However, gross income inclusive of production cost, as noted earlier, does not reflect the true

⁶This is likely to happen under the sharecropping form of tenurial arrangement.

CHART 5
Distribution of Zakat Burden on Producers Engaged in
Single-Cropping Based on Gross Income, 1978

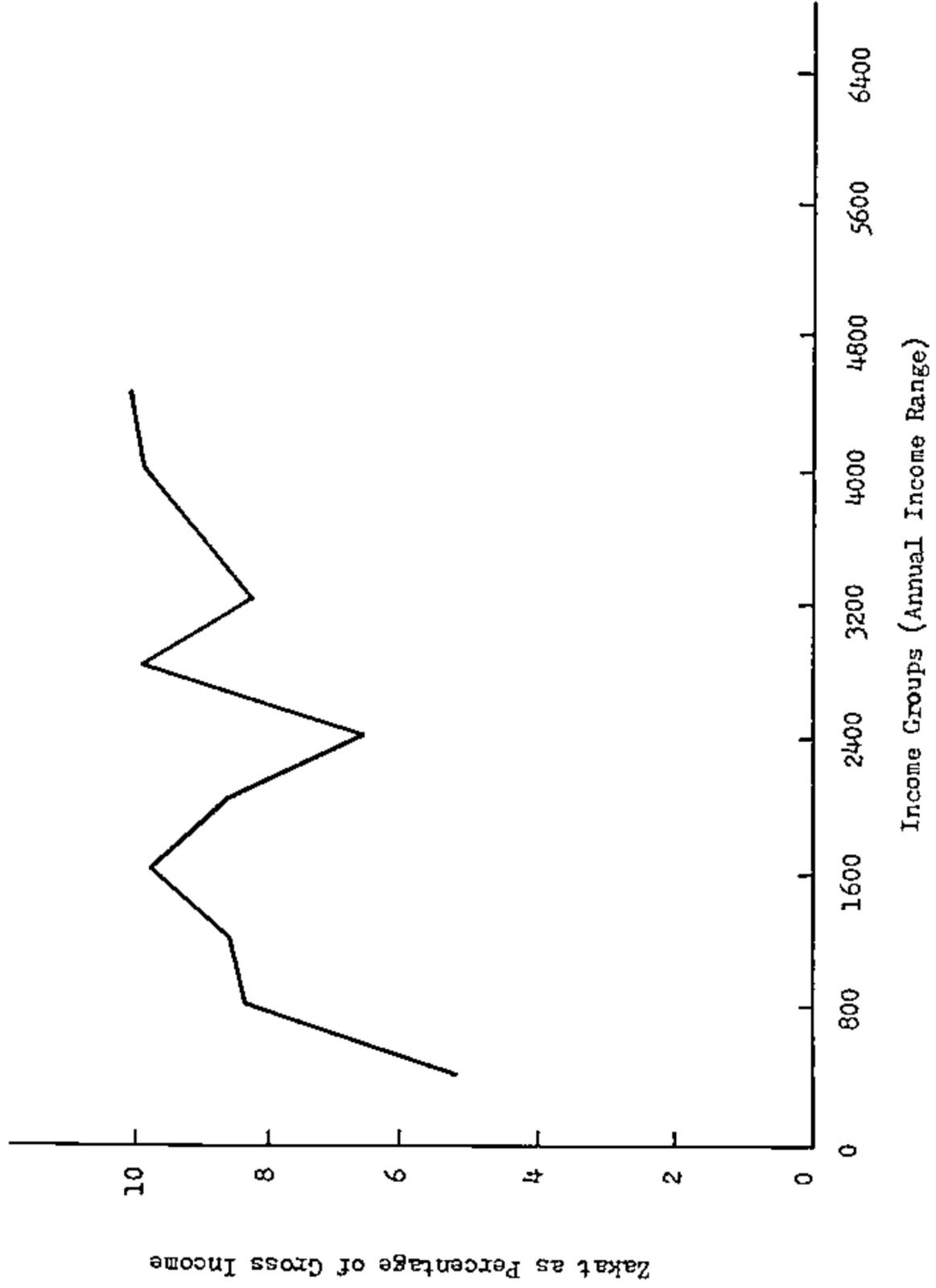
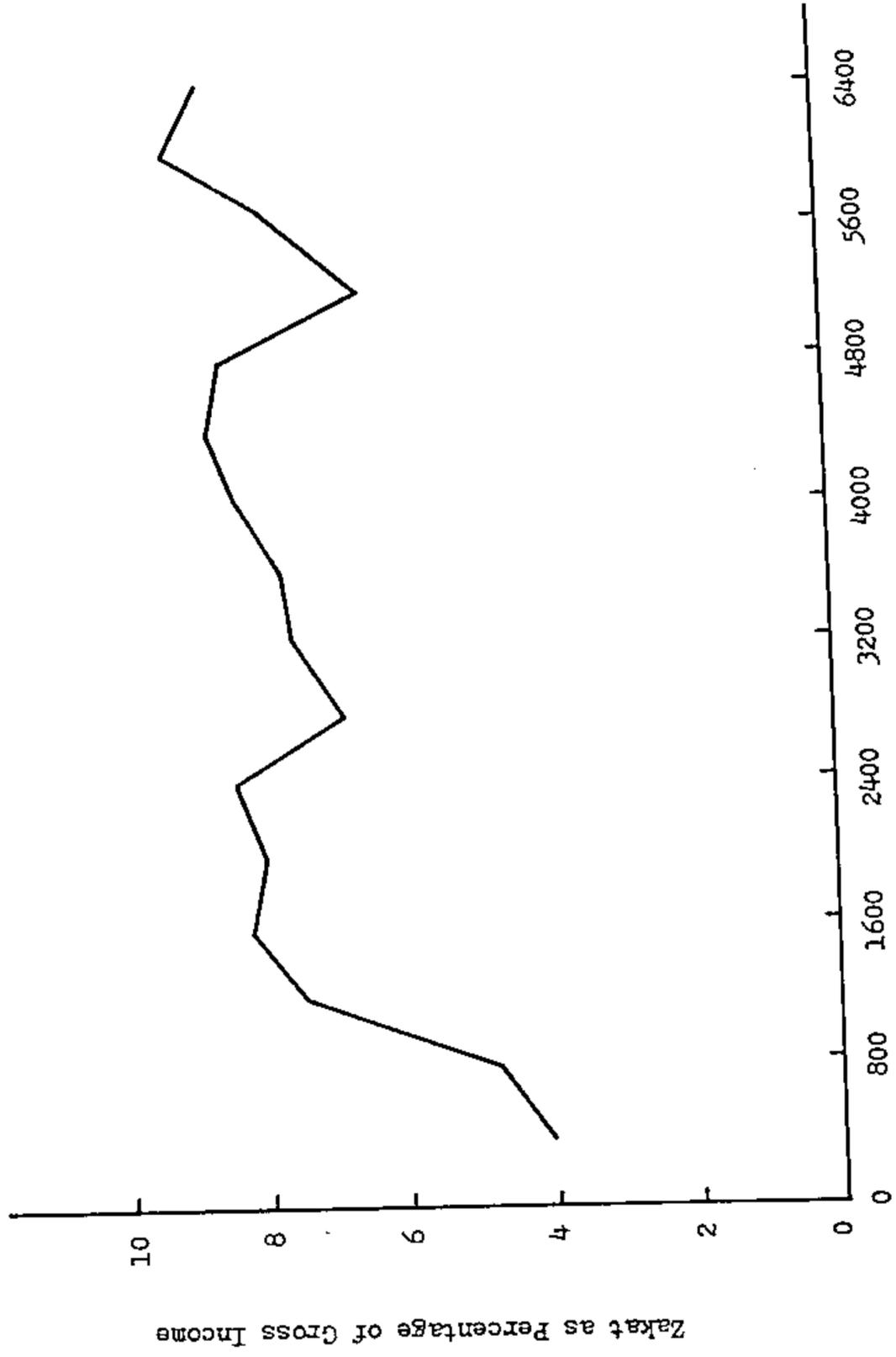


CHART 6
 Distribution of Zakat Burden on Producers Engaged in
 Double-Cropping Based on Gross Income, 1978



economic capacity of the producers. Other things being equal, the actual proportion of the gross income that is retained by producers to meet their personal and social commitments is determined by the size of the paid-out cost of production. As shown in Table 5, the paid-out cost of production ranges from M\$38 in Kelantan to as high as M\$179 in Province Wellesley. Variation in the paid-out cost of production is also found among groups of different tenurial status. These variations in cost are primarily attributed to variability in input utilization, different prices of inputs, and market rates of labour in different parts of Malaysia. Table 5 also gives both the gross and net returns per acre of padi for each area. Casual observation of the table show that the area, producing high gross returns per acre, incurs relatively large paid-out cost of production. Gross returns alone are therefore insufficient to reflect the true economic capacity of the producers.

Since net income can better reflect the true economic standing of padi producers, a more realistic estimate of the Zakat burden borne by padi producers would be one computed on the basis of their net, rather than gross, income. A summary of the estimated distribution of the burden for both total producers and other producer subgroups based on their net incomes is given in Table 6 and illustrated in Charts 7-12.

Given the amount of Zakat paid by producers, the effective Zakat rate measured in terms of their net income will certainly be higher than ones based on gross income. On the average total producers pay about 15.86% of their net income in the form of Zakat. Tenants pay a higher average effective Zakat rate of about 20.40% of their net income compared to producers in other subgroups. The fact that tenants pay land rent, which tends to raise their paid-out costs and, consequently, reduces their net incomes, is probably one of the factors that may account for the difference in the effective Zakat rates borne by producers of different tenurial status. From the above distributions, it may be observed that the effective Zakat rates based on net income tend in general to be regressive over the low income brackets.

TABLE 5
NET RETURNS PER ACRE PLANTED (M\$)

Padi	Owner-operators				Tenants			
	Province Wellesley	Sungai Manik	Kelantan		Province Wellesley	Sungai Manik	Kelantan	
Value of padi produced	360	248	173		360	248	173	
Paid-out cost per acre	107	42	38		176	78	91	
Net returns	253	206	135		184	170	83	

SOURCE: S. Selvadurai, *Padi Farmers in West Malaysia*
(Ministry of Agriculture and Fisheries, Malaysia, 1972).

TABLE 6
DISTRIBUTION OF ESTIMATED ZAKAT BURDEN
ON TOTAL PRODUCERS AND OTHER PRODUCER
SUB-GROUPS BASED ON NET INCOME

Income Range MS	No. of producers %	Owner-Operators %	Tenants %	Owner Tenants %	Producers Engaged in Single Cropping %	Producers Engaged In double Cropping %
0-400	34.34	18.04	-111.73	32.69	23.05	-121.81
401-800	15.70	11.51	22.18	15.74	14.77	15.33
801-1200	14.41	12.65	17.91	14.69	10.84	15.69
1201-1600	16.42	13.15	25.40	15.78	11.13	17.23
1601-2000	13.92	11.19	17.75	12.42	9.21	14.31
2001-2400	18.32	12.47	23.25	18.92	20.77	18.05
2401-2800	15.53	9.93	23.07	12.91	-	15.53
2801-3200	14.33	11.39	15.76	16.46	-	14.33
3201-3600	12.81	12.17	8.54	15.63	-	12.81
3601-4000	18.15	11.80	18.81	19.28	-	18.15
4001-4400	16.42	11.70	20.61	15.02	-	16.42
4401-4800	16.33	17.46	-	14.17	-	16.33
4801-5200	13.28	15.13	17.89	10.42	11.8	13.69
5201-5600	19.39	18.83	19.60	19.74	-	19.39
5601-6000	10.52	-	4.31	16.67	-	10.52
6001 and above	13.23	10.70	15.69	13.84	-	13.23
Average effective zakat rates	15.58	12.43	20.40	15.64	16.54	15.44

Source : See Appendix, Tables A 17 - A 22

CHART 7
Distribution of Zakat Burden on Total Producers Based on
Net Income, 1978

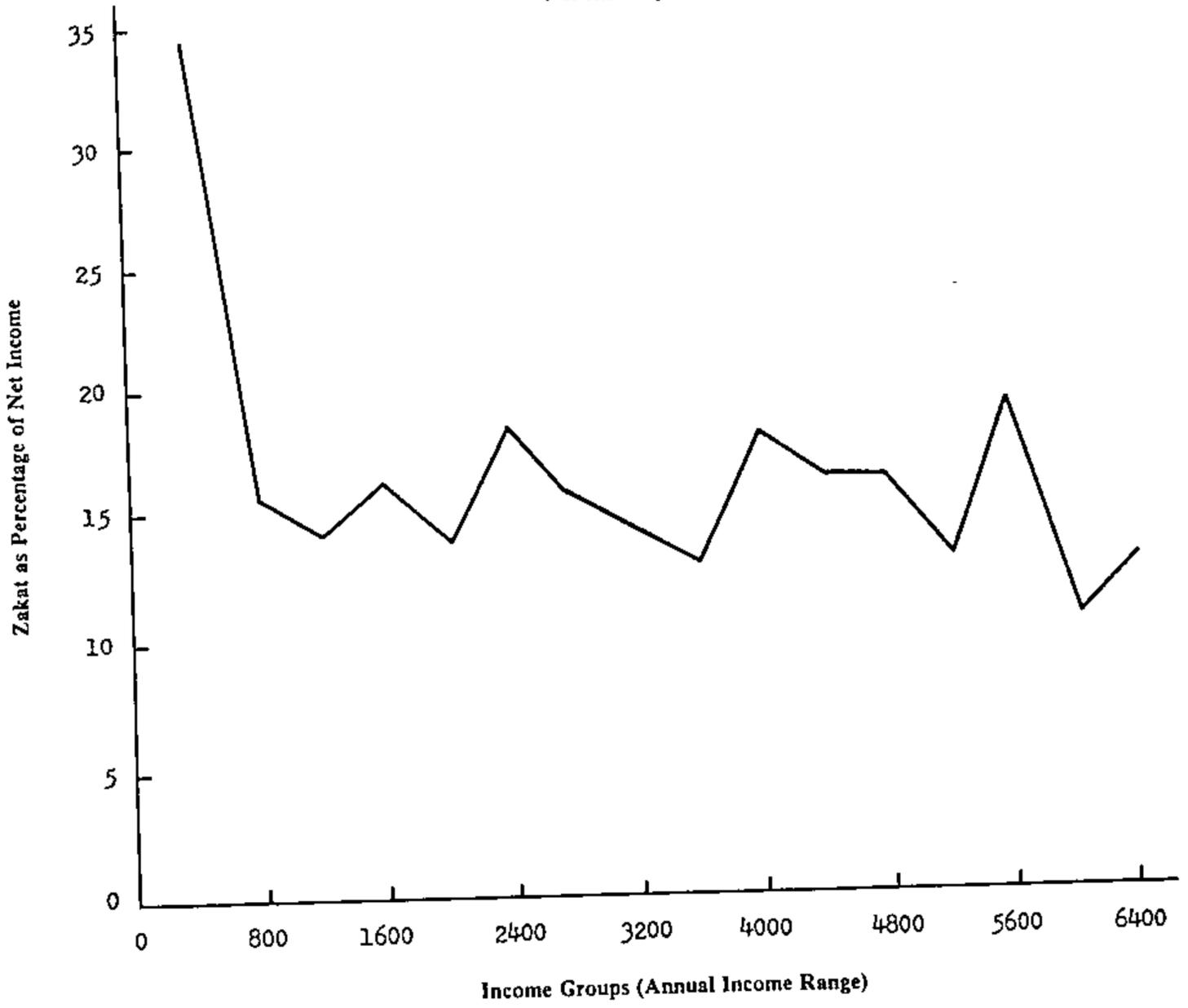


CHART 8
Distribution of Zakat Burden on Owner-Operators Based on
Net Income, 1978

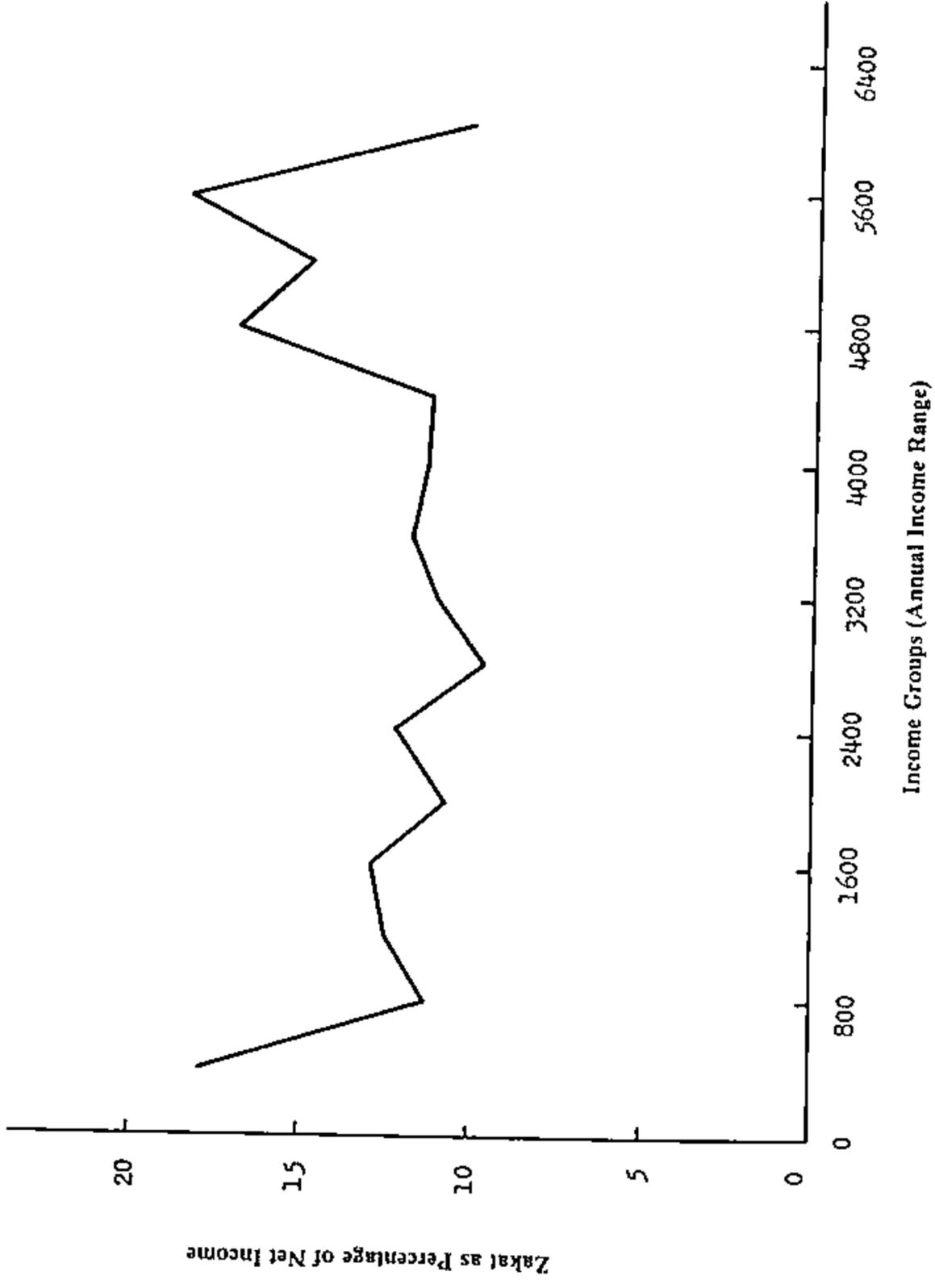


CHART 9
 Distribution of Zakat Burden on Tenants Based on
 Net Income, 1978

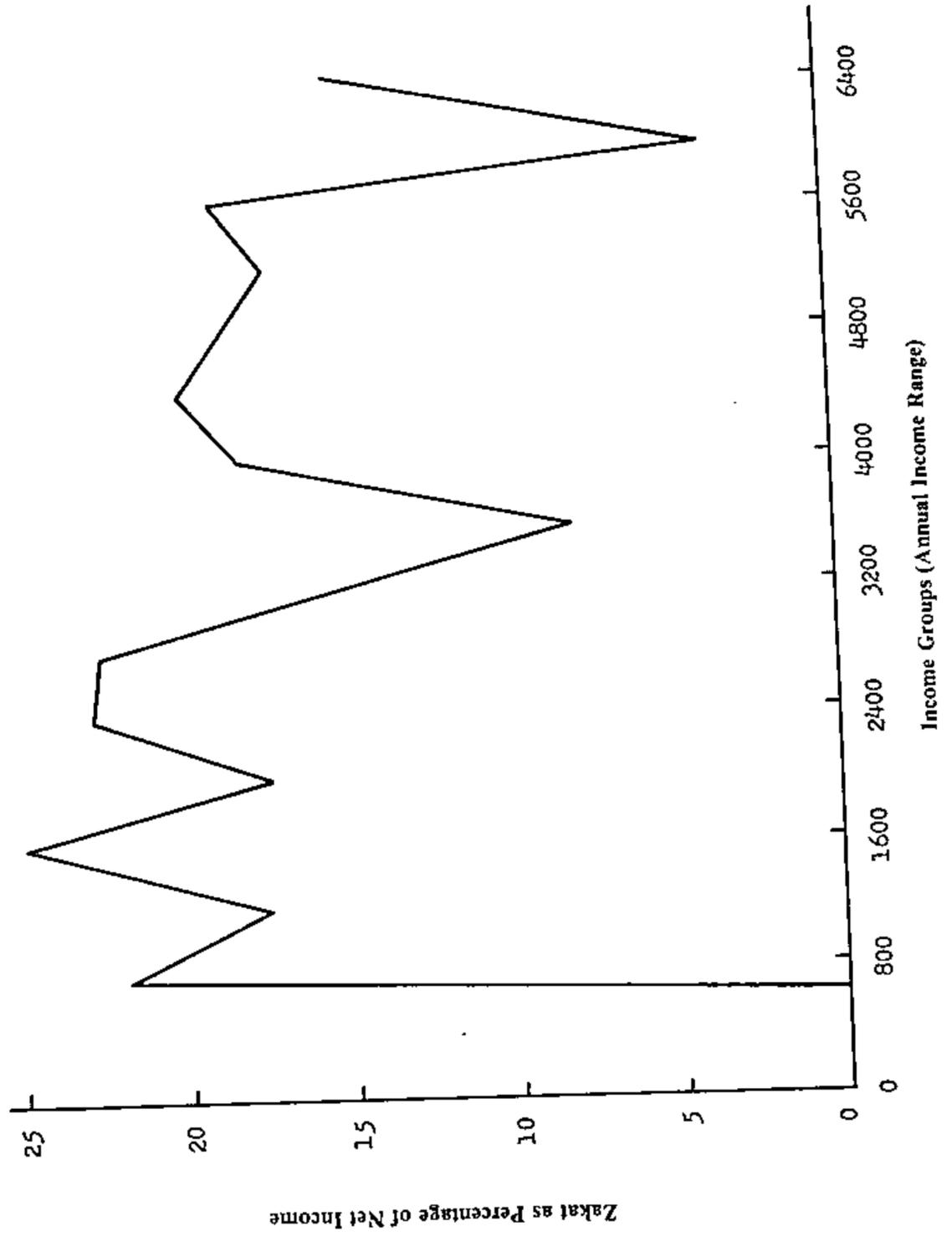


CHART 10
Distribution of Zakat Burden on Owner-Tenants Based on
Net Income, 1978

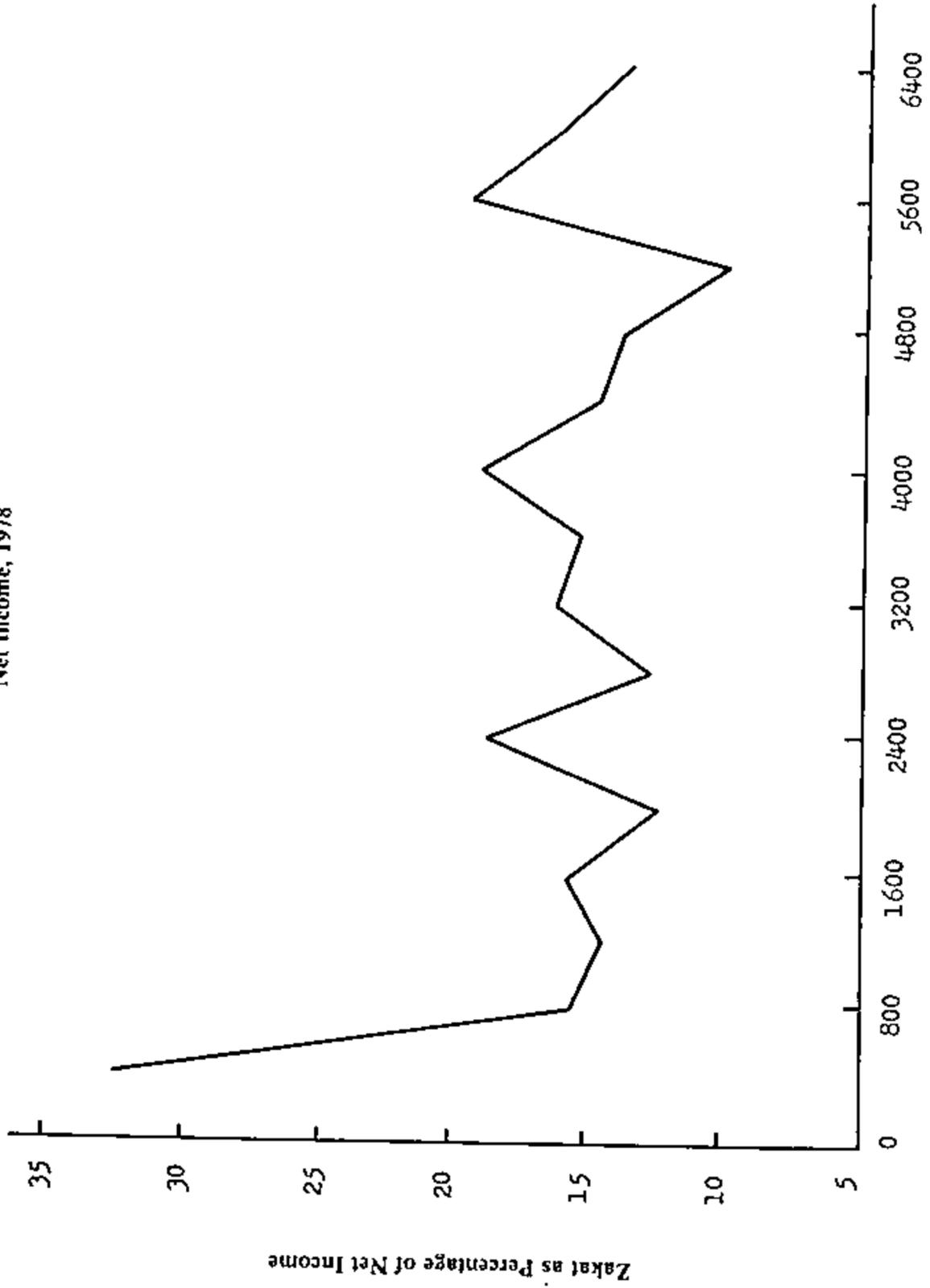


CHART 11
Distribution of Zakat Burden on Producers Engaged in
Single-Cropping Based on Net Income, 1978

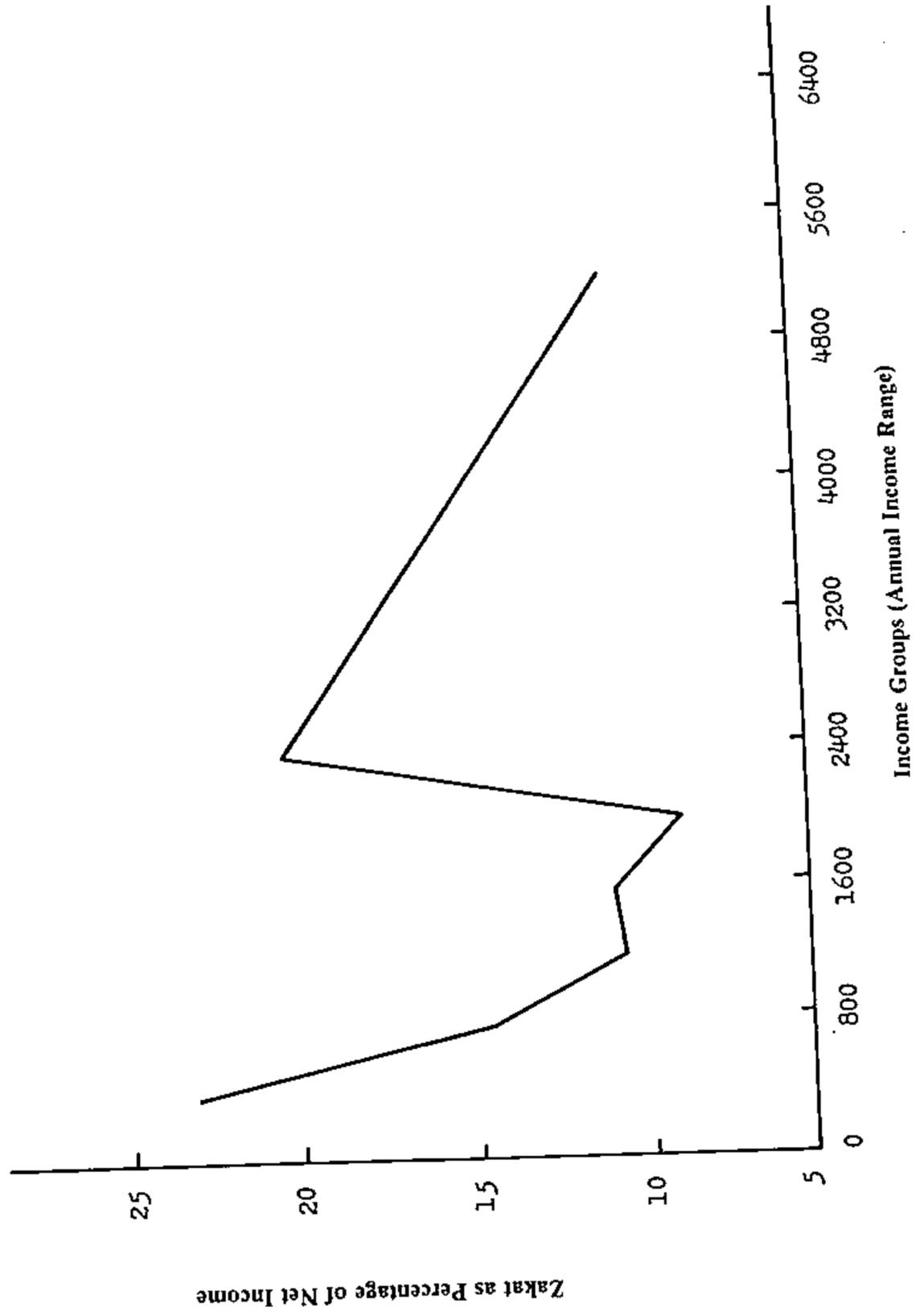
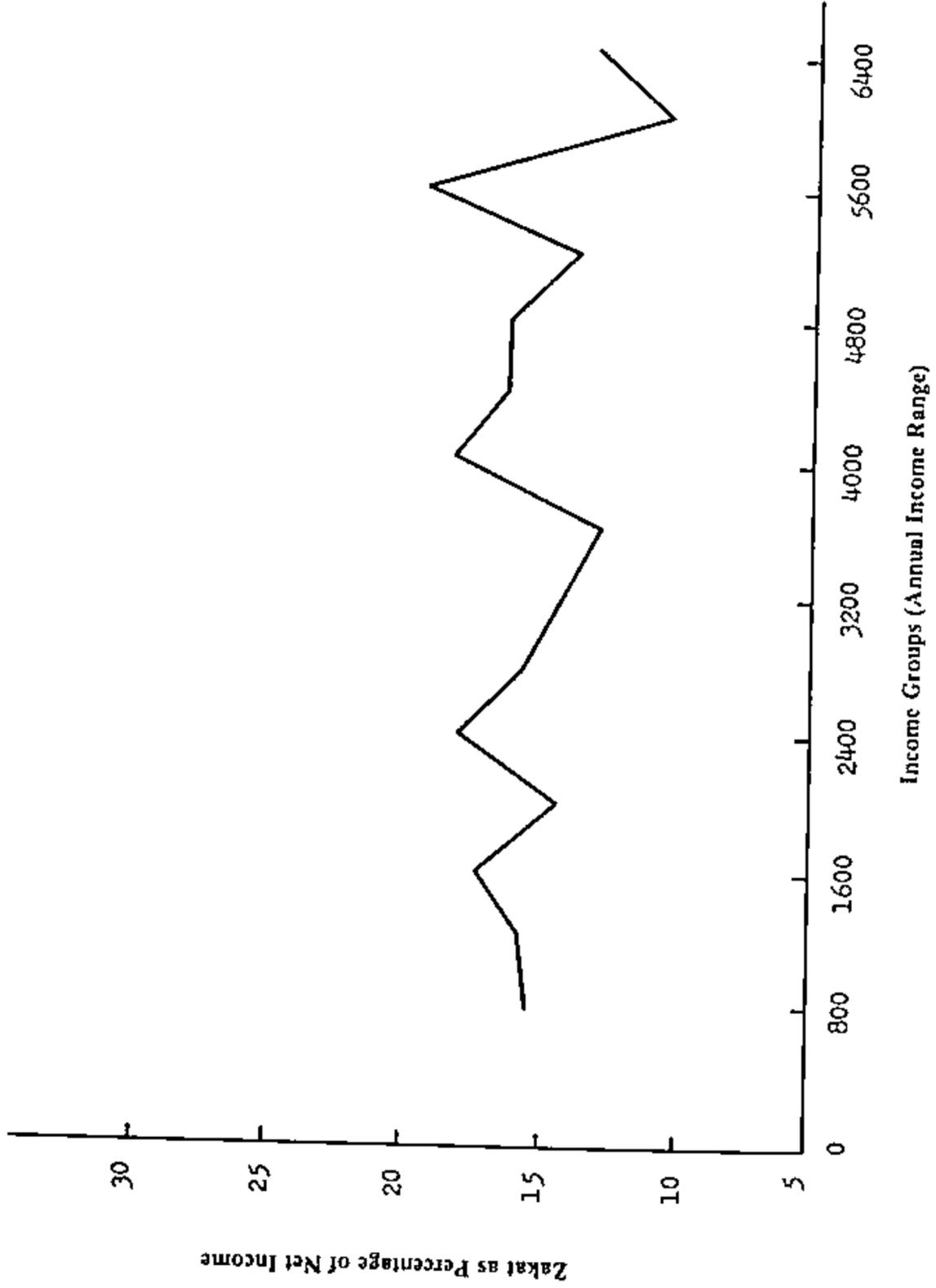


CHART 12
Distribution of Zakat Burden on Producers Engaged in
Double-Cropping Based on Net Income, 1978



It should also be noted that the estimates of the effective Zakat rates given here are computed based on actual Zakat which producers claimed to have paid. The actual Zakat paid by producers on the average is found to be lower than the statutory Zakat rate of 10% of gross income. It would be of interest to us here, however, to examine the implications on the effective Zakat rates measured in terms of net income if the full rate of 10% of gross income is enforced.⁷

Chart 13 illustrates the pattern of the effective Zakat rates measured in terms of net income borne by total producers when a 10% Zakat on gross income is levied. One conclusion which may be drawn from the analysis is that a rate which is proportional over the entire income classes, measured in terms of gross income, may prove to be regressive over the lower ranges, if measured in terms of net income.

IMPACT OF ZAKAT ON INCOME DISTRIBUTION

As noted earlier, one of the objectives of Zakat in Islam is to achieve social and economic justice via the redistribution of income and wealth. This section, therefore, examines the extent to which this goal is achieved under the present structure of Zakat on padi as being practiced in Malaysia.

One of the standard methods of measuring the impact of Zakat on the distribution of income is by comparing the distribution before with the distribution after the imposition of Zakat. Inequality measure — Gini Coefficient — is used to measure the before and after Zakat distributions.

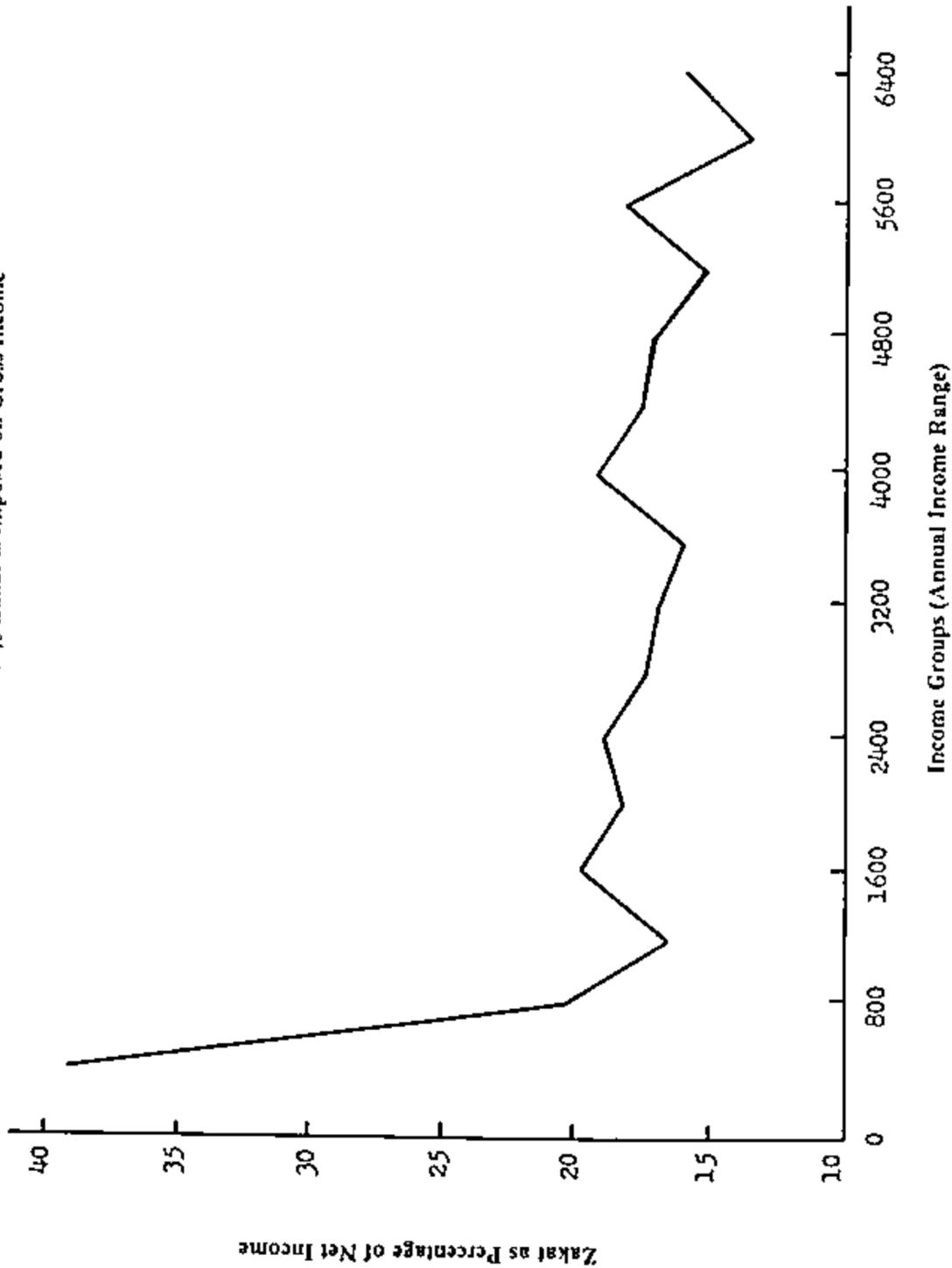
Table 7 presents the Gini Coefficients for the before and after Zakat distributions of gross and net incomes from padi production and their corresponding "reduction index." The results reported in this table seem to suggest that Zakat, as is being collected in Malaysia, tends to improve the gross income distributions of total producers and other producer subgroups.

However, its effect on the net income distributions of padi producers is not that encouraging. Gini Coefficients of the

⁷Reduction of the rate below 10% is permissible for crops that are manually watered. With modern irrigation facilities, producers in Malaysia do not in general qualify under this provision.

after Zakat net incomes show that Zakat seems to accentuate inequality of net income of padi producers. The "reduction index" suggests that the after Zakat inequality is highest for the tenants and single-croppers while lowest for the owner-operators.

CHART 13
Effective Zakat Rates in Terms of Net Income of Total Producers When a 10% Zakat is Imposed on Gross Income



SOURCE: See Appendix, Table A 36.

The Gini Coefficients resulting from the imposition of a full 10% Zakat on gross output are also computed for both the gross and net income distributions of total producers. The results, as indicated in Table 8, seem to suggest that the imposition of 10% Zakat on gross output will not effect the gross income distribution, but it will tend to worsen the net income distribution of total producers. However, if a rate of 10% of net output is imposed, inequality is found to have improved.

POLICY IMPLICATIONS AND RECOMMENDATIONS

Before considering some policy recommendations, a brief recapitulation of our results are in order. They are:

a. Though a statutory Zakat rate of 10% of gross returns from padi is imposed on producers producing in excess of *nisab*, actual Zakat paid by producers amount to only 8.30% of their gross output. Further, the amount of Zakat collected by the state governments is substantially less than the actual amount of Zakat paid by producers. This is estimated to be about 32% of the total Zakat paid.

b. Zakat as a percentage of gross income is in general found to be progressive at the lower end of the income range with some fluctuations about the mean for the remainder of the income classes. Progression at the lower end is somewhat overstated since the majority within the first income class are exempted from Zakat because their productions are below *nisab*. The overall effective Zakat rate structures based on gross income also indicate substantial differences in the Zakat burden borne by different producer subgroups within the same income class.

c. If the economic capacity of producers on their net income is used as the Zakat base, the study finds that effectively the padi producers pay about 16% of their net income in Zakat. For tenants, Zakat takes about 20% of their net income. These figures would have been substantially larger had the full 10% Zakat on gross income been collected. Zakat as a percentage of net income is found to be regressive at the lower end of the income scale with erratic fluctuations

TABLE 7
BEFORE AND AFTER—ZAKAT GINI COEFFICIENTS

	Before Zakat Gross Income	After Zakat Gross Income	Reduction Index	Before Zakat Net Income	After Zakat Net Income	Reduction Index
Total Producers	0.583	0.575	+1.37%	0.64	0.66	-3.13%
Owner-operators	0.571	0.567	+0.70%	0.626	0.630	-0.64%
Tenants	0.557	0.555	+0.36%	0.677	0.709	-4.73%
Owner-tenants	0.568	0.565	+0.5%	0.632	0.644	-1.90%
Producers engaged in single cropping	0.382	.372	+2.62%	0.457	0.482	-5.47%
Producers engaged in double cropping	0.478	0.474	+0.9%	0.554	0.567	-2.35%

Minus sign denotes worsening effect and plus sign improving effect.

SOURCE: See Appendix, Tables A 23 - A 34.

TABLE 8
BEFORE AND AFTER ZAKAT GINI COEFFICIENTS
BASED ON 10% RATE ON GROSS
AND NET PRODUCTION

Gini Coefficients	Before Zakat	After Zakat at 10% on Gross	After Zakat at 10% on Net
Gini Coefficient for gross income distribution of total producers	0.58	0.58	---
Gini coefficient for net income distribution of total producers	0.647	0.663	0.601

SOURCE: See Appendix, Tables A 35 - A 37.

for the remainder of the income ranges. There also exist substantial differences in the relative Zakat burden borne by different producer subgroups within the same income class based on net income. Tenants on the average bear a relatively high burden compared to the other two groups.

d. Although Zakat imposed on gross income from padi production seems to have positive effects on gross income distribution of producers, it tends to accentuate the inequality among total producers and other producer subgroups in terms of their net income. Since net income is considered to be a better indicator of a producers' economic capacity, the effect of Zakat on the distribution of net income should therefore be given serious attention.

It should be emphasized at this juncture that the worsening of the inequality in the net income distribution among padi producers is not the result of Zakat per se, but rather due primarily to its structure and implementation. However, should a 10% rate be levied on net income, the result, as indicated in Table 8, shows that inequality is found to have improved. Gini Coefficient drops from 0.640 to 0.601, a drop of 6.04%. Hence, if Zakat on padi is levied on net rather than gross production, it would have achieved the objective of income redistribution and economic justice.

According to the *Third Malaysia Plan*, the incidence of poverty among padi producers is among one of the highest. Of the households engaged in padi production, 88% were below poverty level in 1970.⁸ This high incidence of poverty among the padi producers is attributed to several reasons, among which are:

- a. Most of the farms are small in size.
- b. Widespread use of tenanted lands.
- c. Shortage of irrigation facilities for double-cropping.
- d. Low rate of yields coupled with high costs of production.

Since Zakat is one of the elements of cost to producers, any measures that could help to alleviate its burden would be in

⁸Poverty is defined here as those falling within the bottom 40% of the income distribution.

the direction of redressing poverty among this group. When one looks at the percentage of producers that are exempted from paying Zakat under the existing Zakat structure as well as under the proposed 10% Zakat based on net production, one finds that 40.9% of padi producers compared to 17.15% would be exempted from Zakat payment under the latter Zakat structure. In addition 44.47% of the tenants would fall below *nisab* compared to only 16.78% under the existing Zakat structure. Thus if Zakat is imposed on net production rather than gross production, it would have a significant effect in alleviating poverty among padi producers.

It is, therefore, suggested that the government should consider adopting net production rather than gross production as the Zakat base. Our proposal is quite in line with the Hanafi's School of Thought which gives allowance for deductions to be made for costs incurred in the production of a commodity in order to arrive at the Zakat base.⁹

In view of the ineffectiveness of Zakat collection and its disorganized system of distribution, it is recommended that the government considers setting up a centralized system of Zakat collection under the state government. This would enable proper and systematic coordination of Zakat collection and distribution. In addition, an effort should also be made to streamline Zakat laws and administration in all states.

As noted at the beginning of this paper, the coverage of the Zakat system in Malaysia is extremely narrow. The collection of Zakat tends to be restricted primarily to Zakat on padi production. On the other hand, business profits, wealth and property incomes, wages and salaries, income from self-employment and production from other agricultural sectors contribute substantially less in the form of Zakat due mainly to evasion, ignorance of the Zakat laws, poor administrative machinery, and enforcement. The failure to collect Zakat from these wealth and property incomes and other forms of production represents a significant source of erosion on the Zakat base and also reduces the progressivity

⁹Deductions of unavoidable debts incurred for the purpose of production are also allowed under the Shafie's School of Thought.

of the Zakat structure. In addition, it constitutes a substantial potential loss of Zakat revenue to the government.

It is therefore suggested that efforts be made to improve the administrative machinery of Zakat collection and to enforce Zakat laws on other types of incomes and production. Attempts should be made to develop Zakat administration on a similar structure as the income tax administration so that proper registration, assessment, collection, and enforcement of Zakat can be implemented. Finally, attention should also be given to ensure that there is a close coordination between the Zakat and income tax administrations so that those who pay Zakat can take advantage of the credit¹⁰ allowed under the income tax ordinance.

¹⁰Credit refers to reduction in taxable liability.

TABLE A 1
GROSS INCOME DISTRIBUTION OF OWNER
OPERATORS IN WEST MALAYSIA 1978

Income Range M\$ (1)	No. of producers (2)	% of producers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0-400	53	20.54	20.54	12870.60	2.93	2.93
401-800	80	31.00	51.55	48096.00	10.93	18.86
801-1200	36	13.95	65.50	36581.96	8.31	22.17
1201-1600	16	6.20	71.70	22061.60	5.01	27.18
1601-2000	12	4.65	76.36	21676.88	4.93	32.11
2001-2400	13	5.03	81.39	28676.40	6.52	38.63
2401-2800	7	2.71	84.11	17833.64	4.05	42.68
2801-3200	6	2.30	86.43	18585.08	4.22	46.90
3201-3600	7	2.71	89.15	23893.20	5.43	52.34
3601-4000	2	0.78	89.92	7836.00	1.78	54.12
4001-4400	3	1.61	91.08	12425.44	2.82	56.94
4401-4800	2	0.77	91.86	9600.00	2.18	59.12
4801-5200	1	0.39	92.25	4900.00	1.11	60.24
5201-5600	3	1.61	93.41	15976.00	3.63	63.87
5601-6000	0	0	93.41	0	0	63.87
6001 and above	17	6.58	100	158980.40	36.13	100

TABLE A 2
GROSS INCOME DISTRIBUTION OF TENANTS IN
WEST MALAYSIA

Income Range M\$ (1)	No. of producers (2)	% of producers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0-400	25	16.78	16.78	6641.20	1.51	1.51
401-800	30	20.13	36.91	19381.00	4.41	5.92
801-1200	13	8.72	45.64	13749.92	3.13	9.05
1201-1600	10	6.71	52.35	14537.66	3.31	12.35
1601-2000	9	6.24	58.59	16487.44	3.75	16.11
2001-2400	7	4.70	63.29	15309.34	3.48	19.59
2401-2800	8	5.37	68.66	20267.96	4.61	24.20
2801-3200	3	2.01	70.67	9082.80	2.07	26.27
3201-3600	5	3.36	74.03	16641.32	3.79	30.05
3601-4000	3	2.01	76.04	11404.46	2.59	32.65
4001-4400	2	1.34	77.38	8304.00	1.89	34.54
4401-4800	4	2.68	79.06	18246.40	4.15	38.69
4801-5200	1	0.67	80.73	5100.20	1.16	39.85
5201-5600	4	2.68	83.41	21571.66	4.91	44.75
5601-6000	1	0.67	84.08	5976.32	1.36	46.11
6001-and above	24	16.11	100	236880.60	53.89	100

TABLE A 3
GROSS INCOME DISTRIBUTION OF OWNER
TENANTS IN WEST MALAYSIA 1978

Income Range M\$ (1)	No. of Producers (2)	% of producers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0-400	21	12.35	12.35	6955.00	1.31	1.31
401-800	31	18.24	30.59	18750.00	3.53	4.84
801-1200	24	14.12	44.70	24324.00	4.58	9.42
1201-1600	19	11.18	55.88	27130.60	5.11	14.52
1601-2000	11	6.47	62.35	20280.80	3.82	18.34
2001-2400	5	2.94	65.29	11155.00	2.10	20.44
2401-2800	8	4.71	70.00	20761.20	3.91	24.34
2801-3200	5	2.94	72.94	15077.00	2.84	27.18
3201-3600	5	2.94	75.88	17084.00	3.22	30.40
3601-4000	1	0.59	76.47	3700.00	0.70	31.09
4001-4400	3	1.77	78.23	12458.00	2.34	33.44
4401-4800	6	3.53	81.76	27957.24	5.26	38.70
4801-5200	0	0	81.76	0	0	38.70
5201-5600	0	0	81.76	0	0	38.70
5601-6000	4	2.35	84.12	23005.12	4.33	43.03
6001- and above	27	15.88	100	302732.66	56.97	100

TABLE A 4
GROSS INCOME DISTRIBUTION OF FARMERS
ENGAGED IN SINGLE CROPPING IN
WEST MALAYSIA 1978

Income Range M\$	No. of producers	% of producers	Cumulative % of producers	Total Income M\$	% of Grand total income	Cumulative % of income
(1)	(2)	(3)	(4)	(5)	(6)	(7)
0-400	91	34.73	34.73	24036.80	12.68	12.68
401-800	98	37.40	70.14	59502.00	31.39	44.06
801-1200	40	15.27	87.40	39632.20	20.91	64.97
1201-1600	18	6.87	94.27	25207.80	13.30	78.27
1601-2000	6	2.29	96.56	10730.00	5.66	83.93
2001-2400	3	1.15	97.71	6560.90	3.46	87.39
2401-2800	1	0.38	98.09	2600.00	1.37	88.76
2801-3200	1	0.38	98.47	3050.00	1.61	90.37
3201-3600	0	0	98.47	0	0	90.37
3601-4000	2	0.76	99.24	7450.00	3.93	94.30
4001-4800	0	0	99.24	0	0	94.30
4401-4800	0	0	99.24	0	0	94.30
4801-5200	0	0	99.24	0	0	94.30
5201-5600	2	0.76	100	10809.44	5.70	100

TABLE A 5
GROSS INCOME DISTRIBUTION OF FARMERS
ENGAGED IN DOUBLE CROPPING IN
WEST MALAYSIA 1978

Income Range M\$	No. of producers	% of producers	Cumulative % of producers	Total Income M\$	% of Grand total income	Cumulative % of income
(1)	(2)	(3)	(4)	(5)	(6)	(7)
0-400	8	2.54	2.54	2430.20	0.20	0.20
401-800	43	13.65	16.19	26725.00	2.19	2.39
801-1200	33	10.48	26.67	35023.68	2.87	5.26
1201-1600	27	8.57	35.24	38522.06	3.15	8.41
1601-2000	26	8.25	43.49	47715.12	3.91	12.32
2001-2400	22	6.98	50.48	48579.84	3.98	16.30
2401-2800	22	6.98	57.46	56262.80	4.61	20.91
2801-3200	13	4.13	61.59	39694.88	3.25	24.16
3201-3600	17	5.40	66.98	57618.52	4.72	28.88
3601-4000	4	1.27	68.25	15490.46	1.27	30.14
4001-4400	8	2.54	70.79	33187.44	2.72	32.86
4401-4800	12	3.81	74.60	55803.64	4.57	37.43
4801-5200	2	0.63	75.24	10000.00	0.82	38.25
5201-5600	5	1.59	76.83	26378.22	2.16	40.41
5601-6000	5	1.59	78.41	28981.44	2.37	42.79
6001 and above	68	21.59	100	698593.66	57.21	100

TABLE A 6
NET INCOME DISTRIBUTION OF OWNER
OPERATORS IN WEST MALAYSIA 1978

Income Range M\$ (1)	No. of producers (2)	% of pro- ducers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0 - 400	108	41.86	41.86	15882.23	5.56	5.56
401-800	59	22.87	64.73	33461.82	11.71	17.26
801-1200	25	9.69	74.42	24482.98	8.56	25.83
1201-1600	16	6.20	80.62	22130.35	7.74	33.57
1601-2000	9	3.49	84.11	15967.46	5.59	39.15
2001-2400	7	2.71	86.82	14853.71	5.20	44.35
2401-2800	7	2.71	89.53	17664.52	6.18	50.53
2801-3200	6	2.33	91.86	18146.90	6.35	56.88
3201-3600	2	0.78	92.64	6938 .95	2.43	59.31
3601-4000	1	0.39	93.02	3774 .22	1.32	60.63
4001-4400	3	1.16	94.19	12177.08	4.26	64.89
4401-4800	2	0.78	94.96	8956 .00	3.13	68.02
4801-5200	4	1.55	96.51	19597.56	6.86	74.88
5201-5600	1	0.39	96.90	5292 .30	1.85	76.73
5601-6000	0	0	96.90	0	0	76.73
6001 and above	8	3.10	100	66525.20	23.27	100

TABLE A 7
NET INCOME DISTRIBUTION OF TENANTS IN
WEST MALAYSIA 1978

Income Range M\$ (1)	No. of producers (2)	% of producers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0 - 400	67	44.97	44.97	3534.78	1.93	1.93
401-800	24	16.11	61.07	14503.54	7.92	9.85
801-1200	11	7.38	68.46	11143.76	6.09	15.93
1201-1600	7	4.70	73.15	9520 .12	5.20	21.14
1601-2000	9	6.04	79.19	16308.78	8.91	30.04
2001-2400	7	4.70	83.89	15932.39	8.70	38.74
2401-2800	6	4.03	87.92	15463.68	8.45	47.19
2801-3200	5	3.36	91.28	14903.37	8.14	55.33
3201-3600	1	0.67	91.95	3512 .18	1.92	57.27
3601-4000	1	0.67	92.62	3913 .16	2.14	59.38
4001-4400	4	2.68	95.30	16518.74	9.02	68.40
4401-4800	0	0	95.30	0	0	68.40
4801-5200	1	0.67	95.97	4891 .70	2.67	71.08
5201-5600	1	0.67	96.64	5289.22	2.89	73.96
5601-6000	1	0.67	97.32	5878 .76	3.21	77.17
6001 and above	4	2.68	100	41795.58	22.83	100

TABLE A 8
NET INCOME DISTRIBUTION OF OWNER TENANTS
IN WEST MALAYSIA 1978

Income Range M\$ (1)	No. of producers (2)	% of producers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0 - 400	61	35.88	38.88	8936 .54	3.23	3.23
401-800	33	19.41	55.29	19954.18	7.21	10.44
801-1200	15	8.82	64.12	14616.16	5.28	15.72
1201-1600	14	8.24	72.35	20020.95	7.23	22.96
1601-2000	7	4.12	76.47	12643.91	4.57	27.52
2001-2400	6	3.53	80.00	13957.85	5.04	32.57
2401-2800	4	2.35	82.35	10111.83	3.65	36.22
2801-3200	5	2.94	85.29	14916.62	5.39	41.61
3201-3600	2	1.18	86.47	6894 .61	2.49	44.10
3601-4000	5	2.94	89.41	18909.29	6.83	50.94
4001-4400	2	1.18	90.59	8460 .14	3.06	53.99
4401-4800	1	0.59	91.18	4635 .34	1.67	55.67
4801-5200	1	0.59	91.76	4813 .30	1.74	57.41
5201-5600	1	0.59	92.35	5417 .28	1.96	59.36
5601-6000	1	0.59	92.94	5942 .68	2.15	61.51
6001 and above	12	7.06	100	106517.07	38.49	100

TABLE A 9
NET INCOME DISTRIBUTION OF FARMERS
ENGAGED IN SINGLE CROPPING IN
WEST MALAYSIA 1978

Income group M\$ (1)	No. of producers (2)	% of pro- ducers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0 - 400	175	66.79	66.79	25112.77	26.79	26.79
401-800	63	24.05	90.84	35712.14	38.10	64.89
801-1200	14	5.34	96.18	13277.36	14.16	79.05
1201-1600	5	1.91	98.09	6844 .82	7.30	86.36
1601-2000	2	0.76	98.85	3472 .73	3.70	90.06
2001-2400	2	0.76	99.62	4507 .86	4.81	94.87
2401-2800	0	0	99.62	0	0	94.87
2801-3200	0	0	99.62	0	0	94.87
3201-3600	0	0	99.62	0	0	94.87
3601-4000	0	0	99.62	0	0	94.87
4001-4400	0	0	99.62	0	0	94.87
4401-4800	0	0	99.62	0	0	94.87
4801 and above	1	0.38	100	4809 .78	5.13	100

TABLE A 10
NET INCOME DISTRIBUTION OF FARMERS
ENGAGED IN DOUBLE CROPPING IN
WEST MALAYSIA 1978

Income Range M\$ (1)	No. of producers (2)	% of pro- ducers (3)	Cumulative % of producers (4)	Total Income M\$ (5)	% of Grand total income (6)	Cumulative % of income (7)
0 - 400	61	19.37	19.37	3240 .84	0.50	0.50
401-800	53	16.83	36.19	32207.40	4.94	5.44
801-1200	37	11.75	47.94	36965.54	5.67	11.11
1201-1600	32	10.16	58.94	44826.59	6.88	17.98
1601-2000	23	7.30	65.40	41447.42	6.36	24.34
2001-2400	18	5.71	71.11	40236.09	6.17	30.51
2401-2800	17	5.40	76.51	43240.03	6.63	37.14
2801-3200	16	5.08	81.59	47966.89	7.36	44.50
3201-3600	5	1.59	83.17	17345.74	2.66	47.16
3601-4000	7	2.22	85.40	26596.67	4.08	51.24
4001-4400	9	2.86	88.25	37155.96	5.70	56.94
4401-4800	3	0.95	89.21	13591.34	2.08	59.02
4801-5200	5	1.59	90.80	24492.78	3.76	62.78
5201-5600	3	0.95	91.75	15998.80	2.45	65.23
5601-6000	2	0.63	92.38	11821.44	1.81	67.05
6001 and above	24	7.62	100	214837.85	32.95	100

TABLE A 11
ZAKAT AS PERCENTAGE OF GROSS INCOME OF
TOTAL PRODUCERS IN WEST MALAYSIA 1978

Income Range M\$ (1)	Cumulative % of producers (2)	Total Income M\$ (3)	Total Zakat M\$ (4)	Zakat As % of Income (5)
0 - 400	17.15	26466.80	753.00	2.85
401-800	41.58	86227.00	6225.80	7.22
801-1200	54.23	74655.88	6084.32	8.15
1201-1600	62.03	63729.86	5646.00	8.86
1601-2000	67.57	58445.12	4789.96	8.20
2001-2400	71.90	55140.74	4553.74	8.26
2401-2800	75.89	58862.80	4126.22	7.00
2801-3200	78.32	42744.88	3256.82	7.62
3201-3600	81.27	57618.52	4487.80	7.79
3601-4000	82.31	22910.46	2044.96	8.91
4401-4800	85.78	55803.64	4749.88	8.51
4801-5200	86.13	10000.00	650 .00	6.5
5201-5600	87.34	37547.66	3158.26	8.41
5601-6000	88.21	28981.44	2688.08	9.28
6001 and above	100	698593.66	61049.14	8.74

TABLE A 12
ZAKAT AS PERCENTAGE OF GROSS INCOME OF
OWNER OPERATORS IN WEST MALAYSIA 1978

Income Range M\$ (1)	Cumulative % of producers (2)	Total Income M\$ (3)	Total Zakat M\$ (4)	Zakat as % of income (5)
0 - 400	20.54	12870.60	270.00	2.10
401-800	51.55	48096.00	3373.00	7.01
801-1200	65.50	36581.96	3087.64	8.47
1201-1600	71.70	22061.60	1845.08	8.36
1601-2000	76.36	21676.88	1906.92	8.80
2001-2400	81.39	28676.40	2573.40	8.97
2401-2800	84.11	17833.64	1555.20	8.72
2801-3200	86.43	18585.08	1293.40	6.96
3201-3600	89.15	23893.20	2062.32	8.63
3601-4000	89.92	7836 .00	596 .00	7.61
4001-4400	91.08	12425.44	1198.00	9.64
4401-4800	91.86	9600 .00	929 .28	9.68
4801-5200	92.25	4900 .00	140 .00	2.86
5201-5600	93.41	15976.00	1180.04	7.39
5601-6000	93.41	0	0	0
6001 and above	100	158980.40	13780.24	8.67

TABLE A 13
ZAKAT AS PERCENTAGE OF GROSS INCOME OF
TENANTS IN WEST MALAYSIA 1978

Income Range M\$ (1)	Cumulative % of producers (2)	Total Income M\$ (3)	Total Zakat M\$ (4)	Zakat As % of income (5)
0 - 400	16.78	6641.20	216.00	3.25
401-800	36.91	19381.00	1487.80	7.68
801-1200	45.64	13749.92	1090.68	7.93
1201-1600	52.35	14537.66	1264.44	8.70
1601-2000	58.39	16487.44	1308.04	7.93
2001-2400	63.09	15309.34	1336.24	8.73
2401-2800	68.47	20267.96	1439.90	7.10
2801-3200	70.47	9082.80	550 .42	6.06
3201-3600	73.83	16641.32	678 .48	4.08
3601-4000	75.84	11404.46	1078.96	9.46
4001-4400	77.18	8304 .00	791 .04	9.53
4401-4800	79.86	18246.40	1646.66	9.02
4801-5200	80.54	5100 .20	510 .00	10
5201-5600	83.22	21571.66	1978.22	9.17
5601-6000	80.89	5976.32	631.04	10.56
6001 and above	100	236880.60	21228.38	8.96

TABLE A 14
ZAKAT AS PERCENTAGE OF GROSS INCOME OF
OWNER TENANTS IN WEST MALAYSIA 1978

Income Range M\$ (1)	Cumulative % of producers (2)	Total Income M\$ (3)	Total Zakat M\$ (4)	Zakat As % of income (5)
0 - 400	12.35	6955.00	267.00	3.84
401-800	30.59	18750.00	1365.00	7.28
801-1200	44.70	24324.00	1896.00	7.79
1201-1600	55.88	27130.60	2536.48	9.35
1601-2000	62.35	20280.80	1575.00	7.77
2001-2400	65.29	11155.00	644 .10	5.77
2401-2800	70.00	20761.20	1131.12	5.45
2801-3200	72.94	15077.00	1413.00	9.37
3201-3600	75.88	17084.00	1747.00	10.22
3601-4000	76.47	3700 .00	370 .00	10.00
4001-4400	78.23	12458.00	915 .00	7.34
4401-4800	81.76	27957.24	2173.94	7.77
4801-5200	81.76	0	0	0
5201-5600	81.76	0	0	0
5601-600	84.12	23005.12	2057.04	8.94
6001 and above	100	302732.66	26040.52	8.60

TABLE A 15
ZAKAT AS PERCENTAGE OF GROSS INCOME OF
FARMERS ENGAGED IN SINGLE CROPPING
1978

Income Range M\$ (1)	Cumulative % of producers (2)	Total Income M\$ (3)	Total Zakat M\$ (4)	Zakat As % of income (5)
0 - 400	34.73	24036.80	653 .00	2.72
401-800	70.14	59502.00	4933.80	8.29
801-1200	87.40	39632.20	3456.00	8.72
1201-1600	94.27	25207.80	2475.48	9.82
1601-2000	96.56	10730.00	943 .00	8.79
2001-2400	97.71	6560 .90	442 .72	6.75
2401-2800	98.09	2600 .00	260 .00	10
2801-3200	98.47	3050 .00	258 .00	8.46
3201-3600	98.47	0	0	0
3601-4000	99.24	7450 .00	745 .00	10
4001-4400	99.24	0	0	0
4401-4800	99.24	0	0	0
4800-5200	99.24	0	0	0
5201 and above	100	10809.44	1104.00	10.21

TABLE A 16
ZAKAT AS PERCENTAGE OF GROSS INCOME OF
FARMERS ENGAGED IN DOUBLE CROPPING 1978

Income Range M\$ (1)	Cumulative % of producers (2)	Total Income M\$ (3)	Total Zakat M\$ (4)	Zakat As % of income (5)
0 - 400	2.54	2430 .20	100 .00	4.12
401-800	16.19	26725.00	1292.00	4.83
801-1200	26.67	35023.68	2628.32	7.50
1201-1600	35.24	38522.06	3170.52	8.23
1601-2000	43.49	47715.12	3846.96	8.06
2001-2400	50.48	48579.84	4111.02	8.46
2401-2800	57.46	56262.80	3866.22	6.87
2801-3200	61.59	39694.88	2998.82	7.55
3201-3600	66.98	57618.52	4487.80	7.79
3601-4000	68.25	15490.46	1299.96	8.39
4001-4400	70.79	33187.44	2904.04	8.75
4401-4800	74.60	55803.64	4749.88	8.51
4801-5200	75.24	10000.00	650.00	6.5
5201-5600	76.83	26378.22	2054.26	7.79
5601-6000	78.41	28981.44	2688.08	9.28
6001 and above	100	698593.66	61049.14	8.74

TABLE A 17
ZAKAT AS PERCENTAGE OF NET INCOME OF
TOTAL PRODUCERS IN WEST MALAYSIA 1978

Income range M\$ (1)	Cumulative % of producers (2)	Total income M\$ (3)	Total zakat M\$ (4)	Zakat as % of income (5)
0 - 400	40.9	28353.61	9735.98	34.34
401 - 800	61.00	67919.54	10662.92	15.70
801 - 1200	69.84	50242.90	7240.20	14.41
1201 - 1600	76.26	51671.41	8485.80	16.42
1601 - 2000	80.59	44920.15	6250.76	13.92
2001 - 2400	84.06	44743.95	8197.02	18.32
2401 - 2800	87.00	43240.03	6716.24	15.53
2801 - 3200	89.77	47966.89	6871.94	14.33
3201 - 3600	90.64	17345.74	2222.68	12.81
3601 - 4000	91.85	26596.67	4828.00	18.15
4001 - 4400	93.41	37155.96	6100.76	16.42
4401 - 4800	93.93	13591.34	2220.64	16.33
4801 - 5200	94.97	29302.56	3890.88	13.28
5201 - 5600	95.49	15998.80	3102.36	19.39
5601 - 6000	95.85	11821.44	1244.08	10.52
6001 - and above	100	214837.85	28417.93	13.23

TABLE A 18
ZAKAT AS PERCENTAGE OF NET INCOME OF
OWNER OPERATORS IN WEST MALAYSIA, 1978

Income range M\$ (1)	Cumulative % of producers (2)	Total income M\$ (3)	Total zakat M\$ (4)	Zakat as % of income (5)
0 - 400	41.86	15882.23	2865.50	18.04
401 - 800	64.73	33461.82	3852.64	11.51
801 - 1200	74.42	24482.98	3097.76	12.65
1201 - 1600	80.62	22130.35	2909.04	13.15
1601 - 2000	84.11	15967.46	1786.48	11.19
2001 - 2400	86.82	14853.71	1851.84	12.47
2401 - 2800	89.53	17664.52	1754.20	9.93
2801 - 3200	91.86	18146.90	2067.28	11.39
3201 - 3600	92.64	6938.95	844.68	12.17
3601 - 4000	93.02	3774.22	445.44	11.80
4001 - 4400	94.19	12177.08	1424.56	11.70
4401 - 4800	94.96	8956.00	1564.00	17.46
4801 - 5200	96.51	19597.56	2965.12	15.13
5201 - 5600	96.90	5292.30	996.36	18.83
5601 - 6000	96.90	0	0	0
6001 - and above	100	66525.20	7119.69	10.70

TABLE A 19
ZAKAT AS PERCENTAGE OF NET INCOME OF
TENANTS IN WEST MALAYSIA, 1978

Income range M\$ (1)	Cumulative % of producers (2)	Total income M\$ (3)	Total zakat M\$ (4)	Zakat as % of income (5)
0 - 400	44.97	3534.78	3949.48	-111.73
401 - 800	61.07	14503.54	3216.28	22.18
801 - 1200	68.46	11143.76	1995.76	17.91
1201 - 1600	73.15	9520.12	2418.00	25.40
1601 - 2000	79.19	16308.78	2894.28	17.75
2001 - 2400	83.89	15932.39	3704.24	23.25
2401 - 2800	87.92	15463.68	3657.04	23.07
2801 - 3200	91.28	14903.37	2349.46	15.76
3201 - 3600	91.95	3512.18	300.00	8.54
3601 - 4000	92.62	3913.16	736.00	18.81
4001 - 4400	95.30	16518.74	3405.00	20.61
4401 - 4800	95.30	0	0	0
4801 - 5200	95.97	4891.70	975.00	17.89
5201 - 5600	96.64	5289.22	1036.80	19.60
5601 - 6000	97.32	5878.76	253.44	4.31
6001 - and above	100	41795.58	6556.32	15.69

TABLE A 20
ZAKAT AS PERCENTAGE OF NET INCOME OF
OWNER TENANTS IN WEST MALAYSIA 1978

Income range M\$ (1)	Cumulative % of producers (2)	Total income M\$ (3)	Total zakat M\$ (4)	Zakat as % of income (5)
0 - 400	35.88	8936.54	2921.00	32.69
401 - 800	55.29	19954.18	3140.00	15.74
801 - 1200	64.12	14616.16	2146.68	14.69
1201 - 1600	72.35	20020.95	3158.76	15.78
1601 - 2000	76.47	12643.91	1570.00	12.42
2001 - 2400	80.00	13957.85	2640.94	18.92
2401 - 2800	82.35	10111.83	1305.00	12.91
2801 - 3200	85.29	14916.62	2455.20	16.46
3201 - 3600	86.47	6894.61	1078.00	15.63
3601 - 4000	89.41	18909.29	3646.56	19.28
4001 - 4400	90.59	8460.14	1271.00	15.02
4401 - 4800	91.18	4635.34	656.64	14.17
4801 - 5200	91.76	4813.30	501.76	10.42
5201 - 5600	92.35	5417.28	1069.20	19.74
5601 - 6000	92.94	5942.68	990.64	16.67
6001 - and above	100	106517.07	14741.92	13.84

TABLE A 21
ZAKAT AS PERCENTAGE OF NET INCOME OF
FARMERS ENGAGED IN SINGLE CROPPING IN
WEST MALAYSIA, 1978

Income range M\$ (1)	Cumulative % of producers (2)	Total income M\$ (3)	Total zakat M\$ (4)	Zakat as % of income (5)
0 - 400	66.79	25112.77	5788.30	23.05
401 - 8800	90.84	25712.14	5720.00	14.77
801 - 1200	96.18	13277.36	1439.48	10.84
1201 - 1600	98.09	6844.82	761.72	11.13
1601 - 2000	98.85	3472.73	320.00	9.21
2001 - 2400	99.62	4507.86	936.40	20.77
2401 - 2800	99.62	0	0	0
2801 - 3200	99.62	0	0	0
3201 - 3600	99.62	0	0	0
3601 - 4000	99.62	0	0	0
4001 - 4400	99.62	0	0	0
4401 - 4800	99.62	0	0	0
4801 - and above	100	4809.78	537.60	11.18

TABLE A 22
ZAKAT AS PERCENTAGE OF NET INCOME OF
FARMERS ENGAGED IN DOUBLE CROPPING IN
WEST MALAYSIA, 1978

Income range M\$ (1)	Cumulative % of producers (2)	Total income M\$ (3)	Total zakat M\$ (4)	Zakat as % of income (5)
0 - 400	19.37	3240.84	3947.68	-121.81
401 - 800	36.19	32207.40	4938.92	15.33
801 - 1200	47.94	36965.54	5800.72	15.69
1201 - 1600	58.09	44826.59	7724.08	17.23
1601 - 2000	65.40	41447.42	5930.76	14.31
2001 - 2400	71.11	40236.09	7260.62	18.05
2401 - 2800	76.51	43240.03	6716.24	15.53
2801 - 3200	81.59	47966.89	6871.94	14.33
3201 - 3600	83.17	17345.74	2222.68	12.81
3601 - 4000	85.40	26596.67	4828.00	18.15
4001 - 4400	88.25	37155.96	6100.76	16.42
4401 - 4800	89.21	13591.34	2220.64	16.33
4801 - 5200	90.80	24492.78	3353.28	13.69
5201 - 5600	91.75	15998.80	3102.36	19.39
5601 - 6000	92.38	11821.440	1244.08	10.52
6001 - and above	100	214837.85	28417.93	13.23

TABLE A 23
BEFORE AND AFTER ZAKAT GROSS INCOME
DISTRIBUTION OF TOTAL PRODUCERS IN
WEST MALAYSIA 1978

Income range M\$ (1)	Cumulative % of producers (2)	Cumulative % of Before zakat income (3)	Cumulative % of After zakat income (4)
0 - 400	17.15	1.87	1.99
401 - 800	41.58	7.99	8.17
801 - 1200	54.23	13.29	13.47
1201 - 1600	62.03	17.79	17.96
1601 - 2000	67.57	21.94	22.11
2001 - 2400	71.90	25.84	26.02
2401 - 2800	75.89	30.02	30.25
2801 - 3200	78.32	33.05	33.30
3201 - 3600	81.27	37.13	37.41
3601 - 4000	82.31	38.75	39.02
4001 - 4400	83.70	41.10	41.36
4401 - 4800	85.78	45.06	45.31
4801 - 5200	86.13	45.77	46.02
5201 - 5600	87.34	48.43	48.69
5601 - 6000	88.21	50.49	50.72
6001 and above	100	100	100

TABLE A 24
BEFORE AND AFTER ZAKAT GROSS INCOME
DISTRIBUTION OF OWNER OPERATORS IN
WEST MALAYSIA 1978

Income range M\$(1)	Cumulative % of producers (2)	Cumulative % of Before zakat income (3)	Cumulative % of After zakat income (4)
0 - 400	20.54	2.93	3.12
401 - 800	51.55	18.86	14.18
801 - 1200	65.50	22.17	22.47
1201 - 1600	71.70	27.18	27.47
1601 - 2000	76.36	32.11	32.36
2001 - 2400	81.39	38.63	38.82
2401 - 2800	84.11	42.68	42.84
2801 - 3200	86.43	46.90	47.12
3201 - 3600	89.15	52.34	52.52
3601 - 4000	89.92	54.12	54.32
4001 - 4400	91.08	56.94	57.09
4401 - 4800	91.86	59.12	59.24
4801 - 5200	92.25	60.24	60.42
5201 - 5600	93.41	63.87	64.08
5601 - 6000	93.41	63.87	64.08
6001 and above	100	100	100

TABLE A 25
BEFORE AND AFTER ZAKAT GROSS INCOME
DISTRIBUTION OF TENANTS IN
WEST MALAYSIA 1978

Income range M\$(1)	Cumulative % of producers (2)	Cumulative % of before zakat income (3)	Cumulative % of after zakat income (4)
0 - 400	16.78	1.51	1.60
401 - 800	36.91	5.92	6.04
801 - 1200	45.64	9.05	9.19
1201 - 1600	52.35	12.35	12.49
1601 - 2000	58.39	16.11	16.26
2001 - 2400	63.09	19.59	19.74
2401 - 2800	68.47	24.20	24.41
2801 - 3200	70.47	26.27	26.54
3201 - 3600	73.83	30.05	30.50
3601 - 4000	75.84	32.65	33.07
4001 - 4400	77.18	34.54	34.94
4401 - 4800	79.86	38.69	39.06
4801 - 5200	80.54	39.85	40.20
5201 - 5600	83.22	44.75	45.07
5601 - 6000	83.89	46.11	46.40
6001 and above	100	100	100

TABLE A 26
BEFORE AND AFTER ZAKAT GROSS INCOME
DISTRIBUTION OF OWNER TENANTS IN
WEST MALAYSIA 1978

Income range M\$ (1)	Cumulative % of producers (2)	Cumulative % of before zakat income (3)	Cumulative % of after zakat income (4)
0 - 400	12.35	1.31	1.37
401 - 800	30.59	4.84	4.94
801 - 1200	44.70	9.42	9.54
1201 - 1600	55.88	14.52	14.59
1601 - 2000	62.35	18.34	18.43
2001 - 2400	65.29	20.44	20.59
2401 - 2800	70.00	24.34	24.62
2801 - 3200	72.94	27.18	27.42
3201 - 3600	75.88	30.40	30.57
3601 - 4000	76.47	31.09	31.26
4001 - 4400	78.23	33.44	33.63
4401 - 4800	81.76	38.70	38.92
4801 - 5200	81.76	38.70	38.92
5201 - 5600	81.76	38.70	38.92
5601 - 6000	84.12	43.03	43.22
6001 and above	100	100	100

TABLE A 27
BEFORE AND AFTER ZAKAT GROSS INCOME
DISTRIBUTION OF FARMERS ENGAGED IN
SINGLE CROPPING IN WEST MALAYSIA 1978

Income range M\$ (1)	Cumulative % of producers (2)	Cumulative % of before zakat income (3)	Cumulative % of after zakat income (4)
0 - 400	34.73	12.68	13.42
401 - 800	70.14	44.06	44.72
801 - 1200	87.40	64.97	65.47
1201 - 1600	94.27	78.27	78.52
1601 - 2000	96.56	83.93	84.13
2001 - 2400	97.71	87.39	87.64
2401 - 2800	98.09	88.76	88.98
2801 - 3200	98.47	90.37	90.59
3201 - 3600	98.47	90.37	90.59
3601 - 4000	99.24	94.30	94.43
4001 - 4400	99.24	94.30	94.43
4401 - 4800	99.24	94.30	94.43
4801 - 5200	99.24	94.30	94.30
5201 and above	100	100	100

TABLE A 28
BEFORE AND AFTER ZAKAT GROSS INCOME
DISTRIBUTION OF FARMERS ENGAGED IN
DOUBLE CROPPING IN WEST MALAYSIA 1978

Income range M\$(1)	Cumulative % of producers (2)	Cumulative % of before zakat income (3)	Cumulative % of after zakat income (4)
0 - 400	2.54	0.20	0.21
401 - 800	16.19	2.39	2.48
801 - 1200	26.67	5.26	5.38
1201 - 1600	35.24	8.41	8.53
1601 - 2000	43.49	12.32	12.45
2001 - 2400	50.48	16.30	16.43
2401 - 2800	57.46	20.91	21.11
2801 - 3200	61.59	24.16	24.39
3201 - 3600	66.98	28.88	29.14
3601 - 4000	68.25	30.14	30.40
4001 - 4400	70.79	32.86	33.11
4401 - 4800	74.60	37.43	37.67
4801 - 5200	75.24	38.25	38.51
5201 - 5600	76.83	40.41	40.68
5601 - 6000	78.41	42.79	43.03
6001 and above	100	100	100

TABLE A 29
BEFORE AND AFTER ZAKAT NET INCOME
DISTRIBUTION OF TOTAL PRODUCERS IN
WEST MALAYSIA 1978

Income Range M\$ (1)	Cumulative % of producers (2)	Cumulative % of before zakat income (3)	Cumulative % of after zakat income (4)
0-400	40.9	3.80	2.96
401-800	61.00	12.91	12.05
801-1200	69.84	19.65	18.88
1201-1600	76.26	26.58	25.74
1601-2000	80.59	32.60	31.89
2001-2400	84.06	38.60	37.69
2401-2800	87.00	44.40	43.50
2801-3200	89.77	50.83	50.02
3201-3600	90.64	53.16	52.42
3601-4000	91.85	56.72	55.88
4001-4400	93.41	61.71	60.82
4401-4800	93.93	63.53	62.62
4801-5200	94.97	67.46	66.66
5201-5600	95.49	69.60	68.71
5601-6000	95.84	71.19	70.39
6001-and above	100	100	100

TABLE A 30
BEFORE AND AFTER ZAKAT NET INCOME
DISTRIBUTION OF OWNER OPERATORS
IN WEST MALAYSIA 1978

Income Range M\$	Cumulative % of producers	Cumulative % before Income	Cumulative % of after zakat income
(1)	(2)	(3)	(4)
0-400	41.86	5.56	5.20
401-800	64.73	17.26	17.03
801-1200	74.42	25.83	25.57
1201-1600	80.62	33.57	33.25
1601-2000	84.11	39.15	38.92
2001-2400	86.82	44.35	44.11
2401-2800	89.53	50.53	50.47
2801-3200	91.86	56.88	56.89
3201-3600	92.64	59.31	59.33
3601-4000	93.02	60.63	60.66
4001-4400	94.19	64.89	64.95
4401-4800	94.96	68.02	67.91
4801-5200	96.51	74.88	74.55
5201-5600	96.90	76.73	76.27
5601-6000	96.90	76.73	76.27
6001 and above	100	100	100

TABLE A 31
BEFORE AND AFTER ZAKAT NET INCOME
DISTRIBUTION OF TENANTS IN
WEST MALAYSIA 1978

Income Range M\$ (1)	Cumulative % of producers (2)	Cumulative % of before zakat income (3)	Cumulative % of after zakat income (4)
400 and below	44.97	1.93	-0.28
401-800	61.07	9.85	7.46
801-1200	68.46	15.93	13.74
1201-1600	73.15	21.14	18.61
1601-2000	79.19	30.04	27.81
2001-2400	83.89	38.74	36.20
2401-2800	87.92	47.19	44.30
2801-3200	91.28	55.33	52.91
3201-3600	91.95	57.27	55.11
3601-4000	92.62	59.38	57.30
4001-4400	95.30	68.40	66.29
4401-4800	95.30	68.40	66.29
4801-5200	95.97	71.08	69.05
5201-5600	96.64	73.96	71.96
5601-6000	97.32	77.17	75.82
6001 and above	100	100	100

TABLE A 32
BEFORE AND AFTER ZAKAT NET INCOME
DISTRIBUTION OF OWNER TENANTS IN
WEST MALAYSIA 1978

Income range M\$ (1)	Cumulative % of producers (2)	Cumulative % of before zakat income (3)	Cumulative % of after zakat income (4)
0 - 400	35.88	3.23	2.58
401 - 800	55.29	10.44	9.78
801 - 1200	64.12	15.72	15.12
1201 - 1600	72.35	22.96	22.34
1601 - 2000	76.46	27.52	27.09
2001 - 2400	80.00	32.57	31.93
2401 - 2800	82.35	36.22	35.71
2801 - 3200	85.29	41.61	41.04
3201 - 3600	86.47	44.10	45.54
3601 - 4000	89.41	50.94	50.07
4001 - 4400	90.59	53.99	53.15
4401 - 4800	91.18	55.67	54.86
4801 - 5200	91.76	57.41	56.70
5201 - 5600	92.35	59.36	58.57
5601 - 6000	92.45	61.51	60.69
6001 and above	100	100	100

TABLE A 33
BEFORE AND AFTER ZAKAT NET INCOME
DISTRIBUTION OF FARMERS ENGAGED IN
SINGLE CROPPING IN WEST MALAYSIA 1978

Income range M\$(1)	Cumulative % of producers (2)	Cumulative % of before zakat income (3)	Cumulative % of after zakat income (4)
0 - 400	66.79	26.79	24.70
401 - 800	90.84	64.89	63.04
801 - 1200	96.18	79.05	78.17
1201 - 1600	98.09	86.36	85.94
1601 - 2000	98.85	90.06	89.97
2001 - 2400	99.62	94.87	94.54
2401 - 2800	99.62	94.87	94.54
2801 - 3200	99.62	94.87	94.54
3201 - 3600	99.62	94.87	94.54
3601 - 4000	99.62	94.87	94.54
4001 - 4400	99.62	94.87	94.54
4401 - 4800	99.62	94.87	94.54
4801 and above	100	100	100

TABLE A 34
BEFORE AND AFTER ZAKAT NET INCOME
DISTRIBUTION OF FARMERS ENGAGED IN
DOUBLE CROPPING IN WEST MALAYSIA 1978

Income Range M\$ (1)	Cumulative % of producers (2)	Cumulative % of before zakat income (3)	Cumulative % of after zakat income (4)
400 and below	19.37	0.50	-0.13
401-800	36.19	5.44	4.82
801-1200	47.94	11.11	10.47
1201-1600	58.09	17.98	17.20
1601-2000	65.40	24.34	23.64
2001-2400	71.11	30.51	29.63
2401-2800	76.51	37.14	36.25
2801-3200	81.59	44.50	43.70
3201-3600	83.17	47.16	46.45
3601-4000	85.40	51.24	50.40
4001-4400	88.25	56.94	56.03
4401-4800	89.21	59.02	58.09
4801-5200	90.80	62.78	61.93
5201-5600	91.75	65.23	64.27
5601-6000	92.38	67.05	66.18
6001 and above	100	100	100

TABLE A 35
AFTER ZAKAT GROSS INCOME DISTRIBUTION
OF TOTAL PRODUCERS WHEN A 10% ZAKAT IS
IMPOSED ON GROSS PRODUCTION

Income range M\$	Cumulative % of producers	Total gross income M\$	After zakat income M\$	% of Total After zakat income	Cumulative % of after zakat income
0 - 400	17.15	29566.80	29566.80	2.32	2.32
401 - 800	41.58	83127.00	74814.30	5.88	8.20
801 - 1200	54.23	74655.88	67190.30	5.28	13.48
1201 - 1600	62.03	63729.86	57356.88	4.51	17.99
1601 - 2000	67.57	58445.12	52600.61	4.13	20.12
2001 - 2400	71.90	55140.74	49626.67	3.90	26.02
2401 - 2800	75.89	58862.80	62976.52	4.16	30.18
2801 - 3200	78.32	42744.88	38470.39	3.02	33.20
3201 - 3600	81.27	57618.52	51856.67	4.07	37.28
3601 - 4000	82.31	22940.46	20646.41	1.62	38.90
4001 - 4400	83.70	33187.44	29868.70	2.35	41.25
4401 - 4800	85.78	55803.64	50223.28	3.95	45.19
4801 - 5200	86.13	10000.00	9000.00	0.71	45.90
5201 - 5600	87.34	37547.66	33792.89	2.65	48.55
5601 - 6000	88.21	28981.44	26083.30	2.05	50.60
6001 + above	100.00	698593.66	628734.29	49.40	100

TABLE A 36
EFFECTIVE RATES IN TERMS OF NET INCOME AND
AFTER ZAKAT NET INCOME DISTRIBUTION OF
TOTAL PRODUCERS WHEN A 10% ZAKAT IS
IMPOSED ON GROSS PRODUCTION

Income Range M\$	Cumulative % of producers	Total net income M\$	Zakat at 10% of gross production M\$	Zakat % of net income	After zakat net income M\$	% of total after zakat income	cumulative % of after zakat income
0-400	40.9	28353.61	11053.47	38.98	17300.14	2.85	2.85
401-800	61.00	67919.54	14000.40	20.61	53921.32	8.87	11.72
801-1200	69.84	50242.90	8446.14	16.81	41796.76	6.88	18.59
1201-1600	76.26	51671.41	10218.34	19.78	41453.07	6.82	25.41
1601-2000	80.59	44920.15	8294.74	18.47	36625.41	6.03	31.44
2001-2400	84.06	44743.95	8380.66	18.73	36363.29	5.93	37.42
2401-2800	87.00	43240.03	7628.41	17.64	35611.62	5.86	43.28
2801-3200	89.77	47966.89	8168.24	17.03	39798.65	6.55	49.83
3201-3600	90.64	17345.74	2789.70	16.08	14556.04	2.39	52.22
3601-4000	91.85	26596.67	5117.40	19.24	21479.27	3.53	55.76
4001-4400	93.41	37155.96	6795.10	18.29	36360.86	5.00	60.75
4401-4800	93.93	13591.34	2439.84	17.95	11151.50	1.83	62.59
4801-5200	94.97	29302.56	4466.86	15.24	24835.70	4.09	66.67
5201-5600	95.49	15998.80	2983.06	18.65	13015.74	2.14	68.81
5601-6000	95.84	11821.44	1767.95	14.96	10053.49	1.65	70.47
6001 and above	100	214837.85	35337.92	16.45	179499.93	29.53	100

TABLE A 37
AFTER ZAKAT NET INCOME DISTRIBUTION OF
TOTAL PRODUCERS WHEN A 10% ZAKAT IS
IMPOSED ON NET PRODUCTION

Income range M\$	Cumulative % of producers	Total Net Income M\$	Zakat after income M\$	% of total after zakat income	Cumulative % after zakat income
0 - 400	40.9	28353.61	28353.61	4.21	4.21
401 - 800	61.00	67919.54	61127.59	9.07	13.28
801 - 1200	69.84	50242.90	45218.61	6.71	19.99
1201 - 1600	76.26	51671.41	46504.27	6.9	26.89
1601 - 2000	80.59	44920.15	40428.14	6.00	32.88
2001 - 2400	84.06	44743.95	40269.56	5.97	38.86
2401 - 2800	87.00	43240.03	38916.03	5.77	44.63
2801 - 3200	89.77	47966.89	43170.20	6.41	51.04
3201 - 3600	90.64	17345.74	15611.17	2.32	53.36
3601 - 4000	91.85	26596.67	23937.00	3.55	56.91
4001 - 4400	93.41	37155.95	33440.36	4.96	61.87
4401 - 4800	93.93	13591.34	12232.21	1.81	63.68
4801 - 5200	94.97	29302.56	26372.30	3.91	67.60
5201 - 5600	95.49	15998.80	14398.92	2.14	69.73
5601 - 6000	95.84	11821.44	10639.30	1.58	71.31
6000 +	100	214837.85	193354.07	28.69	100

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COMMENTS ON "DISTRIBUTION OF ZAKAT BURDEN ON PADI PRODUCERS IN MALAYSIA"

DISCUSSANT'S COMMENTS

Dr. M. Raquibuz Zaman, the discussant of the paper, pointed out that the study, based on empirical data on Malaysian farmers, is a useful contribution in understanding the economic effects of Zakah. However, since in Malaysia Zakah, rather *Ushr*, is collected only from one group of people while Zakah is not levied on the rest of the society, who are probably more affluent than the paddy farmers, the paper, at best, presents a partial picture of the effect of Zakah on income distribution in rural Malaysia.

The authors of the paper suggested in their study that Zakah be imposed on net output rather than on gross output, as is done now, so that the imposition of Zakah falls on those who can afford to pay it. The discussant pointed out that if the Malaysian Government is serious about implementing this major pillar of Islam, it should first collect Zakah from the rich, those who earn sizeable income from non-agricultural sectors and those feudal lords who have sizeable landownings beyond their needs. Dr. Zaman added that if one wants to use Zakah for redistribution of income, then it should come as a second step after an Islamic economic system has been introduced into the country. In this context, an Islamic economic system refers to the one where all natural resources are distributed among its users in such a way that one cannot have more resources than one can properly utilize, while others have little or none to work with. When the existing resources and, therefore income, are improperly distributed, an imposition of Zakah on a small group of people is not likely to bring an improvement in the overall distribution of income.

COMMENTS BY THE AUDIENCE

Dr. Mahmud Rashdan enquired that if the farmers were supposed to pay 10 percent of their produce as Zakah (*Ushr*), then why were there fluctuations in the actual payment of Zakah within the same product group (i.e., income group) of

paddy farmers? Sr. Rogayah Ngah responded by saying that the variations in actual payment were due to the various degrees of evasion of the *Ushr* levy. At this, Dr. Rashdan observed that the inequity that existed in the income distribution among paddy farmers was not due to imposition of Zakah, but due to improper collection of Zakah. If the inequity was due to other reasons, then trying to impose Zakah on the net produce would definitely make things worse.

Brother Abdool Aziz Shaik asked Sister Rogayh how the *Nisab* was estimated for the farmers. The reply was that the *Nisab* was based on the dictates of the Zakat Act of the Malaysian Government and that it varied from state to state. Br. Shaik suggested that the authors should look into the Pakistani's plan for the collection of *Ushr* from agricultural produce.

Dr. Fahri Unsal, quoting the Gini coefficients, estimated by the authors, observed that they show that the distribution of income in Malaysia was very unequal even before Zakah was levied on the paddy farmers. In fact, imposition of Zakah did not change the Gini coefficients that significantly. Dr. Rashdan said that it would be improper to suggest that Zakah accentuated the income inequalities in Malaysia. Dr. Ibrahim Mijindadi also made similar comments on the basis of Gini coefficients estimated by the authors.

With reference to some observations made by Sr. Rogayah Ngah, Brother Omal Afzal pointed out that *Ushr* is paid when the production is ready — i.e., the output is harvested, while Zakah is paid on the accumulated wealth at the end of the year. Brother Shamin Siddiqui concurred with this view.

Dr. Adbar Muhammad, citing instances from history, suggested that the Muslims should not confine themselves to the interpretation of Shariah by a particular school simply because the majority of the people living in an area adhere to a particular one. He thought we would be more successful in solving modern problems if we looked for solutions across the various schools of Sunni as well as Imamiat Shiaite branches of Islam. Referring to the question of whether or not a farmer producing, say, three crops in different seasons within a given year should be paying *Ushr* if his output in each season is

below the limits of *Nisab*, while the aggregate output for the whole year is far above *Nisab*, Dr. Akbar Muhammad observed that they ought to pay *Ushr*, if one followed the interpretations of the later Malekies of Northern Africa. The total output of the year, no matter which 12 months one refers to, should be taken into consideration for the estimation of *Nisab* and *Ushr*. He added that throughout the history of Islam one can find instances where the farmers limited the size of their total produce to the level of *Nisab* to avoid paying *Ushr*, and the Maleki doctrine was an answer to bring to an end this kind of evasion of *Ushr* levy.

EDITOR'S COMMENTS

There are hardly any countries in the world where Zakah in its entirety is imposed and collected by the state. Throughout the Muslim world it has now become an individual responsibility to assess and to pay Zakah. Thus, when one finds that a country is making an attempt to collect Zakah, even if it is from a small minority and even if it is on a small portion of income and wealth that should be subjected to Zakah, it naturally attracts attention of those social scientists who are eager to test whether or not Zakah is a useful institution to bring desirable changes in income distribution in a country. The paper by Dr. Ismail Salleh and Sister Rogayah Ngah thus naturally generated a lot of interest among the conference participants.

From a technical point of view, the study is a good one. However, the problem lies in the basic hypothesis of the study. On the basis of empirical data, collected from the farmers, one simply cannot derive useful conclusions about the impact of Zakah (*Ushr*) levy on income distribution as farmers very often misreport not only output, but also levies or taxes paid on their output. In a society where bookkeeping or record keeping is not part of the norm and where there is no mechanism for checking out the claims by the farmers, it is very easy for a researcher to get misled by a crafty farmer. If the farmer feels that the result of such a study will be used to increase the levies or to introduce new taxes, he will definitely adjust his figures before reporting to others. Thus, to derive a conclusion that the imposition of Zakah on gross output

accentuated inequities in income, based on such empirical data, will be very unfortunate.

Until a Muslim country introduces an Islamic economic system and implements all its canons, including Zakah, one cannot undertake a meaningful study to determine whether or not Zakah improves income distribution in a country. Until such time we should reserve conclusive judgements on the effect of Zakah on income distribution.

SOME ASPECTS OF THE ECONOMICS OF ZAKAH

CHAPTER 3

The Role of Az-Zakah in Resource Allocation

Masudul Alam Choudhury

Dr. Masudul Alam Choudhury is an Assistant Professor of Economics in the Department of Socio-Technical Studies at King Abdulaziz University, Jeddah, Saudi Arabia. This paper was prepared when he was a Manpower Economist in the Saskatchewan Department of Labor, Saskatchewan, Canada. Since he was unable to attend the Conference, the paper was read by Dr. Ibrahim Mijindadi of the Agricultural Extension and Research Liason Service of Ahmadu Bello University, Zaria, Nigeria.

THE ROLE OF AZ-ZAKAH IN RESOURCE ALLOCATION

PURPOSE OF THIS PAPER

The main purpose of this paper is to place the role of az-Zakah in the context of resource allocation in perfect and imperfect market setting. The paper will be divided into two sections. In the first section we shall place Zakah in its proper perspective in the economics of perfect and imperfect competition as these are recognized by Islamic economics. In the second section of this paper we shall bring out the distributional property of Zakah in the Islamic system of social equity and taxation.

Before we go to the body of this paper let us define two basic terms that will be used later on. The first term is *Zakah*, which is the Qur'anic terminology used to denote a compulsory payment by the wealthy to the economically underprivileged. This does not, however, mean that Zakah is a charity. On the contrary it constitutes the principal revenue of the Islamic state to be spent on specific groups of people and activity.¹ At the same time Zakah cannot be treated as a tax in the modern sense of the term because it transcends sheer economic considerations. Payment of Zakah is obligatory on all Muslims who are eligible to pay it, so much so that the Islamic state can use force to collect it from those who evade it. The second term to be defined is *an-Nisab*, which is a term used for the minimum level of income, below which personal income is not Zakatable (Kahf, 1977). Other terms used in this paper will be explained as we proceed.

AZ-ZAKAH AND RESOURCE ALLOCATION IN PERFECT AND IMPERFECT COMPETITION

Resource allocation must be studied in relation to perfect and imperfect competition. Perfect competition is characterized by an ideal state of market mechanism of exchange of goods and services in which each agent has full information of the market; there is no control on prices and quantities by any specific set of agents; there is no presence of

¹ *Qur'an*, Sura 9, vs. 60.

external economies and diseconomies in either production or consumption. In the presence of perfect competition the market mechanism is in a state of equilibrium in the sense that the allocation of goods and services in the economy is such that it is not possible within that allocation to improve the satisfaction of a given consumer without making the other exchanging consumer worse off. From the consumers' point of view, households in a perfectly competitive market are endowed with initial resources and they choose their consumption levels to maximize utility at a given set of prices. The obverse side of the coin is the production point of view, in which firms produce goods and services for consumption by households such that aggregate production plus initial resources equals aggregate consumption (Arrow, 1970).

In Islamic economics, the idea of perfect competition as defined above is an acceptable concept. It was in fact implied by early Islamic social researchers long before Adam Smith introduced his economics of *laissez faire*. Ibn Khaldun, for example, wrote on the concept of division of labour in the following words long before Adam Smith: "Human labour is necessary for every profit and capital accumulation. . . . Without human labour no gain will be obtained, and there will be no useful result. . . . It should be further known that the capital a person earns and acquires, if resulting from a craft, is the value realized from his labour. . . . If the profit results from something other than a craft, the value of the resulting profit and acquired capital must also include the value of the labour by which it was obtained."² The division of labour referred to here was the basis of marginal productivity theory and technological change in classical economics. The marginal productivity of labour was the real wage for labour, which in turn was created by the division of labour in any production process (Barber, 1977, pp. 27-29). It is therefore evident from the history of Islamic social science that the concept of perfect competition, as explained above, is acceptable by Islamic economics. It is logical, therefore, to find Zakah as a powerful instrument of resource allocation in a perfectly competitive setting.

²*Muqaddima*, translated by F. Rozenhal.

Perfect competition is, however, not a real world situation. It is only to be considered as a desired norm according to which government and market should allocate their economic resources. The departure from perfect competition is caused by such factors as the presence of external economies and diseconomies, lack of full knowledge on the part of buyers and sellers, control of prices and quantities by a few agents, all of which cause a failure of the market in allocating its resources in an efficient way. In order to reduce the imperfections and bring about a mode of resource allocation nearer to the condition of perfect competition, the state continuously looks for appropriate ways and means. In the Islamic economy imperfections can arise due to the presence of externalities and non-market factors. For example, the spill-over effect of Islamic public education on the socioeconomic environment is very strong. This is mainly due to the presence of the strong ideological element in such an education system. The primary purpose of Islamic education is to imbue students with their religion and ideology. They should be taught the meaning and purpose of life, man's position in the world, the doctrines of *Tawheed* (unity of God), *Risalah* (prophethood) *Akhirah* (life hereafter) and their bearing upon individual and social life, the Islamic values of morality, the nature and content of Islamic culture, and the obligations and mission of a Muslim (Ahmad, 1968). All these incur social costs and social benefits which may not be of a purely economic nature. In the Islamic economic system market distortions, due to monopolistic competition or control of resource by the state in a way that denies free enterprise, are not relevant because such an economic system would not allow monopoly or a socialistic control of resources. In any case, in one form or the other the idea of perfect and imperfect competition in resource allocation is recognized by Islamic economics. Zakah as a powerful tool of resource allocation in an Islamic economic system, must, therefore, take account of these two situations.

The objective of reducing Pareto inefficiencies in an imperfect competition is to bring about an income distribution that is both efficient and equitable (Weisbrod, 1970). The fact is that if we were to accept a Pareto optimal

situation, it would mean that each individual must be rewarded according to his marginal productivity that depends on better education, family background, etc. — factors which may not be available to all sections of the population. The state must, therefore, intervene to alter the absolute or relative economic positions of the underprivileged groups of people. Income distribution, therefore, involves allocative efficiency. The term allocative efficiency deserves some attention here. The efficiency of resource allocation associated with each mode of income distribution is referred to as allocative efficiency. It is to be noted that in the presence of state intervention to alter an existing mode of income distribution, there is no uniquely determined efficient allocation of resources. Rather, there is an efficient allocation corresponding to each initial distribution of income (Weisbrod, 1970). The reason for this is that income distribution affects consumers' demand pattern and the supply patterns of resource owners, which in turn determines the production pattern, and the production pattern together with consumption pattern maximizes the social welfare function which is not unique (Arrow, 1970). Hence, a mode of resource allocation efficient with respect to one mode of income distribution may be quite inefficient if the mode of income distribution is altered.

Allocative efficiency involves only net marginal effects, and, therefore, welfare gains from increased allocative efficiency is quite small. Now in order to ensure a higher level of efficiency in resource allocation there must be the existence of an initial undefined type of efficiency. This initial undefined type of efficiency is referred to in the literature as X-efficiency (Leibenstein, 1966). Empirical evidence shows that X-efficiency is a significant source of increased output. It is determined by: (1) intra-plant motivational efficiency, (2) external motivational efficiency, and (3) non-market input efficiency (Leibenstein, 1966).

Since there are a number of scenarios of efficient allocation of resources corresponding to different modes of income distribution, so the Zakah induced resource allocation can be considered as one of such efficient modes of resource allocation. The question that remains to be examined is how

in the presence of Zakah, resource allocation is more efficient and more equitable than other alternatives. To look at this point we shall turn to allocative and X-efficiency again. We have said that allocative efficiency brings only marginal gains to social welfare. Therefore, to bring about a substantial increase in allocative efficiency one must increase X-efficiency, one of whose components is external motivational and non-market efficiency. In the Islamic social system the external motivational and non-market efficiency factor is very strong. Zakah, while being an obligatory tax on all well-to-do Muslims, is also considered as one of the five basic pillars of Islam, and next to prayer (*salat*) it is the most important religious duty enjoined on Muslims. Hence, Zakah is a socio-religious instrument of income distribution and resource allocation not to be found in the theory of public finance.

Apart from Zakah the principle of *Shirakat* (partnership) is also used in Islamic economics to encourage partnership in work between labour and capital (Mannan, 1975, p. 221). Through such a partnership, intra-plant motivational efficiency can increase and a choice of new techniques can come about, which in turn increases X-efficiency.

Speaking further on the allocational efficiency of Zakah, it can be shown analytically (Choudhury, 1978) that Zakah is associated with an income multiplier effect. This is explained via the relationship between Zakah rate and income level through changes in the investment level. Since Zakah is imposed on idle assets only, which otherwise could have been put to productive use, so economic rationality on the part of the investor would motivate him to deplete his idle stock of capital and thereby make room for investment flows. Increased investment will, thereby, cause increased income through the multiplier effect. Therefore, the presence of Zakah will cause holders of idle capital stocks to put them into productive use. Investment flow will cause income to increase through the multiplier effect. Thus, the multiplier is a positive function of Zakah. Note now that the *an-Nisab* level will continuously shift upwards subsequent to higher standards of living brought about through the positive effect of Zakah on investment and income.

Next, let us examine the role of Zakah in an equitable

distribution of income. In existing tax systems of different countries equity is thought to be achieved when individuals and families pay taxes that are a constant proportion of their discretionary power (Robinson, 1967). Discretionary power is defined as the power of the individual to command goods and services for personal use, minus the amount needed to maintain a given standard of living (Robinson, 1967). This is, however, only one aspect of the concept of equity principle used by the government sector. The other instrument of equity is redistribution of income, which is used to achieve a reduction in income inequality. Therefore, taxation and the model of expenditure both are necessary to improve social equity. Zakah recognizes both these principles, but its mode of collection, expenditure and philosophy are different from those of existing taxation systems.

Speaking first on the collection of Zakah it is to be noted that the following assets are Zakatable:

1. *Income above the an-Nisab minimum.* *An-Nisab* is the minimum level of personal income that exempts an individual from paying Zakah. It is determined by the weighted sum of an individual's labour income and value of other-money income at a given point of time (Kahf, 1977).

2. *Productive assets left idle for a year.* Under this category all items of wealth which do not normally depreciate over time are included. Thus, Zakah is different from a pure income tax, because it is also a tax on wealth, not exempted by *an-Nisab* at a given point of time. Wealth taxation, although present in current taxation, is subject to several types of exemptions that the individual can work out through a diversification of investment.

3. *Profits and windfalls from economic activity.* Profits and windfalls which are not reinvested within a year become Zakatable. The relationship between the Zakah rate and production incentive explained before applies here too.

4. *Inheritance.* This is considered as an item of wealth and is, therefore, Zakatable once and for all.

So much for the categories of Zakatable assets. Next, let us see on whom Zakah could be spent. Eight categories of Zakah expenditure have been enumerated in the Qur'an (Sura 9, vs. 60).

1. *The poor and the needy.* Zakah is used here as income support and supplementation, but under the needs test only. It need not satisfy the income test. For example, in the case of the voluntary unemployed, Zakah cannot be payed on the basis of the income test.

2. *The employee of the Zakah management.* Zakah being the principal source of revenue for the Islamic state, it is collected and distributed by an established state department. The wages and salaries of those who manage the Zakah fund would be paid out of it.

3. *Strengthen the financial position of new Muslims.* Here Zakah is spent to provide services to new Muslims in absorbing them as a progressive and resourceful economic segment of the labour force.

4. *For the liberation of slavery.*

5. *For helping to pay off debts made for legitimate reasons.* It seems plausible that, apart from helping individuals and firms in need of funds, the Zakah fund could also be spent by the state as an alternative to debt financing. The concept of a contingency fund to evade debt financing and still meet the needs of the government for expenditure in goods and services is not remote in many existing national budgets.³ If the Zakah fund is to be treated also as a contingency fund of this type, the borrowing by the government will be internal, and, therefore, increased borrowing by the government from this fund will neither increase inflation nor the income tax rate. On the other hand a total financing of a deficit budget by external borrowing would cause inflation to rise, and the state would have to step up the income tax rate as one of the policies to curb the inflation on the face of increased budgetary expenditure.

6. *Islamic missionary activity.* Although missionary activity is the predominant note here, there is no reason why part of the Zakah fund cannot be used to finance education and research in the Islamic setting.

7. *The wayfarer.* The Zakah fund can be used on a wayfarer to ameliorate his emergency needs. In an organized

³For example, the Heritage Fund of the Government of Saskatchewan, Canada.

Islamic state we can think of the Zakah fund being spent partly on the necessities — like medicare, food and lodging — for the wayfarer, etc.

These categories of Zakah expenditure can be further extended by analogy. For example:

a. Categories 1, 3, 5, and 6 can be used for training of the employable, and for family welfare;

b. Categories 1, 3, and 5 can be used for the rehabilitation of the aged, income support of the unemployed, income support in the case of economic losses, and so on.

Having seen the strong motivational and egalitarian characteristic of Zakah in resource allocation, which brings about both allocative as well as a significant increase in X-efficiency, it only needs to be shown that Zakah, unlike income tax incidence on income, brings about a higher participation rate for the labour force. This effect of Zakah can be established by looking at the relationship among Zakah, increased investment, and increased income. Increased investment and income stimulates employment and higher economic expectation which in turn reduces the discouraged worker margin, thereby causing an increase in labour force participation (Mincer, 1971). Hence, Zakah proves to be a powerful instrument not merely for an equitable mode of income distribution, but also an efficient mode of resource allocation, quite contrary to the existing taxation systems.

The non-distributional and disincentive effects of resource allocation in modern states are many. For example, the disincentive effects of the minimum wage on labour force participation and employment levels are well-known (Stigler, 1946). One is also aware of the disincentive for labour force participation by welfare recipients, caused by what is known as the welfare trap, whereby individuals do not want to escape from welfare, because social assistance as it exists today provides them with financial and non-financial benefits to the extent of keeping them out of the labour force activity, thereby politically controlling the recorded unemployment rate (Government of Canada, 1975).

The non-distributional aspect of existing welfare programs can be seen from the failure of these programs to extend benefits to all the non-working poor. There is also economic and social inequity linked up with this non-distributional aspect of social assistance. For example, a low paid working poor may earn less than a non-working poor who gets more through welfare payments. Furthermore, the low paid working poor pays taxes on a part of his income, unemployment insurance contribution, etc., while he may also be denied the various benefits in kind, like day care, free health coverage, legal aid, etc. All these add up to the inefficiency of distribution and income disparity between the working poor and the non-inequitable, and inefficient modes of income redistribution, and resource allocation, Zakah thus emerges as a powerful tool of fiscal policy. Hence instituting Zakah as a national policy instrument deserves particular attention by Islamic governments.

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COMMENTS ON "THE ROLE OF AZ-ZAKAH IN RESOURCE ALLOCATION"

DISCUSSANT'S COMMENTS

Dr. Fahri Unsal, the discussant, made his comments while summarizing the contents of the paper in non-technical terms for the audience. According to the author of the paper, through Zakah one can initiate income redistribution, but not necessarily allocative efficiency. The modern income tax system, prevalent in the West, does not consider some items — e.g., jewelry, gold, silver, etc. — in determining taxable income unlike under Zakah. Thus, this income tax is not sufficient to prevent hoarding, at least, in the form of such assets. Zakah, on the other hand, discourages hoarding and, as such, it should encourage investment and further production.

Dr. Unsal told the audience that he was planning to argue that Zakah improved income distribution, but after listening to the talk of Sr. Rogayah Ngah he was not sure anymore. He added that whether or not Zakah improves income distribution can be answered more accurately when Zakah is properly implemented. He ended his comments by citing the comparison Dr. Choudhury made between the Western type of welfare payments and the payments made to the poor and the indigent from Zakah. In the Western type of social welfare system there is not much incentive for seeking employment, whereas under Zakah the person receiving the payment should have the desire to seek employment and work for a living because in this case social pressure is much more direct on the recipient.

EDITOR'S COMMENTS

This paper failed to generate as much interest among the participants as that by the paper of Dr. Ismail Salleh and Rogayah Ngah. Two possible explanations can be advanced for this: (1) the paper is a little bit more theoretical in nature than the other one, and (2) the author himself was absent and, as such, the audience felt it would be inappropriate to ask questions to the presenter of the paper. However, the paper

raises many questions in the mind of those who are familiar with the Western taxation system, especially the income tax rules and regulations in a country like the U.S.

The author claims that Zakah brings strong motivational and egalitarian characteristics in resource allocation. Further, to quote him:

Zakah, unlike income tax incidence on income, brings about a higher participation rate for the labour force. This effect of Zakah can be established by looking at the relationship among Zakah, increased investment, and increased income. Increased investment and income stimulates employment and higher economic expectation which in turn reduces the discouraged worker margin, thereby causing an increase in labour force participation. (Mincer, 1971).

Anyone reading the above quote will get a feeling that the author has observed very carefully a country where Zakah has been in force for a considerable period of time and where it has done all the things he claims. What is the name of that country where Zakah is the main source of levy? To the best of my knowledge Zakah was properly assessed and collected during the early years of Islam and that there is no historical record as to what it did to income distribution, labor force participation, increased investment and income. By the time the Abbaside dynasty took over the helm of Islamic Caliphate, income distribution was anything but equitable. Those who paid Zakah were required to pay so small a percentage of their accumulated wealth that they hardly felt the need to invest their accumulated wealth to reduce the burden of Zakah. The Government of Saudi Arabia used to collect Zakah up until the OPEC oil price increases of recent years, when they felt it was not worth the effort to do so. The imposition of Zakah did not increase labor participation or investment. Besides Saudi Arabia, the only other country which collected Zakah in recent years is Yemen. It will be

fruitless to discuss the nature of income inequalities in that country. Pakistan introduced Zakah recently. What have been the results so far? We all heard from Sr. Rogayah Ngah that Zakah accentuated income inequalities in Malaysia. Did it really?

Modern experiments with Zakah is so limited that one cannot derive any conclusion about its effect as yet. Zakah can bring its desired effect only if it is preceded by a redistribution of land and other productive resources among the people to minimize existing income inequalities. When Zakah is halfheartedly introduced into a small segment of essentially a feudal economy, it is going to have no or little effect in the existing income inequalities. This is precisely what is happening in countries like Malaysia, Pakistan, or Yemen.

Turning now to the effects of modern income taxes, we find that every such system encourages investment, and, therefore, increased income and spending through various tax incentives. Those who have substantial savings can reduce their tax burden if they put their money in new investments. If anything, such a tax system definitely discourages hoarding or keeping resources idle. As long as the Zakah levy remains fixed and very small (e.g., 2½% of year-end savings) it will have no effect on investments, income or labor participation; it should, however, be enough to provide an emergency fund for the traditional recipients of Zakah.

SOME ASPECTS OF THE ECONOMICS OF ZAKAH

CHAPTER 4

A Note on Zakah, The Social Security System of Islam

**based on the talk by
Br. Omar Afzal**

This note is based on the taped edition of the talk by Brother Omar Afzal on "Zakah, The Social Security System of Islam" delivered at the Fourth Session of the Conference. Br. Omar Afzal is a Ph.D. candidate in Linguistics at Cornell University. He has been a Zonal Representative of the Muslim Students' Association of the U.S. and Canada, a President of the Muslim Educational and Cultural Association (MECA) of Cornell University, and the Imam of the greater Albany area Islamic community. He is currently an advisor to MECA.

A NOTE ON ZAKAH, THE SOCIAL SECURITY SYSTEM OF ISLAM

It is a common aspiration on the part of every human being to achieve economic solvency and to acquire enough wealth so that some of it can be set aside for the rainy days. Individuals are not satisfied just with their own economic security; they also want to make sure that their families and the loved ones do not face hardship in their absence. Thus, they try to set aside part of their current income for future use.

Human society tried various approaches over the ages to provide for those who are unable to support themselves. Now-a-days most of the Western World has some sort of social security system for this purpose. These systems are continuously being revised and rewritten to suit the needs of a particular time. Is there a system in the world which can serve the need of every society for every age? Islam claims that there is a system and that system is based on Zakah. The proceeds from Zakah are used for purposes similar to those for social security systems of the West. However, it is difficult to demonstrate the effectiveness of the Islamic system of social security through Zakah because today's Muslim world is full of poor and destitutes, even though there are quite a few very affluent people amongst them. This is because the Islamic social security system has not been applied in the Muslim countries for centuries the way God Almighty ordained it on them. Only during the time of the Prophet (PBUH), the *Khulafa-e-Rashedin*, and during the time of Omar bin Abdulaziz that the state collected Zakah and tried to disburse the proceeds according to Qur'anic injunctions. During the rest of the Islamic history, collection of Zakah, as well as its disbursements, were left to individuals, who spent the money for their favorite charities without making any systematic effort to provide income securities for the poor and the needy.

Over the last two decades the Western World developed varieties of programs, generally known as "social security," to provide assistance and income support to individuals and families who need them. These programs, like the U.S. Social Security System, do not require the recipients of the benefits

to provide any particular services. The U.S. system's technical name is the Old Age, Survivors, Disability, Health Insurance (OASDHI) which most people call Social Security for short. Two basic goals of the system are: (1) earning replacement in case of disability, and (2) income maintenance for the old. The society contributes to the program through compulsory payment of Social Security taxes. The program also pays welfare benefits to those who, for some reason or other, cannot earn income and, thus, are able to support themselves, and those who are unable to pay all their medical costs. The sum of money spent on this total program is enormous — running into billions of dollars. Compared to this kind of giant program, Islam provides for social security by combining several approaches. *First*, it reminds the Muslims that security can emanate from God alone and that He is the source of all bounties. *Second*, it is the responsibility of every individual to make provisions for the future. They are not to use up all their income as if there is no tomorrow. *Third*, it exhorts the Muslims that it is the responsibility of one member of the family to look after another at times of need. (By family Islam not only means one's immediate family, but, also, the extended family.) *Fourth*, if the members of the family cannot take care of themselves, then it is the responsibility of the State to support them with the proceeds from the Zakah levy.

There is nothing in Islam which forbids the Muslim state from adopting the basic corner stone of the U.S. system, *viz.* compulsory contribution by individuals to the system from which they later receive benefits. As long as there is an agreed upon rate of contribution from the individuals and their employers to the State for an agreed upon benefit system, adoption of such a system is not contrary to Islamic principles.

The Zakah system of social security differs from the American one in that it is neither a compulsory contributory savings plan for future benefits, nor a welfare or a public aid program. Coverage of the Islamic system, therefore, is much narrower. The Islamic system is also not an individual charity or philanthropy. It is an act of worship which is obligatory on those whose income or wealth is above *Nisab*, and those who

need it have a right on it. Another unique feature of the Islamic system is that it has a universal coverage. To benefit from it one does not have to contribute to it, nor do the benefits received in old age or at times of need depend on one's prior contributions to it (i.e., payments of Zakah). The proceeds from the Zakah is to be distributed according to the need of the individual. Thus, the welfare part of the Social Security System of the U.S. is very much akin to the Islamic system.

In order that Zakah can provide for an Islamic social security system there is a need for change in the various rates for Zakah. The present rates are not sufficient to meet the needs. Citing history, Br. Omar Afzal maintained that the rates were changed at times, and even the coverage of Zakah was extended to items not originally included as a Zakatable item. The works of Shah Waliullah were quoted by him to point out that both the rates and scope of Zakah have to be changed at times to meet the needs of the changing society.

DISCUSSANT'S COMMENTS

Professor Peter Franck, the discussant, remarked that the discussion of Zakah as a social security system is particularly interesting to an American audience at this point in time, especially because the U.S. is now pondering what kind of changes need to be instituted in its Social Security System. One of the issues raised is about whether or not the U.S. should go for a system of indexing Social Security benefits, and the other one on the question of broadening the base of Social Security.

It is quite clear that in an Islamic state the state has the responsibility to take care of those eight categories of people regardless of what other kinds of levies or taxes it collects besides Zakah. Dr. Franck was in complete agreement with Mr. Afzal in that the rates of Zakah were by no means fixed by the Qur'an, nor were they intended to be on a fixed rate basis by the Prophet (PBUH). He saw no reason why the rates could not be changed or some new levies could not be imposed to augment revenue resources so that the State could fulfill this important obligation.

Dr. Franck then commented on the similarities and

dissimilarities between Zakah and the U.S. Social Security System. he asserted that similarities outnumbered the dissimilarities.

1. The first principle of the U.S. system is that the collection of the Social Security tax from individuals is independent of the beneficiaries of the tax. That's why the word "insurance" is used.

2. The collection is based on a certain minimum wage base and a minimum percentage. The collection base is uniformly held at a particular income level regardless of how large is the income.

3. Both the employers and the employees contribute to the system by paying the compulsory tax.

4. An income distribution feature has been written into the system. The benefit payments are fixed by law; however the benefit base is increasingly widened and the benefit payments are adjusted occasionally for inflationary factors.

He wondered how Islam addressed itself to the issue of adjustment of benefit payments from Zakah for inflationary factors. He concluded his remarks by adding that there should be some adjustment in Zakah payments or there should be some supplementary payments to take care of the increases in the cost of living.

EDITOR'S COMMENTS

Br. Omar Afzal's paper brought a completely new dimension to the discussion of the economics of Zakah. His argument was that Zakah could be conceived as Islam's social security system. True, a major portion of Zakah proceeds will be used up by the poor (*Fuqarah*), the needy (*Masakeen*), and the collectors of Zakah (*Ameleen-A-Alaiha*), in an Islamic state today, but this does not mean that Zakah is equivalent to the Western type of social security system. The U.S. Social Security System's coverage can be indirectly extended to a fourth category, welfare payments to refugees (not regular immigrants, as they are normally deported when they become dependent on the government for their living expenses) of political oppressions. If so, this system covers one more

category of the beneficiaries of Zakah, viz., the wayfarers (*Wabnus-Sabeel*) which include refugees of religious and political oppressions. Thus, we see that the Western type of social security system, at best, covers only half the categories of beneficiaries of Zakah. They leave out four categories, namely: (1) those whose hearts are to be inclined (*Mu-allaf-tul-Quloob*), which can be interpreted as being those who have only recently converted to Islam, (2) ransoming of slaves (*Fir-Rikaab*), which in modern times might be interpreted as putting up bail for those who are in bondage (i.e. in prison or in detention centers) not because of taking part in a definite crime, but because of their firm belief in the Islamic way of life, (3) the debtor (*Gharemeen*), and (4) in the cause of Allah (*Fee-Sabeelillah*).

The Zakah system, therefore, is much wider in scope than a Western type of Social Security System can ever be. If it costs the U.S. Government billions of dollars just to cover a few of the expenses suggested by Islam through its Social Security System, imagine how costly it will be to fulfill all the obligations ordained by Zakah. Clearly, the present agreed upon rate structure of Zakah and the present coverage of Zakah will be utterly inadequate to meet today's needs of a Muslim country. If Zakah is to be introduced into a Muslim country for the purposes ordained by Allah in the Qur'an, not only the rate structure or coverage of Zakah needs to be changed, but also the entire economic and political structure of such a country, so that they conform to the Islamic standards. Otherwise, it will prove to be a futile exercise. This point is raised very clearly by the next paper to which we now turn.

A Note on the Social Implication of Zakah in Modern Times

**based on the talk by
Dr. Ilyas Ba-Yunus**

This note is based on the taped talk by Dr. Ilyas Ba-Yunus entitled "Social Implication of Zakah in Modern Times," delivered at the Fourth Session of the Conference. Dr. Ba-Yunus is an Associate Professor of Sociology at the State University of New York at Cortland. He has been an active member of the M.S.A. and the AMSS since their inception. He spent the academic year 1979-80 as a Visiting Professor at King Abdulaziz University in Jeddah, Saudi Arabia and also as a roving ambassador of Pakistan to Iran.

SOCIAL IMPLICATION OF ZAKAH IN MODERN TIMES

Any discussions on Islamic issues, now-a-days, are by nature theoretical, since an Islamic state does not exist anywhere in the world. Still there is some virtue in discussing the issues as, God willing, we will see the establishment of Islamic states in some of the Muslim countries in the near future.

The main concern of the paper is to discuss the place of Zakah in today's Muslim society, especially in the context of what has been happening in Pakistan recently. According to a news analysis recently published in the *Horizon*, the Pakistan Government claimed that it would be collecting around \$300 million (or 3,000 million rupees, approximately) in Zakah from the people during its first year of implementation (the fiscal year 1979-'80). This amount, roughly, represents 20 percent of the budget of the Pakistan Government. Pakistan's population is about 65 million. The average size of a household is about seven. There are at least about 9 million households. Let us say there are 10 million households, for the sake of this example. Then, assuming that 50 percent of the households are below the poverty level, we come to the number of needy households to be around 5 million. If the \$300 million of Zakah proceeds are distributed among them, the total assistance per household per year would be around \$60 or 600 rupees. If it costs an individual about Rs. 200 (\$20) per month to live, then an additional Rs. 50 or \$5 per month for the entire household (for seven individuals in the households — i.e., Rs. 7.14 or less than a dollar per individual) is nothing more than a drop in the bucket. Even if one assumes that the percentage of households below the poverty level is lower than the level of assistance through Zakah in Pakistan, it will not bring any appreciable change in the living conditions of either the *Fuqarah* or the *Masakeen*. Dr. Ba-Yunus thought that the nationalization of banks was a blessing because people with lots of money in the bank could not escape payments of Zakah. Even with that, however, the total expected collection of Zakah will fall far short of needs. He argued that if Zakah was introduced into poor countries

like Pakistan, it would not make much of a difference in the elimination of poverty in such countries.

There are reasons why a substantial number of people will evade payments of Zakah in a country like Pakistan. Among them we have to look at the three social correlates of Zakah. *First*, the nature of the political leadership is such that it generates distrust between the government and the people — the latter think it is being exploited by the political elite. If Zakah is to be successfully implemented, then the political system must change to an Islamic one. *Second*, is the operation of the economic system. As long as interest is institutionalized, gambling is allowed, and trading in prohibited goods is permitted, the society remains an exploitative one. There will be very little enthusiasm to pay Zakah under such a condition of the economy. *Third*, the presence of sexual exploitation inhibits the growth of fellow feelings and trust of each other. Consequently, large scale evasion of payments of Zakah is the result. Zakah, therefore, cannot be successfully implemented in a non-Islamic social and economic environment. Zakah is only a part of the total Islamic system. Unless the whole Islamic system is introduced, introduction of Zakah will bring very little fruit.

DISCUSSANT'S COMMENTS

Dr. Muhammad Mahmood Awan, the discussant, observed that Dr. Ba-Yunus raised very important issues. The introduction of Zakah in Pakistan, or for that matter into any other Muslim country, cannot achieve the desired goals unless there are commensurate changes in the socio-political structure of these countries to conform to Islamic standards. Unless these changes are brought in, the people are unlikely to cooperate with the governments in power and pay the Zakah levies properly.

It was unrealistic, however, to expect that all the desired changes would come to pass in the near future. One should welcome any little change that leads to an Islamic way of life. Even though the Muslim countries are by no means following a total Islamic system, an introduction of Zakah into these countries still should be considered as a welcome step forward in the right direction.

Dr. Awan continued his comments by cautioning the audience about the figures cited by Dr. Ba-Yunus. Any kind of data coming out of government sources from countries like Pakistan are suspect. Recalling his own experience as a government officer, he said it was quite possible that a minister or a high official of the government probably directed a section officer to prepare some estimates of the possible size of Zakah collection before he was due to deliver a political speech — say thirty minutes later. The section officer probably cooked up the figure of \$300 million thinking it would make the minister happy. There was possibly no basis for such an estimate. [This, of course, is pure conjecture, though possibly something like the above illustration could have occurred.] Whatever the correct figure may be, one can be certain that any collection of Zakah and its proper distribution among the poor and the needy will bring some relief to them since they are seeking out a living even without any assistance from the government. Dr. Ba-Yunus' contention that a subsidy of \$60 per household per year will bring little or marginal relief can be accepted only on the ground that the government might mishandle the economy so badly that it would continue to be plagued with shortages and resulting inflation would eat up the subsidy.

As to the question of the nationalization of the banks and the government's supposed hold on the individuals' accounts, making it possible for it to extract Zakah payments from them, one should point out that the nationalization of the banks had not become effective as yet and that millions of rupees were being withdrawn from those accounts. By the time nationalization took its hold on July 1, 1979, probably most of the holdings were gone.

The government sector is the predominant sector of the Pakistani economy. Yet the government has exempted all its enterprises (at every level from federal, provincial, to local) from the payments of Zakah. This is a serious contradiction. How does the government expect the private sector, which is much smaller in size and whose individual enterprises are tiny compared to state enterprises, to pay Zakah while it does not pay any. If the government is determined to impose Zakah only on the private sector, it must relieve it from some other

taxes which are non-productive. As long as the socio-political structure of Pakistan is contrary to Islamic principles, he added, Zakah can accomplish its limited goal only if there is some relief for those who bear the brunt of Zakah through some reduction in other taxes.

EDITOR'S COMMENTS

Earlier we saw the results of a study in Malaysia which implied that Zakah accentuated income inequities among Malaysian farmers. There we argued that it was not Zakah which caused inequities, but inequities in the distribution of income in Malaysia existed before Zakah was introduced to only a part of the economy — in fact the weakest and the poorest part of Malaysian economy; namely, the paddy producing sector. We further added, that as long as the economy basically remained un-Islamic in nature, and as long as a few had control over too much of resources at the cost of the majority, an introduction of Zakah to the poorest sector would definitely lead to evasion of Zakah and, consequently, would bring some distortion in the income distribution.

The case of Pakistan will further prove the validity of our argument. As long as the socioeconomic and political structures of the country remain un-Islamic, the incidence of Zakah (i.e., the burden of the payment of Zakah) will fall on the poorest, the farmers, and the workers. It is they, the ones falling in the lower end of the middle class who care about Islam and who, fearing God, will do their best to pay Zakah. The rich in every society are far away from religion. One has to make only a casual glance at their life style to witness it. It will be a miracle if a feudal society like Pakistan can ever collect a sum of \$300 million from Zakah proceeds.

Let us hope that Pakistan has made a first step towards an Islamic society and that all other changes essential for the establishment of such an ideal society will gradually come to pass. Let us also hope that before the country is transformed into a truly Islamic state, no one comes up with a summary judgement about the effects of Zakah on income distribution.

SOME ASPECTS OF THE ECONOMICS OF ZAKAH

CHAPTER 5

Economic Policy for Development — A Treatise on Zakah

by
Dr. Muhammad Mahmood Awan

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ECONOMIC POLICY FOR DEVELOPMENT—A TREATISE ON ZAKAH

Muslim countries of the world are facing serious economic crises these days particularly in the field of fiscal management and distribution of wealth. With the exception of a few oil producing countries in the Middle East, Muslim countries are generally ranked with the world's poorest and least developed nations. Almost half a century of modernization of Western lines has not changed the fortunes of people in these countries. In fact, three decades of Western oriented economic planning and policy administration has been associated with successively higher levels of poverty and stagnation. Such an historic tragedy calls for a fundamental and structural reshaping of these economies on grounds that are truly compatible with the growth of moral, social, political, and economic institutions of the people.

The purpose of this paper is to illustrate the significance of religious institutions, such as *Zakat*, in detail both as a personal religious obligation for Muslims and as a viable economic policy instrument for a modern economy.

The intended audiences for this paper include social scientists, professional economists, policy makers, and public administrators in Muslim countries. The presentation has been divided into various parts.

Part I outlines the problem — the failure of Western-inspired economic policies and development alternatives to either reduce poverty or to provide desirable redistribution of wealth in Muslim countries. Some popular approaches to development and income redistribution are examined and the experience of selected countries is analyzed. It is argued that the policy options suggested by conventional growth and distribution models are not only inadequate but also destabilizing and counterproductive.

In *Part II* we present the concept of *Zakat* as established in the Qur'an and Sunnah. The role of *Zakat* in an Islamic society is examined in an historical context.

Part III deals with the theoretical and operational issues in the implementation of Zakat rules. It is maintained that the institution of Zakat will yield optimum welfare results only when other supporting Islamic institutions are also operating in the society, and the state is well-equipped morally and politically to administer disbursement of Zakat funds in accordance with the standards of efficiency laid down by injunctions of Islam. Finally, we analyze prospects for change in Muslim countries. By looking at the cases of various countries, it is argued that implementation of Islamic ordinances, such as Zakat, will go a long way towards creating a truly egalitarian state with real growth and prosperity.

Part I: The Problem — The Failure of Western Inspired Economic Policies in the Muslim Countries

It is an historical fact that prior to colonization by Western Imperial powers, Muslim nations, even with their imperfect fiscal systems, enjoyed greater prosperity and welfare than exists today. The absolute level of poverty in Muslim nations was appreciably lower than in the rest of the world. With the advent of colonization, these nations not only witnessed the loss of freedom, but also experienced a gradual replacement of their fiscal institutions by impersonal and misdirected economic mechanisms suitable only for perpetuating and maximizing colonial interests. The two World Wars, however, diminished the might of colonial powers and they could not govern distant colonies by force any longer. Therefore, the freedom of Muslim nations from colonial subjugation was inevitable.

What was not anticipated by emerging Muslim nations, such as Pakistan, Malaysia, Indonesia, Morocco, Algeria, Jordan, Iraq, Tunisia, Sudan, and Syria in the Middle East, was their continued dependence on Western ideologies and political standards. Their social and economic ties with the former colonizers remained essentially similar even after the political freedom was attained. Decades of colonization had

deprived Muslims of their once powerful intellectual heritage and they failed to re-establish Islamic economic institutions even after the colonial dominations had ceased to exist.

Instead of dissipating, the influence of Western philosophies strengthened, since Muslim countries chose to retain the Western judicial, political socioeconomic, and educational systems under the ascendancy of false doctrines of modernization which suggested that the best course for newly independent states was to tread on the heels of their former colonizers. Because of the widespread distortions in the economic system and general political instability, the rulers in these countries were forced to seek assistance from Western nations. Their dependence on colonial powers for intellectual leadership, in fact, increased after the independence.¹

It is in this context we see the "underdevelopment" experience of Muslim nations over the last three decades. We find that early policy makers in newly-independent Muslim nations had no innate program for change. On the other hand, because of decades of intellectual dependence on the West, it was fashionable to question the current validity of Islamic economic institutions. A heavy reliance was placed on models of change developed by Western scholars, who were quite competent in their own disciplines, and sincerely believed that the experience of European countries can be duplicated in non-European states.²

¹A prolific critique of Western influences was provided by Iqbal during the first decades of the twentieth century. In his Persian and Urdu poetry, as well as in his philosophical writings, such as *The Reconstruction of Religious Thought in Islam* (Iqbal, 1951, Ch. V), he has substantiated the view that the political and economic salvation of Muslims lies in their own religious heritage and recognizing the dangers of dependence on the West for moral leadership.

²Gerschenkron (1962, p. 353) comments, "After having satisfied oneself that in England certain factors could be reasonably regarded as having preconditioned the industrialization of the country, the tendency was, and still is to elevate them to the rank of ubiquitous pre-requisites of all European industrialization."

Muslim countries were not to suffer alone from this illusion; their counterparts in Latin America were also receiving advice which was totally incompatible with the philosophical and sociological underpinnings of their economic structures. A number of growth models were presented to Muslim countries which made the development task look quite simple: increase the marginal rate of saving, monetize the whole economy, set targets for urbanization, attain targeted increases in imports, consumption, and government expenditures levels thereby registering growth in the "almighty" GNP, and seek assistance from abroad if the targets are unattainable from domestic means (they always were!). Values, traditions, and religious beliefs of people were not treated as the determinants of change in a society. In fact, many economists even today, consider these as cultural barriers to growth and obstacles to modernization in relatively underdeveloped countries. Thus during the 1950's, 1960's and 1970's, "value-free" or "tradition-neutral" long range plans were formulated in a number of Muslim countries with optimistic goals of modernization and overall transformation of economies on "productive" lines. These plans, as we shall see later, were based on the implicit value system of the West, and sought to duplicate the growth experience of the Western states. Some examples should be of interest to our readers.

Four successive five year plans in Pakistan, various plans of Iraq including the latest five-year plan (1976-80), Iranian plans particularly the fourth and fifth plans (1968-73 and 1973-78), Ten-year Plan of Economic and Social Development (1961-1971) in Sudan, four-year plans in Algeria (1970-73 and 1974-77), plans of various durations in Jordan (1966-73, 1973-75, and 1976-80), five year development plans (1968-73 and 1973-77) in Morocco, various four-year plans in Tunisia (1965-68, 1969-72, 1973-77), and Turkish five-year plans (1962-67, 1968-72, 1973-77), are all classic examples of Western-inspired efforts to bring about economic change in Muslim countries. This change was sought through a variety of secular growth models visualizing the coveted course of industrialization as a schematic, stage

by stage process which would somehow usher the dawn of prosperity.³

Unfortunately, these models emphasized only capital accumulation (with the exclusion of other important variables) as the key to economic growth and were so simplistic and one-dimensional that they would never bring real prosperity.⁴ Capital-formation-oriented philosophy of development became an obsession with the government planners and policy makers in Muslim countries. They pursued policies which in the name of development, created wide disparities of income and opportunities.⁵ On the basis of the “functional justification for inequality of income,” provided by development economists in the early 1960’s, a majority of underdeveloped Muslim countries adopted policy actions which promoted the growth of industrialization but only for the benefit of ruling elites and “functional”

³Rostow’s stages model; Nurkse’s capital formation model; Ranis and Fei’s sectoral model; Lewis’s dual economy and surplus labor model; Rosenstein-Rodan’s international aid model; Singer’s balanced, and Hirschman’s “big-push” model; Galenson and Leibenstein’s investment criteria models; Jorgensen’s dual economy and MacEwan’s regional models; Gurley, Shaw and McKinnon’s financial deepening models — all “logical” explanations of “development process — were employed in varying degrees as the basis of planning in “developing” Muslim countries. For a comparative analysis of the applicability of the models, see Muhammad Mahmood Awan, *Foreign Capital and Development Process — The Pakistani Experience* (Washington, D.C.: University Press of America 1977).

⁴Writing in 1954, W. Arthur Lewis (May 1954) contended: “The central problem in the theory of economic development is to understand the process by which a community which was previously saving and investing four or five percent of its national income or less converts itself into an economy where voluntary saving is running at about twelve to fifteen percent of national income or more. This is the central problem because the central facet of economic development is rapid capital accumulation.”

⁵A leading Pakistani planner, Mahbubul Haq (1963, pp. 1-3) wrote:

“It is well to recognize that economic growth is a brutal, sordid process. There are no short cuts to it. The essence of it lies in making the laborer produce more than he is allowed to consume for his immediate needs, and to invest and re-invest the surplus thus obtained. It is immaterial what one chooses to call this — . . . The policy emphasis in the developed countries is moving toward ‘distribution’ and ‘welfare state’ considerations. . . It would be

coalitions. It was maintained that industrialization would gradually bring about structural economic change and prosperity. Instead, it further distorted the agriculture-based economies of a majority of Muslim countries in Asia and Africa. By the end of the decade it was obvious that poor judgement was exercised and despite the projections of the international development organizations, problems had indeed worsened. Not only did poverty increase, but with the absence of appropriate taxation measures, the concentration of newly generated incomes at a few locations also produced massive transfer of resources from the rural, productive middle class to the urban rich.

That, of course, meant the beginning of an era of social and political unrest and tension in many countries. Regional disparities, massive unemployment, and unmanageable inflation caused widespread discontent. It was obvious that the strategy of GNP-maximization through foreign aid and development of selected sectors in the economy had failed. The countries which were once cited as models of development were now called disaster stories. The failure of this experiment was not as much because of inadequate goals as it was of inappropriate means; but the failure was immediately explained away by the tradition-bound economists, and a new philosophy of "growth with distributions" was offered (Chenery *et al.*, 1974).

Unfortunately, even at this stage a proper recognition of the inherent features of Muslim societies did not take place. Instead, the early seventies saw the rise of new slogans: social justice, equal opportunity, balanced development and distribution of wealth — though all desirable goals, yet meaningless without a proper perspective. A number of

unfortunate, however, if this change in policy emphasis in the developed countries were to spill over into the growth philosophy of economies still in a stage of 'take-off.' In this latter stage, the best (and, perhaps, the only) form of social security is a rapid extension of productive employment opportunities to all through the creation of sufficient capital by some. There exists, therefore, a functional justification for in-equality of income if this raises production for all and not consumption for a few. The road to eventual equalities may inevitably lie through initial inequalities."

Muslim countries decided to nationalize the means of production in the economy hoping that this will control monopoly power, raise aggregate investment, and provide more equitable distribution of income. Initially, the venture was a political success, but it soon caused the inevitable economic backlash with unanticipated, indirect effects on labor discipline and productivity in the economies.

Distribution policies of the seventies has not been fundamentally different from the previous "production" policies of the sixties. The only change has been in the degree of emphasis on decentralized management, land reforms, labor reforms, and taxation policies. A number of new models have been formulated with emphasis on policy actions which take into account employment and income distribution implications of traditional development strategies (Frank, Jr. and Webb [ed.], 1977; and Ahluwalia and Chenery, 1974, pp. 209-235).

The economic policy rhetoric has also changed in recent years. There is greater recognition that without direct attacks on mass poverty, Muslim countries will not be able to break the vicious cycles of stagnation and economic backwardness (Haq, 1976 and Wilber, 1973). GNP growth rate is no longer considered as the *deus ex machina* to solve the structural problems of poverty. What is missing, however, is the enunciation of an alternative strategy in which the arrangements for the production and distribution of economic goods will be in harmony with the historic institutions of family, social order, and moral standards.⁶ None of the new theories can be described as a general theory capable of carrying the analysis beyond marginal factors of income distribution. It is true that these theories focus on explaining interregional and intersectoral interactions in a dualistic context, and take into account the changing fortunes of different labor groups in the development process. But

⁶It should be acknowledged that some economists have identified institutional framework of an economy as an explanatory variable in the production process. However, their treatment has been so superficial as to make the significance of institutions almost trivial. For example, see Adelman's *Theories of Economic Growth and Development* (1961).

inherited human and material wealth, elements of distributive justice, the distributional bias of public finance, and the ordering of individual and collective choices are ignored. One should recognize that a *laissez faire* system, in any form, is simply unable to either enact or sustain a just and fair distribution. Similarly, Marxian philosophy of "from each according to ability, to each according to needs" attributing the whole of the net output to labor, only glorifies labor, but does not provide a truly just system of distribution either. What is just, however, in one society may not be considered just in another society.⁷

This brings us to the general problem of ideology in social sciences. Economists, in general, pay little attention to the ideology in policy making, and tend to discount its significance. It is paradoxical, however, that in so doing they actually are supporting some form of ideology. For example, even when they are making a strong pitch for a value-free, positive economic science, they are involved in the defense of *laissez faire*, or opposition of egalitarian measures.

We maintain that ideology, as broadly defined, inevitably forms part of social analysis.⁸ It has actually nurtured scientific hypothesis and theory, and there is no need to conceal ideological biases. The traditional pretense of a value-free science represents the concealment of values. Since ideology emphasizes the reality of human choice over the organization of an economy, it serves as an instrument of social control, facilitates intellectual inquiry, and promotes

⁷John A. Rawls (1971) has articulated a contractarian approach emphasizing the establishment of initial just order in a society. According to Rawls, rational self-interested individuals would act as "risk-aversers" and arrive at two basic principles of justice which suggest that social and economic inequalities must be to the greatest expected benefit of the least advantaged. This enunciation has, obviously, created much controversy. (See also Sen, 1973; Thurow, 1973 [31], pp. 56-80; Bronfenbrenner, September 1973, pp. 9-23; and Nozick, 1974).

⁸According to Gilbert Abcarian (1971), the following features constitute ideological belief systems: perceptual selectivity, rationalization, scriptualism, normative certitude, transcendentalism, tactics, political socialization, emotional arousal, reductionism, personification, and strategic assessment.

social cohesion by projecting cultural ideals. Ideology, therefore, can be viewed as both directing and forming thoughtful analysis. In the words of G.L.S. Shackle (1967, p. 286): "All we can seek is Consistency, coherence, order. The question for the scientist is what thought-scheme will best provide him with a sense of that order. . . . Religion, science and art all of them have this aim in common. The difference between them lies in the different emphasis in their mode of search."⁹

Unfortunately, Muslim countries which borrowed Western growth strategies for their economic development have not recognized the significance of ideology in molding and transforming their economies on more desirable lines. Had they identified the power of ideology in shaping a better economic world at the time of their independence from colonial rule, Muslim countries today would have been in a far more prosperous state. They would have avoided the social tensions and economic distortions that have emerged in their societies.

This is the broad context in which we would like to analyze the relevance of Islam, a complete ideology of individual and collective life for Muslim economies. It is our view that Islamic institutions such as Zakat and "Riba-free" finance will provide an ideological basis to Muslim economies saving them from the shackles of contradictory economic systems. In the next section, we examine the concept of Zakat, a cornerstone of Islamic economic ideology and philosophy of income distribution. In this regard, we rely almost completely on the Holy Qur'an for conceptual foundations of Zakat.

⁹Contrary to positions taken in the post-war period by economists, such as Joseph Schumpeter and Lionel Robbins, there is more recognition, today, of the positive contributions ideology can make in economic policy making. Joan Robinson (1962), for example, believes that economics is both science and ideology, and that both serve as instruments of social control in the key role of rationalization. Similarly, Gunnar Myrdal (1958) has highlighted the inevitability of normative and ideological elements and the need for making them explicit. Mark Blaug (1968) recognizes the co-existence of ideology and scientific procedure, suggesting that economists are catching up with past biases.

Later on, we elaborate on some of the rules in the light of *Hadith and Sunnah*.¹⁰

Part II: Concept of Zakah

Zakat has been declared the third pillar of Islam by the Holy Prophet Muhammad (peace be upon him).¹¹ As a founder of the modern state of Islam, he put great emphasis on the establishment of Zakat as a cornerstone of the Islamic economic system and framework of social justice. During the Islamic Caliphate of Abu Bakr and Omar, Zakat was further integrated into the state policy structure. It is important, however, that before we discuss the significance of Zakat as a policy instrument for income redistribution and growth, we should understand properly the concept of Zakat in a comprehensive Islamic perspective. This is necessary since Zakat, more than a policy instrument of the state, is a personal religious obligation of all Muslims. The purpose of economic activity, according to Islam, is to develop man and his socioeconomic and physical environment according to the demands of his task as God's *Khalifa* (vicegerent).

This is the essence of the principle of *Tazkiyah* (purification) and is the logical extension of fundamental Islamic principles of *Tauhid* (God's unity and ultimate sovereignty) and *Rabubiyyah* (God's universal mode of actualization for all created Divinity) (Azad, 1962). In Islam, the focus is on human development which is the key to all development in our universe. This development takes place through efficient, equitable, and just distribution of all endowed resources recognizing that differences exist in the distribution of various possessions. In the words of the Qur'an:

¹⁰For a comprehensive analysis of the evolution of economic thought on Zakat, see Aghnides' *Mohammedan Theories of Finance* (1969, pp. 280-449).

¹¹Islam is built of five pillars: the declaration that there is no God besides Allah and that Muhammad is God's Messenger; the establishment of regular prayers, the payment of Zakat, the keeping of Ramadan fast; and the pilgrimage to Mecca for those who can afford it (Siddiqi, 1972, pp. 10-11).

And it is He who made you (His) vicegerents of the earth, and raised some of you above others in ranks, that He may try you in what He had given you: For thy Lord is quick in punishment, yet He is indeed oft-Forgiving. Most Merciful. (Qur'an 6:165)¹²

Zakat, which literally means "to grow, to purify, to sweeten," is an act which has been elevated in Islam to be part of Muslim faith (Iman), and has much wider implications than just the transfer of charity from the rich to the poor. Qur'an puts Zakat in a total perspective by declaring:

Righteousness does not consist in your turning your faces toward East or West. Instead, it involves Iman in Allah, in the Day of Judgement, in the Book, in the prophets, and spending of one's wealth out of love of Him for the welfare of the relative, the orphan, the deprived, the wayfarer, the poor and for ransoming the captive. Righteousness also consists of the holding of prayer, the paying of Zakat, the fulfillment of promises and covenants made, patience in good or ill, and steadfastness in war. Those who fulfill these values are the genuine in faith; they are the pious, the righteous. (Qur'an 2:177)

Thus, the Qur'an presents Zakat as a criterion of righteousness for Muslims and considers it a form of worship. Further, it provides evidence of the practice of Zakat by previous prophets and their followers. There is a

¹²Translations of Qur'anic verses are based on *The Glorious Qur'an* (translation and commentary) by Abdullah Yusuf Ali, published by MSA, 1975.

clear reference to the period of Abraham, Isaac, and Jacob (peace be upon them) in the following words:

And We made them leaders, guiding (men) by Our Command, and We sent them inspiration to do good deeds, to establish regular prayers and to practice Zakat; and they constantly served Us (and Us only). (Qur'an, 21:73)

Similarly, Prophet Ismail (peace be upon him) is mentioned as upholding Zakat:

Also mention in the Book (the story of) Ismail: he was strictly true to what he promised, and he was an apostle (and) a prophet. He used to enjoin on his people Prayer and Zakat, and he was most acceptable in the sight of his Lord. (Qur'an, 19:54-55)

The universal moral code of Prayer and Zakat was also held binding for Israelites, as is described in the Qur'an:

And be steadfast in Prayer and practice Zakat; and bow down your heads with those who bow down (in worship). (Qur'an, 2:43)

Also, it was pointed out:

And remember We took a Covenant from the children of Israel (to this effect); worship none but Allah, treat with kindness your parents and kindred, and orphans and those in need; speak fair to the people; be steadfast in Prayer and practice Zakat. Then did you turn back, except a few among you, and you backslide (even now). (Qur'an, 2:83)

In case of Prophet Jesus (peace be upon him), Qur'an reproduces the first statement of Jesus Christ (peace be upon

him) to the people of Nazareth. It is remarkable that Zakat was mentioned as an obligation for him:

He said: 'I am indeed a servant of God: He had given me revelation and made me a prophet, and He had made me blessed wheresoever I be, and had enjoined on me Prayer and Zakat as long as I live.' (Qur'an, 19:30-31)

The Qur'an is very explicit as far as instruction to followers of Islam about Zakat are concerned. It is an indispensable part of Muslim worship as is evident from this verse:

And be steadfast in Prayer and Zakat: and whatever good you send forth for your souls before you, you shall find it with Allah: for Allah sees well all that you do. (Qur'an, 2:110)

Thus Zakat is not merely a rate or ratio that is levied on an individual for state collection, but it is part of the faith of all those who believe in the Unity, and Divinity of God, the Almighty. It is an act of purification which is necessary for moral and material rearmament. Along with other Islamic charities — *sadaqat* — Zakat ensures continuous growth and prosperity of an Islamic economy because of the healthy circulation of wealth that it creates in the society.¹³ Private, voluntary charities are strongly encouraged in an Islamic society, but the level of donations is left optional to individuals and organizations. Zakat, on the other hand, is compulsory and is fixed by law. Its rates have been determined by the Qur'an and *Sunnah*, and there cannot be any compromises on its assessment. This has great merit from the point of view of fiscal clarity and discipline. The ordinance of Zakat has specific beneficiaries; hence it cannot serve as a substitute for other taxes. The state must institute other taxes if it has additional needs to raise funds for state

¹³For a general understanding of Islamic charity see Allam's "The Theory of Charity in Islam" (1965).

expenditure. Beneficiaries of Zakat funds are explicitly recognized by the Qur'an as follows:

'Sadaqat' are for the poor and the needy, and those employed to administer (the funds), and those whose hearts have (recently) reconciled (to Truth); and for those in bondage, and in debt, and in the cause of God, and for the wayfarer: (Thus it is) ordained by Allah, and Allah is full of knowledge and wisdom. (Qur'an, 9:60)

Thus eight categories of beneficiaries have been specified including those involved in the collection of Zakat funds. This makes Zakat a self-financing, fiscal activity for all practical purposes. We shall have more to say on this subject in a later section. At present, a discussion of the Zakat rates seems in order.

PRINCIPLES AND ASSESSMENT RATES OF ZAKAT

In the light of various sayings of the Holy Prophet Mohammad (peace be upon him) as collected in the works of Al-Bukhari (670 A.D.), Muslim (875 A.D.), Abu Daud (868 A.D.), Al-Tirmizi (892 A.D.), Al-Nasai (915 A.D.), Ibn Madja (886 A.D.), Mohammad Al-Rummi (991 A.D.), and Mohammad Al-Tusi (1067 A.D.), and drawing upon the interpretations of the orthodox schools of Abu Hanifa (767 A.D.), Shafei (819 A.D.), Imam Malik (795 A.D.), and Ahmad bin Hanbal (855 A.D.), Islamic scholars have suggested the following schedule of rates for Zakat (see Schacht, 1967, and Makdisi, February 1977). These rates apply to all sectors of economy including household sector, agriculture, industry, commerce, and finance covering both apparent and non-apparent forms of wealth. The level of wealth must exceed the minimum exemption limit — *Nisab* — and must have remained in the possession of the owner for one year.

For lack of space, we cannot quote detailed sources (see Robson, Vol. I, 195, pp. 371-416), and cannot digress into

individual juristic opinions regarding specific categories of Zakat (see Abu-Zahra, 1965). Our aim is to provide a conceptual understanding of this major alternative to secular measures of income redistribution described in Part I.

RULES:

1. **Zakat rate and utilization of factors.** Keeping in view that wealth is the product of labor and capital inputs, the rate of Zakat varies with the amount of labor and capital expended. Due regard is made of the difference between unearned income (including capital gains) and income earned through varying degrees of utilization of capital and labor efforts. The greater the amount of labor and capital requirements in the generation of wealth, the lower will be the rate of Zakat, and the lesser the amount of labor and capital involved in the creation of wealth, the higher will be the levy of Zakat (Al-Arabi, 1966). This principle ensures that incentives for employing labor and capital for productive purposes are not curbed, and the productivity of labor and capital always keeps enhancing in the economy.

2. **Zakat on wealth subject to growth process.** Zakat is payable only on wealth which actually grows and is subject to growth process. Therefore, physical assets, commercial and industrial goods, agricultural and pastoral lands and animals, mines and treasure-trove, gold, silver and paper money, and shares of commercial and industrial enterprises are all subject to Zakat, whereas necessities of life and articles of daily use are, in general, exempt from Zakat.

3. **Agricultural sector.** According to a direct order of the Holy Prophet (PBUH) as contained in a letter to Muadh bin Jabal of Yemen, the land irrigated by streams, rivers, or rainfall (all without any human labor inputs) are subject to *Ushr* — i.e., 1/10 of the agricultural produce as Zakat. Lands irrigated with the help of man-made, artificial irrigation systems are subject to 1/20th of the produce as Zakat. Cattle being raised on lands for growth purposes such as camels, sheep and goat, cow, oxen, buffalo, and horses (*sawaim*) are all subject to Zakat varying between 1% and 2½%. Specific

criteria exist for assessing Zakat for the produce of farming and gardening sectors.

4. **Commercial and industrial sector.** In the area of nonapparent wealth, gold and silver holdings are subject to Zakat 1/40th of the value. The exemption limits were set by the Holy Prophet (PBUH) himself (Afzal-ur-Rahman, Vol. III, 1976, pp. 224-230). Mines, natural gas and petroleum wells, and other mineral treasures are subject to the Zakat rate of 20% whether they are owned by an individual or state. Purely commercial and industrial goods are subject to a Zakat rate of 2½%. To the extent that paper money serves as legal tender and thus a substitute for gold, it is subject to Zakat on the basis of its value in gold. Industrial plants and corporate physical assets are subject to a Zakat rate of 10% collected from the corporation without liability being transferred to the shareholders. The rate of Zakat on corporate shares and stock used in commerce is the same as applied to gold and silver, i.e., 2½%.

Historically, the rules outlined above have never been fully implemented by governments in Muslim countries. The exception, of course, is the seventh century period of golden Islamic rule under the Holy Prophet (PBUH) and the four Caliphs. During the period of the Umayyads (661-750 A.D.), the *Qadis* made useful contributions towards interpretations of various rules. Under the Abbasids (750-1258 A.D.), codification of specific schools of law occurred with great advantages for development of economic and legal thought. However, gradually, Zakat became an individual responsibility and the role of the state diminished with successive Muslim regimes and expansion of the Muslim empire in various directions.

A few centuries later, Western colonization completely eliminated the possibility of state controlled Zakat collection efforts. After the colonization period, however, sheer ignorance of the potential of Zakat has kept Muslim governments from implementing it at state level. Once the powerful potential of Zakat as a means to end poverty is fully recognized, modern Muslim states will find that establishment of Zakat is such a natural way of ensuring

continuous economic growth that they will not resist the introduction of an Islamic Economic Order. In the next section, we look at some specific issues which must be considered in this regard.

Part III: Theoretical and Operational Issues in the Implementation of Zakah Rules

We have addressed ourselves to two fundamental concerns in the last two sections. Firstly, the historic nature of the problem of under-development and poverty in Muslim countries was discussed. Secondly, we have examined the concept of Zakat as a viable alternative which once fully employed in an Islamic country, will lead to abolition of poverty and concentration of wealth. There remain, however, some important questions about the implementation of Zakat which need to be answered.

Muslim countries, such as Iran and Pakistan, are now at the verge of an Islamic revival. Governments in these countries seem to be convinced of the merits of Zakat and are willing to enforce Zakat rules. Some other countries are observing their progress in this regard and are waiting to see the results before they initiate their own effort to enforce Islamic laws. It is crucial, therefore, to have a realistic appraisal of the situation.

Zakat, as we explained in previous sections, is part of an overall fiscal and monetary framework. Its primary aim is to help the poor and suffering people. Once the system is fully operational, it will check the concentrations of wealth and will bring about a more equitable distribution of resources in the economy. It will be inappropriate to assume that this system could be operated without other supporting elements of the Islamic framework. Optimum results will not be attained from the introduction of Zakat if the economy is not freed from other non-Islamic features, such as the existence of *Riba*-based finance. Similarly, the introduction of interest-free banking will not yield optimum results if the

system of Zakat is not introduced simultaneously. This is supported by the Holy Qur'an where abolition of *Riba* and enforcement of Zakat are ordained together:

God will deprive Riba of all blessing but will give increase for deeds of charity; for He loveth not creatures ungrateful and wicked. Those who believe, and do deeds of righteousness, and establish regular prayers and Zakat will have their reward with their Lord: on them shall be no fear, nor shall they grieve. O ye, who believe! Fear God, and give up what remains of your demand for Riba, if you are indeed believers. Introduction of either institutions with the exclusion of the other is likely to cause hardship.

(Qur'an, 2:276-278)

A proper recognition should be made of the fact that people with fixed incomes, such as the salaried classes or those involved in businesses which are easily identifiable and quantifiable, are already heavily burdened by taxes. These middle class groups lend themselves easily for Zakat assessment as well. Therefore, before Zakat measures are enforced, some relief mechanism for these groups should be designed. That is not to say that a compromise should be made about exemption limits (*Nisab*) or the rates of Zakat. We would only like to alert the policy makers about the welfare implications of existing fiscal measures and stress the necessity of a thorough review before new measures are enforced.

An underlying assumption throughout this discussion has been made regarding the existence of an Islamic leadership and administration in the country. Without a properly instituted, legal, and representative government, the enforcement of Zakat will be an extremely unpopular notion with the masses. Leaders in Muslim countries should not expect masses to contribute funds for any cause, no matter how noble it may be, if they do not have confidence in their

ability to manage these funds in a judicious way. The beneficiaries of Zakat are clearly identified by the Qur'an. Even though the Islamic state retains some flexibility in the disbursement of these funds, Zakat funds cannot be diverted to perpetuate the rulers' favorite projects (Maududi, 1969, pp. 335-372).

The overall fiscal structure of the state will have to be reorganized in order to accommodate all the features of the system of Zakat. With Zakat and *Ushr* in place, the entire spirit of taxation, corporate profits, household savings, and welfare projects will change. For compliance with Zakat, emphasis on proper statistics gathering will increase. The census bureaus could be assigned additional tasks of gathering data relevant for Zakat purposes. This will mean availability of additional data for all planning purposes in the country. But the greatest advantage will come in the form of a shift from holding of idle cash balances and accumulation of idle wealth to the investment of funds in productive, profitable ventures. It will become obvious to wealthy concerns that with the abolition of *Riba* and the existence of Zakat, they are much better off investing their funds rather than getting them "taxed" away by the state. From the perspective of modern economic theory, this means a continuous flow of funds from unproductive, sometimes non-monetized, and idle sectors to monetized and production oriented sectors of the economy. The result will be higher consumption and investment levels in the economy which will increase national output by a multiplier effect. In short, a properly instituted system of Zakat will break the vicious cycle of poverty in a few years and will be a far more powerful instrument of change than any income distribution plan envisaged by Western-inspired long range development plans.

It is gratifying to note that one of the biggest victims of misdirected "development" planning, Pakistan, has already embarked on the path of reshaping its economy on Islamic lines. The recently announced Zakat and *Ushr* order is a good starting point. The administrative framework designed for collection of Zakat can be easily developed in other countries with similar background. The success of the program will

depend, of course, on the sincerity of the leadership and the confidence of the people in the nature of Islamic government. We shall have more to say on Pakistan's case in a follow-up study.

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DISCUSSANT'S COMMENTS

The discussant of the paper, Dr. Ali Atia Abdussalam, began his comments by stating that the Western world alone cannot be blamed for the failure of their economic models and planning techniques in alleviating economic conditions of the Muslim countries. A major part of the blame should fall on the Muslim scholars who got their educational training in the West, but failed to adapt it to the needs of their own societies. The Muslim countries and the socioeconomic aspirations of the Muslims are foreign to the Westerners, but not to the Western trained Muslims themselves. The Muslim scholars have problems of their own. There has been an intellectual gap and a stagnation of ideas in the Muslim World since after the first few centuries of Islam. The Muslim scholars, including economists, became inactive, and, as such, they let themselves succumb to foreign ideas and cultures. If we want to blame someone for the plight of the Muslim countries, we should blame ourselves first, and only then we can place part of the blame on others. Dr. Abdussalam observed that Dr. Awan applied a normative approach (i.e., what ought to be and what ought not to be) in his paper, to economic planning. In order for us to bring some changes in the economic plight of the Muslims, we should be making a positive approach (as

against normative) to planning. Once we do so, we will begin to see some changes.

Dr. Awan's paper implies that material growth is undesirable. There is nothing wrong with material growth. Material growth is necessary for overall improvement in the quality of life. Islam disapproves of material growth only when it is achieved at the cost of human values and spiritual life.

Dr Abdussalam ended his comments by expressing that Dr. Awan over emphasized the importance of Zakah in improving economic conditions (i.e., the growth in GNP and better income distribution). Zakah is not a cure-all for all the afflictions in Muslim countries. It cannot bring desired results if applied in isolation. As long as there is a concentration of wealth and economic power in the hands of a few, an introduction of Zakah will bring negligible, if any, change in either investment or in income distribution.

EDITOR'S COMMENTS

The major part of the paper lingered on the various economic growth philosophies and planning models and techniques of the West which were tried on the Muslim countries over the last few decades. Dr. Awan placed the burden of the failure of various economic developmental plans in the Muslim countries on the Western planning techniques and ideologies.

The second part of the paper dwelt on the concept of Zakah and its various rates. The final part, which is miniscule compared to the first two parts, contains policy implications of Zakah-based economic planning. He argued that an introduction of Zakah will bring the desired economic progress with better income distribution. This part of the paper is written in the same vein as the one by Dr. Masudul Alam Choudhury (see chapter 3). My comments about that paper are valid in this case also and need not be presented here again.

SOME ASPECTS OF THE ECONOMICS OF ZAKAH

CHAPTER 6

Policy Implications of Introducing Zakah into Bangladesh and into Saudi Arabia

by
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POLICY IMPLICATIONS OF INTRODUCING ZAKAH INTO BANGLADESH AND INTO SAUDI ARABIA

INTRODUCTION

The objective of this paper is to demonstrate that an Islamic Economic System, in which the taxation structure is based on Zakah and other Islamic taxes, is in no way an impediment to the efficient functioning of a twentieth century economy, be it a prosperous one or poor. The study takes Bangladesh as that of an economically depressed (or poor) country, and Saudi Arabia as an example of a relatively prosperous Muslim country. The analysis is based on a comparative study of the two economies' Gross Domestic Products (GDPs), per capita GDPs, sizes of revenues and expenditures based on current taxation structures, and investments and/or borrowings at home and abroad. The implications of the introduction of the complete Islamic Economic System on the two economies are then analyzed. Before proceeding with the actual analysis, it will be appropriate to define what is meant by an Islamic Economic System.

DEFINITION OF AN ISLAMIC ECONOMIC SYSTEM

An Islamic Economic System is one in which:

1. It is recognized by the people that ultimate ownership of all human and natural resources belong to God and to God alone, and that men are at best trustees of those resources;
2. It is a system which enjoins private ownership of property and business, and grants freedom of choice with respect to occupation, as well as consumption of goods and services, as long as the pursuit of these freedoms do not interfere with the similar freedoms of others and does not prevent the expansion of goods and services for the benefit of the nation as a whole;
3. It is a system which does not permit accumulation of idle wealth by a few at the cost of poverty for many;

4. It is a system in which ownership of all natural resources — e.g., land, water, and mineral resources — belong to the people (Yusuf, 1971, pp. 27-31) and, as such, managed by them through the Government nominated and elected by them — a system in which such resources are periodically redistributed among the people according to their capacities to fully utilize them rather than on the basis of their desires or abilities to accumulate them for their narrow material wealth (Abu-Sulayman, 1968, pp. 18-30);
5. A system in which renting of natural resources by one individual to another is not permitted — persons possessing such resources in excess of what they can fully utilize must give them away free to their fellow brethren in need (Abu Sulayman, 1968, p. 21);
6. A system in which sharecropping is not allowed, nor is it allowed to accept or pay interest (usury); and
7. A system in which the taxation structure is based on Zakah levied on idle wealth, agricultural and industrial produce, mineral wealth, and on the entire capital of the whole nation (Ahmad, 1964, pp. 92-95).

An Islamic economic system, therefore, is non-existent at this moment in history. However, the earlier centuries of Islam were witnesses to the efficient functioning of the Islamic economic system and an analysis of the workability of this system in modern times will draw upon that experience.

A COMPARATIVE STUDY OF SOME ASPECTS OF THE BANGLADESH AND SAUDI ARABIAN ECONOMIES

Table I presents data on some basic economic indicators of Bangladesh and Saudi Arabian economies for the years 1973, 1976 and 1977. Even though the population of Bangladesh is about nine times greater than that of Saudi Arabia, its Gross Domestic Product, which was half as much as in 1973, came about only one-eighth of Saudi Arabian GDP for 1977. When one looks at the per capita GDP (i.e., per capita income) for the two countries, the picture becomes more vivid. While

Bangladesh's per capita income is hovering around \$85 a year, Saudi Arabia enjoyed over a four and a half fold increase in its per capita income between 1973 and 1977 to stand at \$5,754.05 in 1977. Similarly, the figures for exports, imports, and net trade balance show that while Bangladesh is incurring increasingly larger sums of trade deficit over the years, Saudi trade surplus for the year 1977 was close to four times the size of the total GDP of Bangladesh for that year. It is not very difficult to see that the establishment of a complete Islamic economic system will create far less administrative strain for Saudi Arabia than for Bangladesh. Bangladesh faces a dual problem of raising enough resources from its domestic sources to keep its economy alive, and acquiring resources from abroad to improve its economic conditions. The question is, will the implementation of an Islamic economic system in such an utterly poor country alleviate the situation a bit more than what it is now? Before attempting to answer that question, let us look at the composition of the Gross Domestic Products of the two countries and their sources of revenues and expenditures for some recent years.

Table 2 presents data on the percentage distribution of GDPs by industries for both the countries for the year 1976. While the agricultural sector (including hunting, forestry, and fishing¹) is the largest contributor to Bangladesh's GDP (52.2 percent), it is the mining and quarrying sectors for Saudi Arabia (75.2 percent). Table 2 reveals that the Bangladesh economy is relatively more diversified than the Saudi economy — it has relatively larger industrial and service sectors than Saudi Arabia. Implications of introducing an Islamic economy system into the two countries will be quite different due to the divergent nature of their economies. This point will be elaborated further, shortly.

Table 3 presents data on the revenues and expenditures of the governments of Bangladesh and Saudi Arabia for the years 1973 and 1976.² Most of the tax revenues in Bangladesh

¹Of the total of 52.5%, contribution of agriculture is 47.4%, forestry and logging 2%, and that of fishing 5.6%.

²1976 was the last year for which some consistent data were available for both the countries. 1973 was chosen to show the situation before the so-called "oil embargo" of late 1973 and early 1974.

TABLE I
BASIC INDICATORS OF BANGLADESH AND SAUDI
ARABIAN ECONOMIES 1973, 1976, and 1977

Basic Indicators	Bangladesh			Saudi Arabia		
	1973	1976	1977	1973	1976	1977
Population (in millions)	73.21	78.66	80.56	8.45	9.24	9.52
(In Million U.S. Dollars ^a)						
Gross Domestic Product (GDP)	5,670	6,981	6,825	10,956	43,924	54,779
Per Capita GDP ^b	78	89	85	1,297	4,754	5,754
Exports	357	401	476	7,686	36,363	41,162
Imports	873	940	1,191	1,975	8,694	15,010
Net Trade Balance (Exports-Imports)	- 516	- 539	- 715	5,711	27,669	26,152

a. Figures in national currencies were converted to U.S. dollars by using the average market rate of exchange published by the IMF (see source below).

b. Per capita U.S. dollar figures are rounded off to the nearest whole value.

SOURCE: Estimated from the data in International Monetary Fund, *The International Financial Statistics*, January 1979, pp. 64-65, and 318-319.

TABLE 2
PERCENTAGE COMPOSITION OF
GROSS DOMESTIC PRODUCTS
BY INDUSTRIES

Sectors	Bangladesh	Saudi Arabia
	1976	1976
Agriculture, hunting, forestry & fishing	52.5	1.1
Mining and quarrying	---	75.2
Manufacturing	8.5	4.9
Electricity, gas and water	0.2	0.2
Construction	5.7	7.9
Wholesale & retail trade, restaurants, and hotels	10.2	3.2
Transport, storage, and communication	7.2	3.9
Finance, insurance, real estate, and business services	8.9	3.2
Community, social, and personal services	6.8	0.4
Less: Imputed bank service charges	---	---
GDP of Industries	100.0	100.0

SOURCE: Estimated from the data in United Nations, Department of International Economic & Social Affairs, Statistical Office, *Yearbook of National Accounts Statistics*, 1977, Vol. 1 (New York, 1978), pp. 52 and 978-979.

are collected from sales taxes (mainly, sales taxes on imported and exported goods and, to a much lesser extent, on domestically manufactured goods) and customs taxes. Income taxes contributed only 13.7 percent of all revenues in 1976 (about 8.9 percent coming from personal incomes, 2.5 percent from corporate income taxes and the remaining 2.3 percent primarily from agricultural income in the form of land revenue). Income taxes, however, were the major sources of tax revenue for Saudi Arabia, showing the dependence on the oil-related income. Predictably, its share in the total tax revenue increased in 1976 over that in 1973. Saudi Arabia collects Zakah from its people, but the amount collected from Zakah is very meagre (Knauerhase, 1975, p. 295, Table 13.10). For example, a total of 9,674 million riyals were collected as income taxes in 1973 (*World Tables—1976*, p. 365) of which only 11 million riyals came from Zakah (Knauerhase, 1975, p. 295). Zakah is not compulsory there. With the rising revenues from oil exports, the share of non-tax revenues declined in 1976 compared to 1973. The situation with respect to non-tax revenue was just the opposite in Bangladesh. Bangladesh had to raise an increasing amount of revenues from various services operated by the government. For 1976, approximately half of the non-tax revenue came from *interest receipts* (about 854 million take out of a total of 1,702 million taka for non-tax revenue). In the case of Saudi Arabia, the bulk of the non-tax revenue came from rents and royalties.

Two major differences between Bangladesh and Saudi Arabia can be noticed in the data for current expenditures. Saudi Arabia spends relatively much larger sums on national defense than Bangladesh. Most of Bangladesh's current expenditures seem to go under the category of "other expenditures," which probably includes items such as government subsidies, disaster relief, and civil administration. A third difference — not an insignificant difference — is the item called "interest on debt." This item is quite significant for Bangladesh as the government raises funds both domestically and internationally for meeting its needs. The Saudi Arabian government is in a fortunate position of not needing to borrow funds. This is quite clear when one looks at the data on current surplus, foreign grants,

TABLE 3
PERCENTAGE DISTRIBUTION OF REVENUES
AND EXPENDITURES

Sources of Revenues & Expenditures	Bangladesh		Saudi Arabia	
	1973	1976	1973	1976
<u>Current Revenue</u>	(2,425)	(9,396)	(13,200)	(110,930)
<u>Tax Revenue</u>	91.7	81.9	76.6	89.7
Income taxes	3.3	13.7	73.3	[a]
Sales taxes	38.0	34.7	0.7	[a]
Customs taxes	41.2	30.8	2.4	[a]
Other tax revenues	9.2	2.7	0.2	[a]
<u>Non-tax Revenue</u>	8.3	18.1	23.4	10.3
Receipts from govt. enterprises	---	14.2	1.5	[a]
Rents and royalties	---	---	19.2	[a]
Other non-tax revenues	8.3	3.9	2.7	[a]
<u>Current Expenditures</u>	(2,252)	(7,648)	(6,949)	(28,197)
Defense	11.1	22.3	56.9	65.1
Agriculture	---	---	2.0	---
Education	20.0	13.3	16.6	10.5
Health	5.4	4.1	5.4	2.7
Transport and Communication	[b]	[b]	2.7	[b]
Interest on Debt	3.6	9.0	---	---
Other Expenditures	59.9	51.3	16.4	21.7
<u>Current Surplus</u>	(173)	(1,745)	(6,251)	(82,733)
<u>Foreign Grants</u>	(2,573)	[a]	---	---
<u>Total Capital Resources</u>	(2,746)	[a]	(6,251)	[a]
<u>Capital Expenditures</u>	(4,627)	(10,057)	(6,718)	(74,433)
Agriculture	20.4	15.2	8.5	2.3
Education	4.8	4.7	4.4	8.6
Health	3.5	3.2	0.7	2.3
Transportation and Communication	22.8	22.6	22.1	26.7
Industry and Power	13.7	14.2	1.7	1.5
Housing	5.6	6.3	[c]	12.2
Others	29.2	33.8	62.5	46.4

--- Data insignificant or zero.

[a] Data not available at this time.

[b] Data on this item are included under "other expenditures."

[c] Data on this item are included under "others."

Note: Figures in parentheses are in million national currencies.

and total capital resources. The Bangladesh government has to supplement its revenues by borrowing internally and, more importantly, from abroad. Saudi Arabia has been a large lender and an important investor abroad.³

Distribution of capital expenditures between various sectors and uses are very similar in both countries. However, Saudi budget for capital expenditures increased manifold between 1973 and 1976 reflecting sharp increases in its oil revenues in recent years.

IMPLICATIONS OF INTRODUCING AN ISLAMIC ECONOMIC SYSTEM INTO BANGLADESH

Under an Islamic economic system, not only the entire taxation structure will have to be changed, but also the ownership and use of various natural resources — mainly agricultural land (and land for dwellings) will have to be redistributed to conform to Islamic principles. Water, forestry, and mineral resources are already owned by the State and are supposedly being used for the benefit of the people.

Over half of all the farms in Bangladesh are below "subsistence" holdings of 3 acres, but these farms command less than 20 percent of all farm land in the country (Zaman, 1972, p.4). About 11 percent of all farms having 7.5 acres or more command over 38 percent of all farm land (Zaman, 1972, p.4). Since an average family of farmers cannot properly utilize more than 4 to 5 acres of land with the existing farm techniques and practices,⁴ the majority of the larger land

³As of April 1978, about \$29 billion was invested in the U.S. by Saudi Arabia, Kuwait and the United Arab Emirates. Most of the money, however, belongs to Saudi Arabia. Of this \$29 billion, \$13.3 billion was in U.S. Treasury bills, bonds and notes, and \$5.3 billion in bonds issued by federal agencies or American corporations. About \$5.2 billion was invested in the stock market and another \$5 billion in commercial bank short-term and long-term liabilities (Ibrahim, Thursday, June 15, 1978, p. D-1).

⁴Agricultural land is divided into small plots with some minor exceptions. The deltaic land, divided into tiny plots, is not suitable for cultivation by large mechanized ploughs. Since the top soil is very fertile, use of mechanical ploughs sometimes bury the top soil and bring up the sandy soil and, thereby, reduces yield. Farming is very labor intensive in Bangladesh and, as such, family labor very often cannot handle more than 4 or 5 acres.

holders (i.e., those farmers owning holdings of 7.5 acres or more) rent and either on a sharecropping basis or rent on a fixed cash basis. About 16 percent of the total cultivated area (total land area under cultivation is about 21 million acres) is under sharecropping and about 1 percent of the land is under tenancy. Thus, about 3.6 million acres of land need to be redistributed free of charge among the farmers as Islam does not permit sharecropping and tenancy, and it also does not allow holding of idle lands while others badly need them or can make better use of them. At present, most of the land revenue in Bangladesh is paid by the poor farmers who fear that the failure of payment of land revenue will mean confiscation of land by the government. The rich farmers, on the other hand, seldom pay land revenues as they are politically very powerful and can manipulate the tax collectors as well as the administration of the country. A redistribution of the land will do away with this group and thereby will increase revenue in the hands of the government. It is true that a majority of the farmers still will not have to pay Zakah as they are miserably poor, but a large number of others, who are paying very little or none at all, will have to pay Zakah if it is properly implemented.⁵ As is explained in footnote 5, this redistribution will increase government revenue substantially and, thus, introducing Zakah will not only be beneficial financially, but also socially because it will eliminate a special economic class from the society whose consumption pattern has not been very healthy for Bangladesh's economy.

There is a need for redistribution of urban land, also. At present, a group of people in every urban area owns most of the land which they gradually sell or rent at exorbitant prices. The resultant proceeds go for conspicuous consumption and, only in some rare cases, to investments in other business. A redistribution of this land according to

⁵My study on land tenancy and taxation in Bangladesh (Zaman, 1972) shows that a redistribution of land will increase government revenue substantially due to direct and indirect increases in income throughout the country (see Section IV of my study referred to above). Those who are interested in the nature of sharecropping in Bangladesh may also read my study on sharecropping (Zaman, 1973).

Islamic principles will bring relief to the poor, and, indirectly, bolster economic activities — consequently, bolstering income and proceeds from Zakah. At present the urban rich pay little income tax; they are able to pay very little because individual officials or the government in power will accept bribes. It should be pointed out here that most of the personal income taxes collected in Bangladesh come from salary or wage earners. Urban or rural landlords frequently pay very little taxes because they are able to manipulate their income records.

Assessment, as well as collection, of Zakah should be compulsory and the responsibility of the government in power. One of the reasons why collection of Zakah has been so insignificant in Saudi Arabia, where it is collected in some fashion, is that assessment is left to the individual payers of Zakah. It is ironical that the birthplace of Prophet Muhammad (PBUH) is not also taking Zakah seriously. During the time of the Prophet (PBUH), Zakah assessors used to go around and assess Zakah, and payment was compulsory. After his death Abu Bakr, as Caliph, took to waging holy war against those who refused to pay Zakah. No tax is popular, not even Zakah, but it has to be assessed and collected as laid down in the Shariah.

Imposition of the Islamic economic system will enhance tax revenue in Bangladesh to an extent that it will reduce the need for borrowing from abroad. The government's need to borrow internally through payments of interest must also stop. The additional money (i.e., in addition to Zakah revenue) needed to meet current, as well as capital, expenditures should come from revenues from state-owned mineral, water, and forestry resources. Collection of revenues through sales taxes can continue as long as its incidence falls equitable on all. Additional revenues can be collected by imposing Zakah on national capital to force additional savings needs for capital formation.⁶ Government can

⁶Islamic history tells us that the state can and did take measures to enhance tax revenues, if it was needed for the benefit of the people as a whole. Caliph Omar, for example, introduced various changes to collect revenues when it was needed. An idea of imposing Zakah on national capital is not a new concept either (see Ahmad, 1964, pp. 94-95).

continue to collect taxes on irrigated and reclaimed lands, and to collect rents from various facilities for which it had to invest capital (e.g., housing, office or factory spaces, communication, and transportation vehicles).

In summary, the imposition of the Islamic economic system in Bangladesh will lead to (1) a redistribution of agricultural and non-agricultural land in rural and urban areas; (2) will lead to increased income (i.e., larger GDPs) due to better utilization of resources, and increased demand for consumer and producers' goods; and, thus, (3) will lead to an increase in government revenue through Zakah; (4) will reduce the need for borrowing internally and externally; and (5) will eliminate the unproductive upper class and their conspicuous consumption (e.g., luxury automobiles, trips to gambling or casino cities abroad, accumulation of jewelry and the latest designer fashions, etc. — to name a few). An Islamic system, to be successful, needs cooperation among the people. And this cooperation cannot come when there are various economic classes with divergent living standards and aspirations. Introduction of the Islamic economic system will not make Bangladesh a "developed" country overnight, or even in a few years, but it will definitely make it a more cohesive country and a more peaceful place in which to live.

IMPLICATIONS FOR SAUDI ARABIA

There is no paucity of government revenue in Saudi Arabia. In fact, it earns more oil revenue than it can handle properly. The imposition of Zakah, under an Islamic economic system, will have significant implications for its present socioeconomic and political structure. First, the land has to be redistributed free of charge among the masses from the royal family. Hopefully, this would take care of the extra money that is involved in some of the stories about squandering millions of dollars by members of the princely families in the gambling casinos around the world, and disbursement of lavish gifts to foreign rulers, etc. The Saudi government also will have to do away with a dual system of treatment — one for Saudi citizens and the other for Muslims from all over the world who work for them. At the time of Prophet Muhammad (PBUH), the Muhajjeers

were not treated as second class citizens by the Ansars. Muslims, irrespective of their national origins, should be treated equally under an Islamic state. The redistribution of land and other privately owned natural resources should be followed by strict enforcement of Zakah. Zakah taxes should be assessed by state-appointed assessors who will be guided by the principles of Shariah. Even if there may or may not be enough people who can qualify to receive Zakah money within Saudi Arabia, Islamic Shariah does not permit it to abandon Zakah in favor of income taxes it collects from non-Saudi Muslims and other types of taxes from all (see Table 3). It can always opt for distribution of Zakah money to poor Muslims outside its national boundaries, who, unfortunately, number in the millions. A redistribution of income through the imposition of Islamic principles will not only eliminate a special class from the Saudi soil (by reforming them), who has earned a notoriety throughout the world in squandering of wealth on pure pursuit of pleasure and fun, but will also ensure the survival of the Saudis who may otherwise entangle themselves one day in class struggles and perish.

Saudi Arabia already has some Islamic economic institutions, such as interest-free banks. However, it will have to make a complete commitment to do away with interest-bearing financial institutions. Islam seems to be quite flexible when it comes to economic dealings with non-Muslims —especially in economic dealings with non-Muslim countries (Abu-Sulayman, 1976, pp. 31 and 32). Investing monetary capital for fixed returns outside national boundaries is apparently permissible for a Muslim country.⁷ However, if another Islamic country (as distinct from so-called Islamic Republics of today) wants to borrow money for the economic betterment of its people, it seems it should loan the capital free of cost to it. Since there is no such Islamic country, Saudi Arabia can continue to invest its surplus money abroad as it pleases.

⁷See the exposition by Abu-Sulayman, referred to above, on this subject. He specifically refers to Hadith Khaybar in justifying his arguments.

The principal implications of Islamization of Saudi Arabian economy will, thus, be a redistribution of income among its people and a minimization, if not a complete elimination, of waste of economic resources, and prevention of a possible social and political upheaval in that country.

CONCLUDING REMARKS

The Islamic economic system is not a difficult one to implement. However, it calls for sharing of God-given resources among all people — not just a privileged few. And there is the problem. Those who have accumulated fortunes by following relentlessly un-Islamic principles and practices are the least enthusiastic about Islam and its complete system of life. Since they run every country, it has been impossible to reintroduce an Islamic system — a system which, when in force during the first few centuries of Islam, made those countries under the Muslims the best nations in the world. It could happen again; however, it appears that the odds are in favor of the kings, the generals, or the dictators who have the full support of the major powers — those who could care less about Islam and the Muslims.

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DISCUSSANT'S COMMENTS*

Dr. Raquibuz Zaman, as always, is inspiring and enthusiastic. This paper shows his deep concern about the Islamic economic system and his real conviction of its validity. The paper deals with the benefits such a system may provide to any society that elects to adopt it, and proves that Dr. Zaman selected two countries that represent the two ends of the level of prosperity of the Muslim countries.

Dr. Zaman proceeds to expose the major economic indicators in these two countries and the basic features of the Islamic economic system as he sees it. However, some of these features are not immune to controversy.

He did not tell us why the ownership of land should belong to the people, and managed by them through the government, neither did he say why land should be "periodically redistributed among the people" nor what is the mechanism of such as assumed redistribution. Does the Islamic economic system assign such a responsibility to a "central Gosplan" or to an "elite of philosophers"? If so, I would like Dr. Zaman to tell us how much consistency there exists between this and his characteristic No. 2 of freedom.

Renting of land and sharecropping have not been condemned by the great majority of Muslim jurists, especially the five major schools of thought, and thus these practices of Muslims should not be grouped together with the practice of interest, which is condemned by all Muslim scholars.

After reading all his expose, I still would like to ask Dr. Zaman what are the policy implications of introducing Zakah? He mentioned a few things about everything in what he described as the economic system of Islam, such as the redistribution of agricultural land and urban land, the creation of interest-free financial institutions, etc., but he seems to put very little into telling us the policy implications of introducing Zakah. What is the effect of such an introduction on capital accumulation on income

*Dr. Monzer Kahf, the discussant, sent his written comments which are presented here. Since he could not attend the conference, this note was read on his behalf by Dr. Fahri Unsal.

distribution? How and to what level the introduction of Zakah affects the monetary policy of the government in a Muslim country, and what are the changes in the monetary institutions of such a country that are needed to cope with the introduction of Zakah? What is the effect of Zakah on other taxes and what changes are made necessary in order to accomodate Zakah in the fiscal structure of Bangladesh and Saudi Arabia? All these questions still need answers from Dr. Raquibuz Zaman.

EDITOR'S COMMENTS

The main argument of the paper is that the implementation of Zakah can bring its desired results only if the entire economic system of the country is based on Islamic principles. If not, payment of Zakah will be evaded by the majority, and those who are not in favor of Islamic institutions will be quick to point out that the Islamic system cannot be applied in modern days. Since Islam encompasses all aspects of life, it has to be accepted as a whole. By embracing only one part of Islam and ignoring the rest, one should not hope to attain lofty results.

Professor Peter Franck's comment that the existing income structure in Bangladesh is such that an imposition of Zakah there will not bring more than \$10 per head to the needy, gives credence to the above argument. If Zakah is introduced into Bangladesh without a massive redistribution of whatever land and other natural resources it has among its people, it will have little, if any, income redistributive effect. On the contrary, Saudi Arabia, being sparsely populated and being oil-rich, will have enough proceeds from Zakah, even in the absence of redistribution of resources, to yield close to a thousand dollars per needy person. Ironically though, the Saudi Government abandoned its policy of collection of Zakah a few years ago when its revenues from oil began to pile up.

As to the concern of Dr. Franck that the introduction of Zakah in a poor country like Bangladesh will result in an increase in consumption rather than investment, one has to agree that it will be precisely so at the initial period. However, it is hoped that the initial increases in the GNP, brought about

by increases in the aggregate demand, will eventually bring a strong investment effect. Whether or not this will actually happen depends on too many factors unknown at this point.

It is not feasible to prepare a blue print for implementations of Zakah showing the possible effects on income distribution and economic growth for a particular country until the researcher is provided with various data on the economy of the country concerned. For that one needs time and financial resources. Neither of the two were available to most of the participants of the Conference.

Some participants, notably Brothers Khawja Kutubuddin and Shauki Zahran, suggested that the Muslim social scientists should take a global approach in their research work and consider all the Muslim countries as one entity, and then examine their combined potentialities so that they can plan for their combined future. This view appears to be too idealistic at this time. However, this kind of exercise can be done if proper opportunities are provided to those who are qualified enough to do a decent job.

**SOME ASPECTS OF
THE ECONOMICS OF ZAKAH**

CHAPTER 7

SUMMARY

M. Raquibuz Zaman

SUMMARY

Some Aspects of the Economics of Zakah has covered: the concepts of Zakah as is laid down in the Qur'an; the interpretations of Zakah through Hadith of the Prophet (PBUH), explanations by Fuqaha, and in relation to contemporary taxes; how Zakah has been applied in the past; how Zakah can be used to allocate resources; ideas about different ways in which Zakah could be implemented and what would be the socioeconomic and political ramifications of doing so; case histories of countries who have tried, or are currently trying, to enforce Zakah; what problems they appear to be facing and insights into the possible reasons why particular problems are being produced with suggestions for sidestepping the problems, as perceived by the authors — in short, what Zakah is, how it theoretically should be applied to achieve a desirable effect, and what actually happens in the countries where it has been implemented in modern times and why.

Aside from the recognition that Zakah is a mandatory injunction from God, the authors all indicate a genuine concern over the need for and the proper implementation of Zakah with the feeling that the wide differences existing between rich and poor, in the countries where Muslims are in the majority, would be narrowed. Consequently, the resentment that has built up among those who are not rich against those who are would wane, allowing the countries to realize their full economic potentials without having to worry about uprisings, arising out of class struggles, nullifying their efforts to improve the lot of the masses.

Certainly, *Some Aspects of the Economics of Zakah* is just a beginning for those who really wish to implement a just and workable Zakah program in any given country. We have provided a foundation from which to build. Zakah is one of the basic pillars of Islam; it should be implemented in every Muslim country, whether individually or nationally. When getting started, there are bound to be problems; however, countries should be able to conquer these problems in a way that is fair to all, if those in charge have this desire in mind. Hopefully, this book will help those responsible for

implementing Zakah to anticipate plausible problems and, thus, steps can be taken to avoid as many pitfalls as possible.