



A Review of Zakat with the Perspective of Social Insurance

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Abstract: Zakat is an Islamic institution moored within the Islamic economic system to cater for the Muslims' social welfare. The term zakat suggests the idea of growth to emphasize that the giving of one's resources is simultaneously an act that cleanses oneself and one's property and, through sharing, enhances the capacity of others.

This paper is based on the theoretical research and answers on the various aspects of zakat. Zakat as an act of worship is the icon of Islamic economy justice that ensures equal and upright distribution of wealth.

This paper concludes that proper and translucent distribution of zakat will directly impact the equitable distribution of wealth to the society and if managed appropriately Zakat is surely the insurance to the society.

Keywords: Zakat, Sadaqah, Islamic economy.

1. INTRODUCTION

The institution of *Zakah* is undoubtedly one of the most widely discussed and explored aspects of the Islamic economy. This is perhaps because *Zakah* is one of the five principal pillars of Islam along with *Shahadah* (declaration of faith), *Salat* (daily prayers), *Sawm* (fasting during Ramadan) and *Hajj* (pilgrimage to Makkah).

Zakat is one of the pillars of faith in Islam that emphasizes the socio-economic development. Zakat is a binding act ordained by Allah (The Glorified and Exalted) to be performed by every adult and able bodied Muslim. It is an important pillar among the five pillars of Islam. Zakat is a part of the wealth and property that Muslims must pay annually, to help the poor of their community. One of the main purposes of Zakat is to keep those who are wealthy; clean, monetarily, from sin. It is a form of (charity) which is obligatory on Muslims.

The term zakat suggests the idea of growth to emphasize that the giving of one's possessions is simultaneously an act that purifies oneself and one's property and, through partaking, augments the capacity of others.

Zakat is one of the most potent institutions of wealth-sharing that promotes the Muslims' pecuniary activities and assures a minimum standard of living for the Muslims. Zakat as an act of worship is an emblem of

Islamic economy justice that ensures equal and trustworthy distribution of wealth. Proper and transparent distribution of zakat will give a direct impact on equitable distribution of wealth to the society.

2. REVIEW OF LITERATURE

Masudul Alam Choudhury (2008) conducted the study and concluded that there exists a positive relationship between Islamic, Zakat at source and the economy at large. **Mahyuddin Haji Abu Bakar** (2011) concluded that a more self-sustained mechanism of zakat distribution could become the most effective tool that guarantees better quality of life for the beneficiaries. **Azim Nanji** (2012) in his book wrote that zakat and related notions of giving in Islam can play an important role in addressing the compelling issues of poverty and social injustice in our time. **Dr. Adel Sarea** (2012) in one of his research concluded Zakat is one of the proper method to measure the economic growth, which means, when people pay Zakat the level of economic growth will be higher and vice versa. **Amy Singer** (2013) concluded that together with countless individual actions, demonstrate how charitable giving continues to be central to the practice of Islam. **Olanipekun, Wahid Damilola, Brimah, Aminu Nassir and Sanusi, Haruna Baba** (2015) concluded that the institutionalization of zakat as



an alternative strategy would provide the foundations for sustainable development and good life.

3. THE ORIGIN OF ZAKAT

Going back to the first application of Zakat at the time of Prophet (peace be upon him) is like studying Zakat at its source in order to discover its significance, mode of application and effects, whether social, spiritual or economic. . In Makkah the verses on Zakat were in the general form of voluntary payments and it was left to the faith and the brotherly feelings of individuals to decide what and how much to give in Zakat. **Surah Al- Ma'arj (70:24-25)** advises: " *And in whose wealth there is a right acknowledged. For the beggar and the destitute.*"

It was only in the second year of Hijrah, some eighteen months after the arrival of the Prophet (peace be upon him) to Madina that Zakat became a Fard (obligation) on Muslims. Madina verses gave clear directives, ordering the payment of Zakat and since that time the Prophet (peace be upon him) used to send out Zakat workers to collect and distribute the due Zakat.

4. ROLE OF ZAKAT IN ECONOMY

Since the institution of *Zakah* is a substantial component of the Islamic economy, its role therein is both assorted and far-reaching, not least because *Zakah* is the swivel of all public finance in Islam. However, for the sake of brevity and simplicity, the role of *Zakah* within an Islamic economy can be said to cover three spheres, namely the ethical sphere, the societal sphere and the pecuniary sphere.

In short, at the societal level, one of the most significant objective of *Zakah* is that it seeks to exterminate poverty, the mother of all social problems, by ensuring that the rich live up to their social responsibility by distributing a slice of their wealth and opulence to the poor and the needy of the society at large.

Undoubtedly, one of the most significant roles of *Zakah* in an Islamic economic order is that it "prevents the melancholic accumulation of wealth in a few hands and allows it to be diffused before it assumes threatening proportions in the hands of its bearers." That is to say that *Zakah* ensures that wealth and property are not commandeered and controlled only by a section of a society to the impairment or total exclusion of rest of the society.

5. RECIPIENT OF ZAKAT

The general principle of zakat distribution has been laid down clearly in the Al Quran as underlined in the Surah al Taubah verse 60 that states: "Alms are for the poor and the needy, and those employed to administer the (funds) for those whose hearts have been (recently)

reconciled (to Truth) for those in bondage and in debt in the cause of Allah and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom".

From the above verse, there are eight classifications of people defined in the Al Quran as those who are entitled for zakat payment: the impoverished, the poor, those in-charge of the distribution of zakat (*amil*), the new Muslim transformed, those who are freeing themselves from servitude, those who are in liability, those who serve the cause of Islam and the wayfarer. The details are as follows:

1. *Faqir*– This classification belongs to the people whose wealth is below the *nisab* threshold. They are poor and destitute and need other people's help to survive, either because of their physical inability, old age or others.
2. *Masakin*– The category consists of the persons whose income does not suffice the basic needs.
3. *Amilin*– This category refers to the persons involved in the administering and managing matters related to zakat such as calculation, collection and disbursement.
4. *Muallafat al Qulub*– To strengthen the faith in Islam , people who are very close to Islam are also entitled for the Zakat such as the newly converts who have given up their property and family relations.
5. *Riqab*– This category covers all those Muslims who are restricted from performing their duties under the rule of non-Muslim sovereignty.
6. *Gharimin*– Muslims who are in debt and have no resources to pay their debts considered acceptable in Islam such as being in debt to get basic amenities to sustain their lives and those under their care.
7. *Fi sabilillah*– It involves the Muslim fighters in the cause of Allah to promote Islam and are in the war to protect Islamic countries from the invasion of enemies of Islam.
8. *IbnSabil*– Wayfarers who run out of food ration in their travel for a good cause.

6. EFFICIENT ZAKAT MANAGEMENT- FOR SOCIAL INSURANCE

Since past the administration of zakat has undergone many improvements like:

1. Set-up and Infrastructure
2. Monetary and Human capital
3. Delivery system and
4. Governance transparency



But still there are issues that need to be attempted to ensure that the administration of zakat is moving on the right track, henceforward to get rid of poverty and to upgrade people's standard of living nationally and internationally.

No matter how good the system is developed, if it could not gratify to the needs of the community especially the poor and needy, such institution is considered as unproductive.

At present there is the strong need to enhance as well as strengthen the zakat management system to address the issues like inefficiency especially in distribution aspect.

It is the peak time to realize that if we need Zakat to be proven as the social insurance, we need to transform the administration of zakat by improving the ability of zakat collection centers. We need to work hard on not only identifying those who should pay zakat, but also to trace down the prospective zakat payers.

We all need to work on poverty eradication which is the basic purpose of Zakat, it seems to be tough but not impossible. Most of the Zakat administers follows the short term solution by helping the poor by directly giving them a sum of money to buy their necessities. This short term solution only make them dependent on Zakat and not help them in enhancing their standard of living . Instead of this, the authority would have to regularly monitor and provide them the financial assistance in the form of financing their children's education or sending them to training centers to gain certain skills which in turn may result into the employability of the person. The responsibility do not ends here, once the skills are acquired the Zakat administration need to look upon whether the same person can be employed or can he start his own venture. In both the cases monetary and advisory assistance is to be provided.

The intention and the objective behind this is to change the condition of the poor from being a zakat recipient to one who pays out zakat.

During his reign, Caliph Umar al-Khattab introduced a zakat distribution concept that alleviated the socio-economic status of the recipients that is from leading in poverty to becoming rich. Umar's aim was to change the life style of the poor that is from becoming the recipient of zakat to the giver of zakat (al-Qardhawi 1987; Sahata 2003; Shibli2002).

Zakat fund could act as an incentive to the poor and the needy as part of the effort to assist them to become economically productive recipients if the fund is directed in a viable form.

Moreover, the zakat fund could free the recipients from poverty and improve their living standard. An ideal Islamic society strives to abolish all forms of discrimination, prejudice, class differentiation and provide equal opportunity to all members of the society

Zakat if managed effectively and administered well ,is a distributive mechanism par excellence in that it seeks to establish a society in which wealth, goods and services are both equitably distributed and shared so that inequity and injustice is eliminated on the one hand while poverty and hunger are alleviated on the other.

7. LIMITATIONS OF THE PAPER:

This paper does not cover the calculative aspects of the Zakat and all the various terms attached to the calculation.

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