

**THE PERFORMANCE OF THE INSTITUTION
OF ZAKAH IN THEORY AND PRACTICE**

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INTRODUCTION

This paper aims at looking into performance of the Zakah institution in contemporary Muslim societies and contrasting the actual outcome of its implementation with theoretical analysis carried by contemporary Muslim economists. The paper shall conclude that a drastic revision of the common wisdom on the issue may need to be carried over.

To pursue this objective the paper shall take a quick overview of Zakah application in the society of the Prophet (pbuh), the first Islamic State of Madinah during the time of revelation (Section I). In Section II, I will study the trend of Fiqhi opinions in the classical Fiqhi works throughout the Islamic history. Section III shall discuss the way contemporary Muslim economists consider Zakah and the role they assign it in composing their understanding of a contemporary Islamic economy and system. Section IV shall supplement Section III by reviewing the different theoretical estimations of Zakah proceeds which, in fact, assess the presumed quantitative potentiality of Zakah in playing the theoretical role discussed in Section III. Section V shall briefly discuss the actual implementation of Zakah in certain Muslim countries with the aim of contrasting the proceeds of Zakah and its actual effect in redistribution with both the theoretical modeling and theoretical estimation mentioned in Section III and IV.

Section VI shall present the conclusions of the paper.

Section I

Zakah in the Society of the Prophet (pbuh)

Going back to the first application of Zakah at the time of the Prophet (pbuh) is like studying Zakah at its sources in order to discover its significance, mode of application and effects, whether social, spiritual or economic.¹

It is well known that Zakah was prescribed in the second year of Hijrah. So was Zakah of Al Fitr which was prescribed during the month of Ramadan of the second year of Hijrah, i.e., about eighteen months after the arrival of the Prophet (pbuh) to Madinah. Since that time the Prophet (pbuh), as a Head of the State, used to send out Zakah workers to collect and distribute the due Zakah on livestock and agriculture. It is extremely difficult to reach an estimation of the amount of the Zakah proceeds during that period. Very little is known about the amount of agricultural production as well as the cumulative wealth of livestock in the society of Madinah. However, from the available information one may conclude that a one Dirham worth of food was sufficient to sustain a family of four for a day.² Such an amount was also a good approximation of the value of a day's work for an unskilled person in agriculture or other kinds of employment including government service.³

What is known, with certainty, about the society of Madina in that period is that poverty was existing and continued to exist until the time of Omar when large scale transfer of income started to flow in

¹ Although there are several references to Zakah in the part of Qur'an revealed in Makkah, putting it as an obligation on all qualified wealth and income and making it one of the pillars of this religion came only in the second year of Hijrah. Yousuf Al Qaradawi, "Fiqh and Zakah".

² Monzer Kahf, "Relative Prices in Madina at the Time of Prophet (pbuh) and his Four Successors", Review of Islamic Economics, Vol.1, No.1, 1991.

³ Kahf, Ibid.

Madina from newly conquered lands to the North of the Arabian Peninsula. One should remember that the main sources of income in Madina were agriculture and livestock. Trade came at a third level of importance as it was actually the speciality of the Makkans.¹ The people of Madina had only a few trade activities in comparison to their holdings of palm orchards and livestock.

It must be noted in this regard that Zakah was imposed on agricultural products, livestock, trade inventories and gold and silver. Except for personal and family things, nothing of substantial value, of the time, was left outside the domain of Zakah. Land was almost worthless unless it was used in agriculture, and dwellings were commonly inexpensive.²

Ayesha, for instance, reports that the people of Madina and especially the household of the Prophet (pbuh) didn't have their sufficiency of barley bread until after Khaibar was conquered.³ Abu Hurairah narrates a story after story about the poverty among the Ahl Al Suffah in Madinah.⁴ One must also remember that Abu Hurairah came to Madina in the 7th year of Hijrah, i.e., after opening Khaibar.

The ratio of Zakah on livestock is, generally speaking, about 2.5%, and the ratio of Zakah on agricultural products was mostly 10% since only very few orchards in Madina were irrigated by camel-pulled machines (called in Arabic: Sanyah). The proceed of Zakah was in most cases distributed immediately after collection, as reported by many workers who often said that they used to come back from their

¹ Jawad Ali, Tarikh al Arab.

² There is a report that Abdullah bin Umar built alone a home for himself in Madinah, in a few days, and another that the meeting house in Makkah, Dar al Nadwah, was purchased, during the Prophet's time, by Hakim bin Hizam for a jar of wine: see Kahf, relative prices, op.cit.

³ Monzer Kahf, Economic texts in the Qur'an and Sunnah.

⁴ Ahl Al Suffah is a group of about seventy immigrants who were asked by the Prophet (pbuh) to devote all their time for the service of religion and state. They had special living arrangement in front of the mosque.

Zakah missions empty handed, the way they started their journeys, since everything collected used to be distributed on the spot.¹

Until the end of his life, the Prophet (pbuh) himself needed to borrow for family food and similar needs, and he died under debt for such loans.

To the above one must add that most casual (irregular) revenues, especially war booties, used to be distributed, by the Prophet (pbuh), being the head of State, very quickly upon their receipt. This may indicate that there were sizeable needs for such distribution. Little was usually left as spare revenues in the public treasury or precautionary reserves for future expenses.

It should also be noted that the society of Madina had a small government, whose functions could always readily be fulfilled by a continuously available supply of voluntary manpower and financial contributions from its enthusiastic public of believers.

One must also wonder about the importance given in the Qur'an and Sunnah to voluntary financial contributions (Infaq). It is repeated many times in different names such as Infaq, Sadaqah and Jihad by offering one's funds. Calls for voluntary contributions are repeated a lot more than the mention of Zakah in these two original sources of Shari'ah. Such voluntary financial contributions sometimes take the form of supporting the poor, including Ahl Al Suffah, and some other times they take the form of funding the activities of government including public utilities and defense.

We should also bring in the picture the role of Awqaf in providing revenues that contribute to funding social welfare activities. Awqaf in Madinah started with the seven palm orchards of Mukhairiq

¹ Al Qaradawi, Op.Cit.

which were bequests to the Prophet (pbuh) who, in turn, made them as Awqaf.¹ Their revenues used to be spent on the household needs of the Prophet (Pbuh) and on buying horses and defense equipment. The drinking water fountain of Ruma was bought and made a waqf by Uthman on suggestion from the Prophet (pbuh).² Hence, drinking water became free in Madinah for the first time. Before Uthman bought it, water used to be sold by the fountain's former owner for a high price (approximately a gallon for a pound of date). The farm land of Umar in Khaibar came next under the title of Awqaf, also on the Prophet's (Pbuh) advice.³ Those and similar Awqaf properties were able to provide for the support of many of the poor and needy in the society in addition to public utilities that included mosques, roads and water.

Several conclusions can be derived from these and similar observations related to Zakah application at the time of the Prophet (pbuh):

- 1) Zakah proceeds alone may had not been sufficient to take full charge of fulfilling the basic needs of the poor in the society. This may be an obvious and probably superficial conclusion when applied to low-income Muslim countries today. What may be emphasized for the society of the Prophet (pbuh) in Madina is that even under normal circumstances where the incidence of extreme poverty was not wide spread or substantially visible, **Zakah may also not be sufficient to remove or eradicate poverty.**⁴

¹ Sirah of the Prophet (pbuh), by Ibn Hisham.

² Kahf, Al Nusus al Iqtisadiyah fi al Qur'an wa al Sunnah.

³ Reported by al Bukhari, see Kahf, Ibid.

⁴ This conclusion needs to be reconciled with two authentic reports from the time of Umar, the second Khalifah, and from the time of Umar bin Abdelaziz, around the year 100 h, that there were surpluses of Zakah in Yemen and Egypt respectively. We believe that three factors may have caused such surpluses: 1) both countries were rich with fertile land and abundant crops; 2) the entrenched feeling of Qana'ah and self containment caused by strength of faith and reliance on God; and 3) the

This conclusion is not as radical as it may look. Fuqaha, in their classical works since the second century of Hijrah onward, have repeatedly stated that if Zakah turned to be insufficient for fulfilling the needs of the poor, and if voluntary contributions did not fill the gap, additional taxes must be imposed on the rich.

- 2) The fact that a tremendous emphasis is placed on Infaq adds support to the first conclusion. This emphasis in Qur'an and Sunnah must be read as an indication that Zakah, alone, must not be charged with all responsibility of social welfare.

This is also supported by the adoption of the concept of Awqaf and its extension to cover many areas of societal welfare needs, especially poverty eradication. Actually, this is the first and most prominent objective of Awqaf.

- 3) The ideology brought about by Zakah, Infaq and Awqaf draws a new picture of social solidarity and mutual support. Accordingly, every stomach has a right to be filled and every human being has a right to live and to be maintained regardless of race, ethnicity, religion, etc.¹
- 4) This new ideology, which is established by Islam, as a religious responsibility is expressed in a multi-facet form. A form consisting of a kind of spirituality that seeks to please Allah, the Lord of the World, interwoven with civic responsibility that considers the able ones morally and legally responsible for

enrichment of people after huge war booties and internal prosperity mainly caused by enlargement of market and security.

¹ In fact, every living being has a right to live as indicated by a well known Hadith of the Prophet (pbuh) about a woman who imprisoned a cat.

those who lack ability of sustenance, along with a concept of human brotherhood indicated in the oneness of origin of all human beings, that necessitates, a pure, simple and straightforward equality in human fulfillment, as the Prophet (pbuh) said: “all humans [al Nas] are as equal as the teeth of a comb”.¹

- 5) The definition of richness with regard to taxability is given a broad meaning by the Zakah system. Hence, richness is not measured by wealth alone or income alone rather both wealth and income together make the base for social responsibility and taxability.

Consequently, the rich must take charge of funding welfare activities in the society, directly or indirectly, from their wealth and/or from their income, voluntarily, out of their own inner feeling of responsibility and for seeking to please the Lord; or by obligation and compulsion of the law. The Prophet (pbuh) says “..... he, who gives it out of his own, will have its reward [from God], and from him who doesn't give it, we will take it along with one half of his wealth [as a penalty]; an obligation imposed by our Lord”.²

- 6) More elaboration on exemption of consumption expenses and actual spending of the rich and poor is implicit in the concepts of Zakah and Infaq. Taxability of a person, or for same reason zakatability of a person, must be measured by what is actually left over after consumption and other spending. By the same token, consumption needs of the person are determined in a personalized manner, i.e., the

¹ Reported by

² Kahf, al Nusus, op.cit.

fulfillment of nutritional, social and religious requirement of a specific person and his/her family.

Consequently, what is taxable is the total of available wealth at a certain point of time, i.e., after consumption needs are fulfilled and paid for. What is left over, be it a period's savings or assets carried over from previous periods, altogether is the base of Zakah.

This may explain why land, trees and residence of a Zakah payer were not included in the base of Zakah. In a semi-nomadic agricultural society, land, trees and residence derive their values only from their ability to produce income and other benefits, and from the physical stability of owners. If the owner has to leave them and go some other place in pursuit of pasture and living substances or if such assets become unproductive, they cease to be valuable. Hence, only their produce are counted in the richness of the owner.

On the other hand, livestock holdings as wealth items and the income generated from them during a period of economic activity were considered as available wealth in such a society. Therefore, when it comes to Zakah on livestock, the holdings transferred from previous periods and the additions made during the current period are all added together in calculating the Zakah base.

Section II

CLASSICAL FIQHI STUDIES OF ZAKAH

As expected and as supposed to be, the Fiqhi studies of Zakah use the verses of Qur'an and the traditions of the Prophet (pbuh) as their main sources of deduction. Based on these sources, classical Fiqhi studies emphasize the significance of Zakah as the third pillar of Islam. It is an instrument for purification and sanctification as mentioned in the Qur'an [9:103]. In contrast to prayers, this worship is financial. It is a financial duty inasmuch as it is a major form of worship in Islam. The purification and sanctification referred to in the Qur'an cannot be restricted to only one form, either spiritual or material. They may apply to the soul and body, the payers and their wealth and income, the recipient poor and needy, and the society as a whole.

Based on the original sources, Qur'an and Sunnah, classical Fiqhi studies of Zakah discuss zakatable items of wealth and income, items exempt from Zakah as well as conditions and criteria of zakatability and the rates applied to each category of zakatable items.

Although the Qur'anic verses mention Zakah side by side with prayers in the Makkan period before the establishment of the first Islamic state in Madinah, Zakah became obligatory only in the second year of Hijrah. It is reported that continued actual application revealed that certain provinces of the Islamic State were able to do away with poverty as early as the time of Umar Ibn al Khattab, whose reign was in the period between year 12 and year 22 of Hijrah. One of these years, the Governor of Yemen, Mu'adh Bin Jabal, sent to Madinah one third of the total proceeds of Zakah in that province, one half in the following year, and all the proceeds in the third year and testified to the second Khalifah, Umar, that he was sending the residual, only

after satisfying all the province's needs for disbursement. In other words, there were no more poor and needy who would accept to take Zakah in Yemen. Similar reports came from Egypt, and probably several other provinces, during the reign of Umar Bin Abd al Aziz, 99-101H.¹

The classical Fiqh of Zakah has always been consistent with the modes of production and types of wealth and income, that prevailed at the time. Throughout more than a thousand year, the scientific progress and discoveries were not transformed into new modes of production, the latter didn't make any substantial change in the Muslim land. Agriculture remained the main source of income and remained, essentially, stuck with the use of old instruments in ploughing, seeding, tilling, fertilizing and harvesting; the same instruments and methods of production that dated a thousand year before the Islamic religious transformation of the Arab and other Muslim lands during the first two centuries of Hijrah.

Trade was the second major source of income, and trade assets were the major form of wealth held in the Muslim society during all these years. Trade was essentially centered around agricultural products. Long distance trade continued using camel backs as a mode of transportation. Although the Islamic caravans were able to travel between the Atlantic Sub-Saharan Africa and the Eastern Coast of China and between Yemen in the South and the Scandinavian Peninsula in the North, these caravans remained camel- back caravans throughout all those years.

Maritime trade expanded and huge ships were floating the oceans from Morocco to China, but the mode of running large ships remained the same as those of small ships: wind and human muscles. Some reports describe high water ships built by Muslim sailors to

¹ Abu Ubaid, al Amwal.

have been as large as manned by more than a thousand persons. Such ships are said to have carried several thousands people and huge loads of transported merchandize on board. These are the kind of ships that used to sail between West Africa and the Great Sea of China going through the Malayan Strips.¹ Interestingly, these large ships also used the same sources of energy as small ships.

Manufacturing and transformation industries improved with clothing and cleaning materials leading the road to building factories for processing silk, cotton and linen, soap production, chemical and pharmaceutical products and for processed food, especially, sweet. Although major Muslim cities such as Damascus, Baghdad, Mosul, Ispahan, Adana and Cairo were crowded with such industries, the sources of energy and the size of markets didn't allow the manufacturing industry to become a leading sector as a source of income, employment and wealth, especially, with the prevalence of old traditional Arabic system of valuation of personal occupations that used to rank trade and landlordship high as noble's occupations while craftsmanship and industry ranked close to the bottom.²

All the above kept income and wealth structures basically the same as they used to be in Madina at the time of revelation. Hence it helped preserving the traditional Fiqh of Zakah within the limits of the texts themselves as there was no challenge or pressure from the market and from the application side to come up with new Shari'ah rulings regarding new sources of income or new form of wealth. It was easy under the prevailing modes of production and forms of wealth holdings to think of a large ship as analogous to small ships, and of a one thousand camel-back loads as a mere ten times repetition of a one

¹ Some writers claim that such ships were used by Emperor Abu Bakr of Mali in his across-Atlantic journey to America in the 12th century. See,; "They Came Before Columbus.

² Studies of scientific and economic history of the Muslim world show very little of changes in the modes of production.

hundred camel back loads. Craftsmen and manufacturers remained with little wealth and low incomes that don't pose any new challenge to Fiqh researchers to think about such new sources of income and wealth.

In spite of that, we shall find certain Fiqhi opinions that came about during this period as given in the following examples:

- 1) Zakatability of vegetables was a new opinion initiated by Imam Abu Hanifa as he observed that vegetable producers around large cities such as Baghdad and Kufah accumulated substantial amount of output throughout a year although, their everyday harvest may be considerably smaller than Nisab. So, he considered vegetables zakatable without Nisab and on all the cumulative output for the whole year. Even the Fuqaha who accept a Nisab for vegetables, still apply it to cumulative output.
- 2) Same thing applied to honey production, even if it came as collection from wild beehives in mountains and valleys (see Ibn Abidin, chapter of Zakah).
- 3) The Fuqaha's distinction between apparent items (Amwal Zahira) and undisclosed items (Amwal Batina) was based on the nature of an item, so that livestock and agricultural products are apparent while cash and trade merchandise are undisclosed. In contrast with this tradition, the Hanafi School came up with a new criterion derived from administrative practices that consider any item that passes through a tax checkpoint on inter-cities' highways apparent because it can be seen by a Tax (and Zakah) Commissioner, who is called 'Al Asher'.

- 4) The Tax and Zakah Commissioner (Al Asher) used to be an employee of the Government, selected carefully on the basis of criteria of honesty, loyalty, knowledge and ability. A new method of collection of Zakah was applied during the latest era of the Ottoman Empire. Tax and Zakah collection were taken on franchise basis whereby a person is given authority to collect the duly Zakah and other taxes against a lump sum he pledges to pay to the central Treasury. This mode of collection was strongly criticized by Ibn Abidin as being in violation of the principles of justice and legitimacy.

Let us come back to the issue of eradication of poverty in the Muslim society as reported at the times of two Umars, Iban al Khattab in Yemen and Ibn Abd al Aziz in several other provinces. These incidences must be interpreted within their respective historical contexts. There are several factors and circumstances within which such incidences should be taken. The principle of depending on one's own resources and being self-satisfied and self-contained is an important morale in Islam. Being self-satisfied and refusing to take Zakah don't mean that a person was not really poor. An example from Salman, the Companion, may shed some light on the prevalence of this concept. He lived in Iraq (Kufah or Basrah) and was not considered in the category of poor who take Zakah. Once he offered a guest of his only bread and salt as a meal. When the guest wished to have thyme in this humble meal, Salman went out and borrowed some money to buy thyme and put his water jug as collateral. Bread, salt and thyme make a very poor meal any way, even at the time of the Companions, but because of the concept of 'Qana'ah', Salman didn't consider himself poor.

The Islamic faith, especially when it touches new hearts and spirits, creates some new form of energetism which is conducive to

increase their productivity in any field they work in. Arab tribesmen, who used to spend all their days watching sheep and camels grazing under the sun and their nights watching the moon and singing their love poetry, once they were touched by this spirit of Islam, became the most energetic warriors, fighters, statesman and diplomats who dominated the ancient world and destroyed the two big empires of Persia and Bizantina within less than half a century.¹ They even reached Spain and Central Asia by the end of 8th decade of Hijrah. By the same token, newly converted farmers, craftsmen and traders in the newly opened lands became more energetic in their own economic works and arenas, especially, that most of the unjust taxes, that were imposed on them to finance the extravagance of the former rulers and their huge armies, were abolished.

Consequently, in addition to self containment and satisfaction, enrichment came from an increase in productivity due to the moral and spiritual upliftment and a reduction of taxes and administrative barriers that were totally destroyed by the new rulers; a lot more than from redistribution by means of Zakah. Also, an increase of production gives way to larger proceeds of Zakah and lesser needs for disbursement.

Furthermore, enrichment of the poor at the time of Umar Bin Abdelaziz may have another factor; that is the reduction of corruption in administration which was a major achievement of the two-year long reign of Umar. Consequently, most of Zakah proceed, that was collected, was distributed with little leaking out illegally to pockets of administrators. In other words, improvement in management efficiency of the Zakah collection and distribution and in the management of other public revenues may have been a contributory factor in preserving larger portions of the proceeds to be used for proper public purposes including poverty eradication.

¹ Actually reduced the latter to a city state.

Additionally, the practice of Awqaf started since the time of Prophet (pbuh) and tremendously expanded during the time of Umar to the extent that Jaber, the Companion of Prophet (pbuh), says that there was no household of any Companion that didn't make their own Awqaf. There are many historical reports about a continued expansion of Awqaf properties. The major objectives of Awqaf revenue spending is to help the poor and needy. During the reign of Umar Ibn Abd al Aziz, most of such Awqaf must have ripened and started giving fruitful effects in helping the poor and needy.

The last factor that helps explain the achievement in the area of poverty eradication may lie in the small size of government and the limited functions it had to carry at that time. The fact that doesn't overburden people with huge taxes and leave them most of the fruits of their personal productive activities.

This section shall be brought to an end with a few conclusions as follows:

- 1) Traditional Fiqh emphasizes the worship aspect of Zakah and its role in human soul purification and sanctification.
- 2) Development of Fiqh of Zakah was consistent with the little changes in the modes of production and in the traditional types of assets people held, and the forms of income they generated.
- 3) The society witnessed an improvement in production and economic growth that led to reducing poverty and increasing the proceeds of Zakah.
- 4) Concepts of 'Qana'ah' and self reliance were common among people, especially the poor. This checked their desire to accept taking Zakah.

- 5) Fighting corruption and increasing public management efficiency increased the portion of government revenues that could be devoted to helping the poor and needy.

All these things make it reasonable to accept the suggestion that there happened, in several provinces, that most forms of visible poverty were eradicated.

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Section III

ZAKAH IN THE WRITINGS ON CONTEMPORARY ISLAMIC ECONOMICS

Over the past three decades Muslim economists discussed the effects of introducing Zakah in a contemporary economy. Hence, we have studies on the effects of Zakah on the macro economic aggregates including consumption and investment, aggregate demand and aggregate supply. We also have studies that introduce Zakah in macro economic models and look into its effect on the general equilibrium and growth.

There are also studies that consider the outcome of implementing Zakah in contemporary Muslim economies from the point of view of allocation, stability, fiscal policy, poverty eradication and allocation of resources and wealth. Additionally, Zakah is central to studies related to economic and social development, as a potential solution to several social and economic malaises. Zakah is also considered from the point of view of being an exemplary financial obligation around which the structure of taxes and fiscal policy should be built.

Before attempting to briefly survey these studies, two important points that underlines all such ideas should be kept in mind. First, the undisputed fact that Zakah was collected and distributed by the Islamic State especially in its early period. This is emphasized by the famous statement of Abu Bakr, the first Khalifah, in justifying the war against those who turned back to apostasy “by God, I shall fight those who prevent paying [any amount of Zakah even if it were] a little rope for [binding] a camel”. Second, the religious significance of Zakah and the position it occupies as a third pillar of religion. These two facts must have justifiably created a zeal within Islamic economists to look into the effects of Zakah, motivated by a feeling that such effects must be economically very significant; and sometimes to be carried over into certain exaggeration. Hence, we find Zakah central in all studies on Islamic economics.

The effects of Zakah on the macro consumption function is studied by several writers. Essentially, a macro consumption function is derived, in an additive manner, from the micro consumption functions of two groups of economic agents in which a Muslim society is divided: Zakah payers and Zakah recipients. Such functions are suggested to be in the direction of reducing the consumption of the rich while increasing that of the poor with an aggregate consumption function for the whole society that depends on the slopes of the marginal propensities to consume of these two groups. Once the Zakah is implemented, anew, in a society especially coupled with the concept of moderation in consumption and prohibition of extravagance. The final outcome is suggested to be a lower aggregate propensity to consume in an Islamic society.¹ Keeping in mind that moderation in consumption and prohibition of extravagance are always called for in the Qur'an and Sunnah.

Other studies suggest that it is difficult to determine the direction of the effect on consumption, of introducing Zakah in an economy; as such an effect may be either neutral or at the best indeterminate because of contradictory effects on incomes of the poor and the rich, unless one assumes a Keynesian aggregate consumption function. But once we drop the Keynesian consumption function, the effect of Zakah becomes indeterminate. This argument is enhanced by adding the Islamic injunctions of helping the poor and needy improve their material well being (consumption) as much as possible.²

Based on the effects of Zakah on consumption which is generally considered more conducive towards increasing aggregate saving and the effect of Zakah on investment which is also considered

¹ M. Fahim Khan, "Macro Consumption Function in an Islamic Framework.

² A.F. Darwish and M.S. Zain, "Effect of Zakah on Consumption Function in Islamic Economy", and Munawar Iqbal, "Zakah, Moderation and Aggregate Consumption Function in an Islamic Economy.

positive because of the Zakah implied penalty on uninvested assets or assets left idle of production, some writers conclude that the introduction of Zakah in a contemporary Islamic society would increase aggregate demand. Such a conclusion is especially emphasized once the dynamics of Zakah distribution are taken into consideration. On one hand, Zakah distribution reduces the risk of debt failure as part of Zakah is distributed to persons under debt; and Zakah collection and distribution increases employment through two mechanisms: 1) creating new jobs for the management of Zakah itself and (2) transforming some segments of recipients into productive workers by means of distribution in the form of training, rehabilitation and capital goods.¹

Furthermore, the effects of Zakah on aggregate supply are discussed from several points of view. These include its effect on labor force participation, its effect on the supply of funds available for investment, its effect on allocation of investable funds between production of goods that fulfill basic needs and those which fulfill luxurious desires, and its effect on labor productivity and the incentive to work.

In these kinds of studies, writers observe that introducing Zakah in a contemporary Muslim society may increase labor force participation as well as labor productivity without any negative effect on the incentive to work among the poor or incentive to invest among the rich. Additionally by increasing aggregate consumption, Zakah induces an increase of investment as well as restructuring of production in the direction of goods that fulfill basic needs. Furthermore, an improvement in efficiency of investment may result due to imposing a floor return (represented by the effective ratio of

¹ Mohammed Ibrahim al Suhaibani, "Effects of Zakah on the Utilization of Economic Resources".

Zakah on investment below which investment may not be remunerable).¹

Zakah is also studied in a Keynesian context of an IS-LM macro model whereby its effects are considered analogous to those of introducing a new tax. With the conclusion that Zakah may be a tool for implementing economic policy that aims at reducing unemployment and smoothing the effects of inflation and the fluctuations in economic activity.² Similarly, the introduction of Zakah in a contemporary economy is considered to lead to a positive shift in the rate of growth provided that the proceeds collected in Zakah are redistributed in the form of supporting the low income groups including wage subsidies.³

The effect of Zakah on growth rate and on returns to capital are studied by constructing a macro model in which income equals the total of the income of the two groups of Zakah payers and Zakah recipients with an assumption that savings are automatically channeled into investment and that Zakah is imposed on both financial and real assets in a way that penalizes hoarding. The conclusion of such a model is that the presence of Zakah in a macro model leads to higher growth rate, higher return on capital and more equitable distribution of wealth.⁴

The allocation of Zakah disbursement between the poor, needy and other recipients on one hand and between capital goods and consumption goods on the other, as well as the principle of Tamlik which means giving to the poor and needy on a grant basis, are considered to lead to more specific approach in dealing with the

¹ Ibid.

² Mukhtar Mohammed Mutawalli, "General Equilibrium and Aggregate Economic Policies in an Islamic Economy.

³ Badal Mukherji, "A Macro Model of the Islamic Tax System".

⁴ Mabid Al Jarhi, "Towards an Islamic Macro Model".

problem of eradication of poverty, since Zakah addresses specific poor groups. Thus, Zakah introduction in a contemporary society may end up creating more equitable distribution of wealth and income provided that appropriate allocation and Tamlik principles are implemented.¹

Zakah is also considered central in the fiscal structure and policy. It is observed that Zakah is not only imposed on income but also, and essentially so, on wealth and assets. The exemptions from Zakah include actual consumption as well as resources allocated for a minimum transactionary liquidity for immediate needs and for fulfilling financial obligations including debts. Furthermore, many productive fixed assets are Zakah exempt so that Zakah is considered as an important instrument for encouraging investment and employment. These salient features of Zakah are given significant role as patterns and examples to be followed and imitated in building the structure of a taxation system in a Muslim society as well as in drawing the main features of an Islamic fiscal policy.²

Before concluding this section it should be noted that all these studies are based on an interesting underlying, though in most studies hidden, assumption that the estimated proceeds of Zakah collection that is available for distribution is sizeable enough to warrant a macro effect in any given economy. Such estimations are always thought of in terms of a few percentage points of gross domestic products. This, usually unspoken of, assumption led many writers to study the estimation of Zakah proceeds in certain Muslim economies to find out whether such an assumption is justified. The latter is the subject of next section.

¹ Seif-el-Din Taj-el-Din, "Allocation and Stabilizing functions of Zakat in an Islamic Economy.

² Mohammed Anas Zarqa, "Role of Zakah in the Economy (in general) and in Fiscal Policy, Muhammed Hashim Awad, "Adjusting Tax System to Accommodate Zakah", and Fazlur Rahman Faridi, "Zakah and Fiscal Policy".

Section IV

ESTIMATION OF ZAKAH PROCEEDS

Several estimates were attempted for the proceeds of Zakah in a few Muslim countries on the basis of information available in their respective national accounts. In most cases, figures were derived from sub-sectoral statistics and built up into the usual sectoral figures of the national accounts.

One of the earliest estimates was done for Egypt in 1973 by Sami Ramadan Sulaiman.¹ He came up with a Zakah proceeds that equal 6.1% of GDP. He calculated potential proceeds from public and private sectors in a country whose economy was then dominated by public sector. In certain sectors of the economy he applied a high capital output ratio that reaches ten in the sectors of industry and trade; which led to a high estimation of Zakah on these two sectors reaching 8.8% of the sectoral GDP, as he adapted output of industry as a Zakah base and charged it a 10% rate. Ramadan included in his Zakah base all forms of income-producing capital. He also included a Zakah on salaries with an assumption that 50% of Egypt's salaried persons are zakatable. Furthermore, although he applied a 10% ratio of Zakah on crops watered by rivers and rain and a 5% ratio on crops watered by energy based machines, his total estimation of Zakah on agriculture (including livestock) came as 9.5% of the sectoral GDP. Obviously, his 6.1% of GDP Zakah is, thus, an overestimation.

In an estimation of Zakah in Sudan (1982) Muhammed Hashim Awad came with a figure of 3% of GDP. His estimation suffers of two important errors: first error was in defining Nisab as a minimum exempt for all those who own more than Nisab instead of taking it as a criteria for zakatability; the second error was mathematical in

¹ Sami Ramadan Sulaiman, "Al Usus al Muhasabiyah li Taqdir Hasilat al Zakah".

multiplication and addition. Keeping his assumptions, a corrected figure of the estimated Zakah proceeds in Sudan, 1982, points out to an under-estimation in his work especially in the livestock and professional income sectors. Thus following Awad's assumptions, the total estimated amount of Zakah should not be less than double the figure he suggested, i.e., about 6% of GDP.¹ Anas Zarqa made an estimation of Zakah in Syria that came with an amount of approximately 3% of GDP for the year 1971. This figure includes Zakah al Fitr and Zakah on cash holdings.²

More recent estimations of Zakah were done by Monzer Kahf, Muqbil Zuqair and Fuad al Omar. Monzer Kahf estimated Zakah for eight Muslim countries and used three different definitions of zakatable items. First definition, Z_1 includes agricultural output, livestock, trade inventory and cash holdings. In a way that is consistent with the majority Fiqhi opinions prevailing in classical writings. The second definition, Z_2 uses the majority opinion after expanding it by including views of some contemporary Fuqaha who include in the Zakah base the return on fixed assets used in the sectors of industry, transportation and construction as well as professional and other labor incomes, with certain exemption for the cost of living. The third definition, Z_3 includes in the Zakah base the capital value of fixed assets in all sectors at a Zakah rate of 2.5%. If we remove one extreme value on each side of the estimation on the assumption that such an extreme value must be caused by certain statistical and/or methodological errors, Kahf's estimation would range between 1 and 2% for Z_1 , 3.1% and 4.9% for Z_2 and 3.2% and 6.2% for Z_3 . It should be noted however that the amount of Zakah estimated on cash holdings in all eight countries ranges between 40 and 60% of the total Zakah proceeds.

¹ Monzer Kahf, "Financial Potential and Economic Effects of Zakah in Selected Member Countries", unpublished paper 1986.

² Ibid.

Using sub-sectoral statistics and applying statistical averaging, Muqbil Zuqair's estimation of Zakah proceeds in Saudi Arabia came up with 2.7% of GDP while the estimation of Zakah in Kuwait by Fuad al Omar produced a 2.1% of GDP. Both writers used the traditional base of Zakah, i.e., Z_1 in Kahf's study; except that they included in their Zakah base all government-owned economic enterprises, oil extraction excluded.

Interestingly, here again the Zakah on cash holdings represents 30% of the total proceeds in Zuqair's estimation while it is 49.5% of al Omar's estimation. Let me make a statement of this point that except for the corporate sector, it is very difficult to collect Zakah from the cash holdings in any society except by applying very innovative approaches which may be questionable from the point of view of their compatibility with the spirit of Zakah. In fact, a strong rationale underlines the traditional view that cash holdings are not apparent items.

At this point, it is important to distinguish between the effect of introducing Zakah in a society that is assumed to have been deprived of it and the policy tools made available by the system of Zakah in a Zakah implementing economy. The addition of a Zakah institution allows us to avail of a new transfer payment to the poor which is equal to most of the total proceeds of Zakah, the exception being the part spent on the institution's labor force and administrative expenses. On the other hand, Zakah tools of economic policy work only on part of the proceeds, such as changing the ratio of capital goods to consumer's goods in disbursement. The implication of this is important if total proceeds is, anyway, a small percentage of GDP, i.e., a policy tool may become trivial or redundant, if the maximum it can move is a negligible amount of the intended variable.

In section VI, we will compare these estimations with the actual proceeds of Zakah in a few Muslim countries where Zakah is implemented.

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Section V

IMPLEMENTATION OF ZAKAH

As the third pillar of Islam, Muslims are called upon to pay their own Zakah willingly, on their own, as part of the requirements of the obligations of this religion of Islam. This is done by all religious persons regardless of the attitude of governments in collecting it or leaving it to their own consciousness. This is also the position of all four Schools of Fiqh. The government has a right to take charge of Zakah collection and distribution and once the government decrees that payment of Zakah must be made to Beit-al-Mal, the majority of Fuqaha emphasize that individuals must pay their Zakah in obedience to their government. This becomes the unanimous view in Fiqh if it is supported by a feeling that Beit-al-Mal disburses Zakah to its proper recipients as mentioned in the Qur'an.

Looking at the implementation of Zakah by Muslim governments, historical records tell us that the government of Yemen continued taking this responsibility since the time of the Prophet (pbuh) when he sent Mu'adh Bin Jabal and told him to take Zakah from the rich among them (Yemenis) and distribute it to the poor among them. Zakah was also implemented by the government, in an obligatory manner, in Saudi Arabia since 1951, Pakistan since 1981 and Sudan since 1984. Zakah of al Fitr is collected by the power of law in Malaysia and Zakah on agricultural products is also collected in Libya.

Several other countries have enacted laws of Zakah and established Zakah organizations very often supported by the government as in the cases of Kuwait, Jordan, Bangladesh, Bahrain, Oman, etc.; but they left Zakah payment to these organizations to remain on voluntary basis.

Let us now take our examples from countries that collect Zakah on obligatory basis, especially Saudi Arabia, Yemen, Sudan and Pakistan. In Saudi Arabia the Zakah base consists of livestock, agricultural products, trade inventory and certain types of professional income, such as income of physicians, civil engineers, lawyers, accountants and auditors, trucks and taxi drivers, artists and TV actors, etc. The income of such categories are considered subject to Zakah only if they work independently; but if they were salaried persons working in government or private corporations, their salaries are not subject to Zakah. The same exemption applies to all salaried and waged persons. Productive fixed assets are not considered subject to Zakah. It should be noted that cash holdings of companies and registered establishments are covered by Zakah while the cash holdings and bank balances of all types of banks' deposits of individuals are not covered. The total amount of Zakah proceeds actually collected in Saudi Arabia ranges between 0.4% and 0.6% of GDP as the statistical year books indicate.

In Yemen, Zakah is also applied on the current and liquid assets of the private sector's corporations and establishments as well as livestock, agriculture, trade inventory, etc. Salaries and professional incomes are not included in Zakah. The Yemeni Zakah authority also collects, on obligatory basis, Zakah of al Fitr. The statistical year books of Yemen indicate that Zakah proceeds' ratio to GDP doesn't exceed 0.4%.

The Zakah and Ushr Act of Pakistan distinguishes between Schedule A and Schedule B. Schedule A covers items on which Zakah is to be collected, by law, and to be transferred to the account of the Central Zakah Administration. This Schedule includes eleven types of financial and other items, including holdings of stocks and bonds, agricultural products and current and investment deposits in banks

and other financial depositories, such as post offices and insurance companies.¹ On the other hand, Schedule B names items on which Zakah payment to the government is not obligatory. Schedule B includes livestock, trade assets and inventory, domestic deposits in foreign currencies, overseas assets of Pakistani nationals, etc. The estimated proceeds of Zakah in Pakistan didn't exceed 0.3% of GDP as indicated in the consecutive statistical year books.

In a recent study on the application of Zakah in Sudan,² it is emphasized that the Zakah base in Sudan includes livestock, agricultural products, current and liquid assets of companies and establishments, income earned by professionals whether salaried or independent, cash earned from sale of personal assets whether they are business oriented or not, etc. The only potential zakatable item virtually left outside the obligation is cash holdings maintained by individuals whether in the form of fiat currency in their pockets or in the form of current accounts in banks. This is so only because, out of fear of destabilizing the monetary system in the country, the Zakah Department is not given jurisdiction to force banks to deduct Zakah on demand deposits. In other words, monetary holdings of all individuals who are not required to submit actual or estimated balance sheets, i.e., persons who are outside formal business, are not reached by the obligatory collection of Zakah. The Zakah proceeds collected in Sudan, even with such a liberal expansion in the definition of the Zakah base, ranges between 0.3% and 0.5% of GDP.³ Available information belongs to the year 1991 through 1996.

¹ It should be noted that a recent supreme court opinion extends the right to claim exemption, already available to Ja'afari school followers, to all Muslims. This virtually does away with the obligatory collection of Zakah in Pakistan.

² Dr. Abdel Munem Al Gusi, the general secretary of the Zakah Department in Sudan, "Contemporary Governmental Application of Zakah in Sudan", paper presented at the seminar on Contemporary Applications of Islamic Economics, organized by IRTI and the Moroccan Association of Studies and Research in Islamic Economics, Casablanca, 5-8 May, 1998.

³ *Ibid.*, page 27.

One may have good reasons to lean towards accepting the actual reality in these countries as an empirical representation of the Zakah proceeds' potentials. Among these reasons are the following:

1. A collection of %0.4 - %0.5 of GDP persists over the years and across borders.
2. National accounts statistics in the third world countries have a tradition of low level reliability and dependability. The suggestion of over estimation in these accounts sounds reasonable.
3. Incidences of evasion, fraud, administrative inefficiency, and other moral and methodological hazards that negatively affect the actual collection are not taken into consideration in all the theoretical estimations. They are, however, part of real life.
4. The Zakah on cash makes up about one half of the estimated proceeds. Materializing it in actuality is very difficult.
5. Differences in the Zakah base, figured in real experiences, seem to tend to cancel out between different countries. However, such differences seem to be the most important factor in increasing the estimated proceeds especially in Kahf's Z_2 , and Z_3 .

Section VI

CONCLUSION

Comparing the results of actual application of Zakah with the theoretical analysis of Zakah and its effects is very educative from several points of view:

- 1) The actual application reveals the amount of proceeds of Zakah that can realistically be made available for redistribution is very humble indeed. Thus it allows us to revise our theoretical analysis and bring them down to earth to make them compatible with the actuality of the Zakah implementation in a real life world. All the effects of Zakah on the aggregate variables of the economy becomes negligible if all we can mobilize is a maximum of one half percent of GDP, and thinking of marginal variations in the allocation of disbursement of Zakah becomes a mere mystic wishful ritual!
- 2) It has been shown that there are serious difficulties in collecting Zakah on cash and current accounts balances held by individuals in Sudan, Saudia and Yemen.

On the other hand, the depth of the banking system in Pakistan allows for the deduction of Zakah on current accounts at the source while it was found difficult to collect Zakah on trade inventories and on cash balances held by both companies and individuals.

Consequently, whatever theoretical estimation of the Zakah proceeds, researchers may come up with, has to be discounted by a certain 'realization' factor in order to take notice of the difficulties and cost involved in collecting Zakah on certain items under real social and economic circumstances.

This is so to the extent that a political decision similar to that of Uthman bin Affan with regard to Zakah on undisclosed (Batina) items may always have to be taken. Such a decision reduces the collectible amount of Zakah as compared to the theoretically estimated proceeds. A similar position is adopted by the Shari'ah International Board of Zakah in its fifth annual meeting in Sharjah, April 1996, on the pretext of protecting privacy from excessive government intrusion.

- 3) Contrasting the results of actual application with the outcome of theoretical research on the effect of Zakah allows us to call for a review, based on deeper understanding, of the zakatable items as well as methods of determination of the amount due in Zakah and its collection.

In this regard, we may notice that certain countries impose Zakah on certain items that are left outside the legal collection in some other countries. For instance, while the prevailing general attitude in Pakistan and Yemen and of the Board of High Learned Schoalrs' in Saudi Arabia stands for the traditional view that requires fulfillment of the condition of holding an item for one year in order to become zakatable, the actual application in

Saudia itself collects Zakah from several professional income items without looking at this yearly condition.

On the other hand, earned incomes generated from long term investment fixed assets, such as buildings, tractors and trucks, are included in the zakatable items in Sudan, while such earnings are left unzakatable in Saudi Arabia, in spite of their similarity with the zakatable professional income.

Contrasting these experiences with each other and with the theoretical analysis calls for including an element of practicability in the theoretical research concerning the zakatable items. Such an element may have precedence in the historical application of Zakah. For instance, Ibn Jubair, in the story of his journeys from Muslim Spain to the eastern Mediterranean countries around the end of the 6th century of Hijrah, reports that Zakah officers at the port of Alexandria, Egypt, used to charge Zakah on all travelers for all the items they carry with them without taking the trouble of distinguishing between trade merchandize and items of personal use.

- 4) Furthermore, methods of collection and the cost involved therein should also be taken in consideration by the theoretical studies of both the estimation of Zakah proceeds and the effects of Zakah on the main economic variables. For instance, deduction at the source may

result in different estimations of proceeds in comparison with direct payment by zakatable persons. By the same token, estimation of the due Zakah by using general guidelines and variables such as amount of imports by a merchant, level of education of a professional or number of employees in a craftsman's shop may lead to figures of Zakah proceeds different from those that can be obtained by actual calculation made by Zakah officers on a case by case basis, and also different from an estimation that depends on national accounts and its sub-sectoral data.

- 5) The actual application of Zakah reveals that the amount of proceeds is considerably smaller than what is suggested by theoretical studies. Therefore, in all countries that implement Zakah, there has always been a need to supplement the Zakah distribution with additional funds from the government itself. This applies to both rich and poor Muslim countries including the four countries that are mentioned in the previous section. This

may suggest that those studies that envisage to eradicate poverty in any Muslim countries by means of the application of Zakah are over optimistic.

Furthermore, it may also be argued on the basis of the percentage of the proceeds of Zakah to the major economic variables in any Muslim society that theorizing on the potentiality of the effects of Zakah on the distribution of wealth and income and the potentiality of using Zakah collection and distribution as a meaningful policy tool is also too optimistic and represents an over-statement of what could be realized on the ground.

- 6) It is useful also to take into consideration the employment effect of the Zakah management itself as new jobs are created by the establishment of an organization for the collection and distribution of Zakah. This may sometimes reach a substantial number as in the experience of Sudan.

Enrichment through employment in the Zakah collection and distribution is not a new thing. It is reported that Mu'adh Bin Jabal was poor and the Prophet (pbuh) offered him a job in the collection and distribution of Zakah. It is also reported that Ali Ibn Abi Talib and Al Fadl Ibn Abbas, the two cousins of the Prophet (pbuh) asked the Prophet (pbuh) for jobs in the Zakah organization and the Prophet (pbuh) declined on the ground that any Zakah disbursement to members of the family of the Prophet (pbuh), even in compensation for employment, is not permissible.

It should be noted in this regard that both theory and practice put some tag on the proportion of Zakah proceeds that can be spent on employment in the Zakah organization (Al Amilina Alaiha). It is known that the Shafi'ites suggest a ceiling of 12.5% of total proceeds for labor compensation in the Zakah organization while the late Ahnaf take this ceiling upto 50%, if need arises. In practice, Sudan limits it to 10%, while Saudia and Pakistan take charge of Zakah workers' compensation through their general budgets and leave the proceeds of Zakah intact for distribution to other recipient categories especially the poor and needy.

That is, of course, in addition to the employment effect of Zakah that may come about as a result of utilizing Zakah disbursement for training and rehabilitation programs of the poor and needy.

Here again, if the total proceeds is poor, its employment effect must be poor too !

- 7) It must be emphasized that any contemporary application of Zakah in any Muslim country must keep in mind that Zakah proceeds alone cannot bring about the solution of the problem of poverty in the Muslim countries. Zakah is a redistribution measure while the roots of poverty in Muslim countries lie in productivity and level of economic development. Thus any discussion of poverty eradication in the context of the Muslim countries must focus on increasing the diameter of the cake rather than redistributing a small one.

This should not be understood as a diminution of the potential of Zakah nor of the effect of redistribution on economic development which is well known and taken into consideration in theoretical analysis. It must rather be understood as realization of the limitedness of the Zakah proceeds, even under most liberal expansion of Zakah base. It must be noted here that being a religious obligation, Zakah is expected to be moderate, bearable and affordable. This fact makes it unfair to charge Zakah with the responsibility of providing solutions to severe temporal problems, especially the problem of poverty whose roots are in production limitedness more than in distribution.

The example of the first Islamic society in Madinah is very indicative in this regard. It was a society that depended on raising production along with voluntary contributions through Sadaqat, Infaq Fi Sabil Allah and Awqaf, a lot more than through the obligatory Zakah itself.

- 8) While Zakah alone should not be taken as responsible for poverty eradication, it must be emphasized that unless the Zakah base is expanded to cover new kinds of assets and incomes that make up the main manifestation of contemporary richness, we will not be able to raise its proceeds to any worthwhile level, especially as a percentage of GDP, nor will we be able to bring justice on the levy side, i.e., among the payees of Zakah.
- 9) If Zakah, as a religious obligation, is moderate and humble to a degree that does not eradicate poverty in any contemporary Muslim

society, its significance must be understood as being an example around which an Islamic taxation system should be built. In this regard, three principles may be highlighted:

- i) Zakah bring into the taxation system a concept of redefining a taxability base on total consideration of abilities of the tax payer, an ability that consists of the relative levels of both income and wealth. The concept of justice among tax payers in any Islamic taxation system must always revert to this principle of ability to pay. This principle may require a complete reconsideration of the tax base in most Muslim countries, which presently focus on a net-income measure.
- ii) The second principle laid out by Zakah is that the responsibility to provide financial resources for the social functions and the functions of the government lies on the rich, and the rich alone. Poor members of the society must always be exempt from the financial burden of taxation. Further, they may become recipients of negative taxes (transfers).

This principle is based on essential Islamic position with regard to solidarity among all members of the society. When some poor guys came to the Prophet (pbuh) and told him that the rich ones are taking away with the reward of paying Zakah and Sadaqat, he (pbuh) taught the poor guys certain forms of

praises to God as the poor guys contribution and source of reward.

This principle means that each member of the Muslim society is required to contribute to the public and social needs in accordance with the member's abilities and resources, be they financial or labor work, or mere prayers (Dua').

This principle has several implications when applied on the existing taxation systems in the Muslim countries, especially, in areas of indirect taxes, progressivity and minimum exemptions.

iii) The principle of appropriation of certain revenues to specific objectives is yet another principle that can benefit our tax systems. Zakah itself is a tax that is appropriated for specific objectives as mentioned in Surah 9:60. It establishes a principle that certain social and/or governmental functions require appropriation of certain revenues. Implying that levels of fulfillment of such functions may be related to available resources, especially after achieving an indispensable minimum level of satisfaction. Obviously, this principle is balanced by the existence of unappropriated public revenues such as Al Kharaj.

10) The worship aspect of Zakah may need to be rediscovered once more by Islamic economists and contemporary writers on the economics of Zakah

rather than charge it with economic functions that are not meant nor indicated by this kind of worship.

Allah, Subahanu Wa Ta'la, created the worlds for the objective of worshipping and praising Him. Men and women worship God using their spectrum of abilities. There are bodily, financial and mental worships. Some financial worships given to previous Prophets required them to feed their material resources to a burning fire. Islam as the final and complete message of Allah doesn't allow wastage of resources. Therefore, all financial worships in Islam find their routs to the pockets of the poor and needy.

The objective of Zakah, as emphasized in the Qur'an, is a glorious objective of purification and upliftment (Verse 9:103). In that sense, Zakah washes away sins and impurities. The same way prayer washes away sins and impurities. This is why it is mentioned in the sayings that Zakah carries the dirt (awsakh) of people.

This essential characteristic of Zakah as a worship is what makes it the third pillar of Islam keeping in mind that the first pillar takes the form of a mental worship, the second takes the form of a bodily worship, and this third worship takes the form a financial worship. This is the essential nature of Zakah and this is what makes it moderate, affordable, bearable and light.

Overburdening it with economic functions such as poverty eradication is not part of the story and never came in the Qur'an and Sunnah, notwithstanding that it indeed helps

in that direction and contributes to the economic welfare of the poor and needy.

- 11) All the previous points call for a reconsideration of the role of Zakah in the Islamic economic system and a revisit of the theoretical analysis carried over during the last quarter of a century by Islamic economists. This is needed in order to set up the economic priorities in their right proportion in our Islamic economic understanding. It is also needed for inventing a theory of growth and distribution based on increasing the productivity of human and material resources rather than hanging our goals on side issues of redistribution on the basis of pulling the worship of Zakah out of its context and proportion.

*zak/rh (5.1mk)**