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# Zakat in Islam: A Powerful Poverty Alleviating Instrument For Islamic Countries

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# ***Zakat in Islam: A Powerful Poverty Alleviating Instrument For Islamic Countries***

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## **ABSTRACT**

*The study presented an analytical justification of the how importance of Zakat to humankind. It is a theoretically dominated empirical study that looked into the analytical views of justification about how Zakat can alleviate poverty from the society. The results of the study disclosed with some concrete justifications that Zakat can be considered as a well being program to establish peace, prosperity and socio-economic development for mankind as a whole all times. However, the study could not consider a good number of numerical examples in favour of the main message of the study because of lack of data availability. Nevertheless, this work showed its originality in substance and made a unique contribution to the literature on Islamic finances and management. It observed that to introduce a reliable and efficient Islamic finances “Zakat” collection is only one side of the coin and thus highlighted two prolonged approaches to the issue. That is whether.. conclusively as individuals, we have done our responsibility to Allah (SWT) by giving Zakat to the relevant authorities. Secondly, whether the Zakat fund is managed in a way that would reduce the poverty rate, dependency, and create sustainable employment for the intended recipients as stated in the Holy Qur'an. This study proposes that if Zakat are fully collected and distributed to the deserving people according to Shariah law, we can expect to root out poverty from the society.*

**Keywords:** *Islam, Zakat, Charity, Poor, Poverty Alleviation, Holy Qur'an.*

## **INTRODUCTION**

Poverty is a problem as old as the human existence itself. This has been a cause of concern in every society and throughout the history. During current era poverty came under limelight recently and has been a focus of international community. It is one of the most widespread and dangerous problems faced by humanity today. Millions of human souls on this planet are living under extreme poverty and very inhuman conditions which is quite alarming. Thus everybody is talking about poverty reduction and different measures are being suggested for the purpose. Different instruments are being tried with different levels of success. However situation has not been improved to such a level where it can be claimed that this anti poverty drive has paid its dividends. Until the end of 1960's, the prevailing view among the international organizations was that the best possible ways to combat poverty were to promote globalization, free trade, economic growth, social security, human development, microfinance, technological development and growth, etc. Traditionally, the poverty alleviation programme has mainly been tackled by interest-based microfinance scheme which is a financing tool that sustainably provides very small loans to the poor and

needy people. In fact, microfinance has been talk of the town since last few decades or so. In the 1970s, Bangladesh's Grameen Bank revolutionized the development world by extending small, interest-based loans to the extreme poor, an economic group commercial banks refused to lend to and development banks found difficult to sustain acceptable repayment rates with. But by assembling individuals into self-selected borrowing groups, particularly in homogeneous settings, peer pressure and peer assistance lead to a form of informal monitoring that paved the way for continued success. What began as a \$26 loan to 42 village women is now a major industry in Bangladesh, with 4 million Grameen borrowers and over \$4 billion in disbursed loans, of which over \$300 million is currently outstanding (<http://microfinanceafrica.net/tag/islamic-instruments-to-reduce-poverty/>). But critics of Grameen and other conventional micro financiers have cited Draconian interest rate levels as a major impediment to many borrowers becoming truly self-sufficient; an astronomical 22% interest rate charge at Grameen bank (measured on a declining basis), and as high as 50% elsewhere. The single biggest problem with conventional microfinance, and for that matter all interest-based finance, is that the borrower has to make his interest payments even if he is unable to meet them. If his business succeeds, he pays; if his business fails, he still has to pay. In order to overcome this problem, Islamic microfinance provides an innovative interest-free alternative to conventional microfinance. Based primarily on the profit-sharing principles of equity-based finance, Islamic microfinance offers greater flexibility than conventional microfinance. If a business fails, nothing is paid; if a business succeeds, profits are shared. Risks and rewards are always pro-proportionate to equity shares.

So while any return on capital in the form of interest is completely prohibited in Islam, there is no objection to getting a return on capital if the provider of capital enters into a partnership with a worker or entrepreneur and is prepared to share in the risks of the business. Islamic microfinance has recently entered in the market and since then it has been in experiment mode with varied degrees of success. As has already been mentioned in the above paragraph, Islamic microfinance is based on the concept of prohibition of interest and profit and loss sharing. In this regard two fundamental questions are raised namely, i) why Islamic microfinance is needed? ii) what will be the Instruments used by Islamic microfinance program? The answer of the first question has already made in the above paragraph. Here we would like to discuss about the second question. The instruments used by Islamic microfinance program mainly include Zakat, Sadakah and Qard-e-Hassanah. In this paper we like to highlight about how the first instrument, Zakat, can be considered as a powerful instrument for reducing poverty from the society.

As we know, Islam is not only a religion but a complete way of life that was revealed to humanity by our creator who is most knowledgeable, wise and just. Islam was revealed as a practical religion to be implemented in our daily life since it covers all aspects of human life. As such, when implemented honestly and correctly, Islam provides solutions to all problems that are faced by humanity for all times. It is built on five fundamental pillars namely, Shahadah, Salat, Zakat, Saum and Hajj. As we said before, in this paper we present an analytical discussion on the third pillar of Islam "Zakat" with particular emphasis will be given on its usefulness to reduce poverty from the society. First of all, we need to

know what do we mean by Zakat. Zakat is a form of worship which involves wealth. When a Muslim person's earnings reach a prescribed amount (called "nisab") in excess of his needs, that person is required to pay a portion (on monetary wealth and on gold and silver it is 2.5%, or the 40th part of the wealth) of his earnings to the poor and needy. This is called Zakat or obligatory charity in Islam (Al-Kindi, 2007). It is one kind of charitable practice done by Muslims based on accumulated wealth, and is obligatory for all who are able to do so. It was commanded to the Muslims in the second year of Hijra calendar through the Holy Qur'an. Allah (SWT) says in the Holy Qur'an: "And establish regular Prayer and give Zakat, and bow down your heads with those who bow down (in Prayer)". (2:43). The word "Zakat" is derived from the Arabic word "Zakah" literally means "cleanliness, purification, increase, growth, righteousness, blessing and praise". It purifies the payers from their greed and selfishness and also safeguarding future business. It also purifies the receivers because it saves them from the humiliation of begging and prevents them from envying the rich. The payers give Zakat as an act of worship, while the poor receive it as a right, without any obligation towards the payers. It gives increase to the poor in the sense that he gets something for his benefit and his mind is being satisfied which is a psychological increase. In this way, Zakat purifies the heart, mind and wealth of both sides of people, payers and receivers (Al-Qaradawi, 2003).

In fact, Zakat is not a mercy but the right of the poor in the wealth of the rich. Every rich Muslim is bound to pay Zakat as per prescribed rate and is liable to punishment both here and hereafter. Allah (SWT) says in the Holy Qur'an: "... And there are those who bury gold and silver and spend it not in the way of Allah: announce unto them a most grievous punishment" (9:34). In this regard Prophet (SAW) said: "He who possess camels or cattle or goats and does not pay what is due on his wealth (Zakat), on the day of Judgement the animals which he possessed will become larger than the size they were on earth and trample on him and gore him with their horns till the judgement of all humanity is completed". Hazrat Abu Bakr (RA), the first Caliph of Islam, declared war on those Muslims who refused to pay Zakat which indicates that the state has power to make laws with provisions to imprison, penalize and confiscate the properties of the defaulters. This clearly indicates that the Islamic state can force the rich Muslims to pay Zakat. Prophet (SAW) appointed officials to collect Zakat from the rich and spent those for the rehabilitation of the poor and needy in the society.

Zakat has a number of positive impacts on the society. First, it is for the welfare of the unprivileged people of the society. Second, it is the blessing of Allah (SWT) for the giver as well as for the receiver, as it improves the total economy of the nation. Third, it establishes a society on a humanitarian ground. Fourth, it removes the economic hardship for the poor and needy and reduces the inequality among different groups of people from the society. Fifth, it satisfies the recipient's needs and alleviates his financial as well as mental sufferings. Thus, it creates love and brotherhood between the rich and poor, minimizes social tensions and bridges the gap between the poor and rich. In this way Zakat develops social and economic security to the community and brings its all members closer together. In fact, its rewards are boundless. If today the whole world would follow the principle of

Zakat, all the financial problems, unemployment and poverty would vanish, thus reducing crime and frustration from society. It should be noted here that there is vast difference between the Zakat-giving capitalist of Islam who is fighting against poverty, and the capitalist of Karl Marx whose business thrived on interest, based on looting, and creating problems for the poor. The paper is organized as follows. Parts 2 and 3 present some important Verses and Hadiths on Zakat from the Holy Qur'an and Sunnah, respectively. Part 4 discussed the importance of Zakat with the titled as "Zakat was Obligatory on Ummahs of All Prophets". Difference between Zakat and tax is discussed in part 5. Part 6 illustrates the items on which Zakat is leviable. The role of Zakat in alleviating poverty is discussed in part 7. Some concluding remarks are presented in the final part (Part 8).

### **Some Important Verses on Zakat from the Holy Qur'an**

- (i) Those who believe, and do deeds of righteousness, and establish regular Prayers and give Zakat, will have their reward with their Lord: on them shall be no fear, nor shall they grieve". (2:277).
- (ii) Subsequently if they (non believers) make *tawba* (purify and become believers), start performing Salat and paying Zakat - leave their path. Verily Allah is of Great Mercy and Much Benevolent." (9:5).
- (iii) Zakat are for the poor and the needy and those employed to administer the (fund); for those whose hearts have been reconciled to truth; for those in bondage and in debt; in the cause of Allah; and for the wayfarer (9:60).
- (iv) The believing men and women are allies of one another. They advocate righteousness and forbid evil, they observe Salat, pay Zakat and obey Allah and His messenger. These will be showered by Allah's mercy. Allah is Almighty, Most Wise". (9:71).
- (v) Take *Sadaqah* from their wealth in order to purify them and sanctify them with it, and invoke Allah for them." (9:103).
- (vi) .....so establish regular Prayer, give Zakat, and hold fast to Allah. He is your Protector- the Best to protect and the Best to help". (22:77).
- (vii) So, establish regular Prayer and give Zakat, and obey the Messenger, that you may receive mercy." (24:56).
- (vii) Those who give Sadakah, both men and women, and lend goodly loan, it will be doubled for them and theirs will be a rich reward," (57:18).
- (viii) .....establish regular Prayer, give Zakat, and obey Allah and His Messenger. And Allah is well-acquainted with all that you do". (58:13).
- (ix) And they have been commanded no more than this; to worship Allah, offering Him with sincere devotion, being True (in faith), to establish regular Prayer, and to give Zakat, and that is the religion right and straight". (98:5).

### **Some Important Hadith on Zakat**

- (i) Guard your wealth by paying Zakat, seek cure for your sick by giving charity, and protect yourselves from affliction by supplication.
- (ii) One who pays Zakat and receives his guest with generosity, and the one who returns what is due to others, they are protected from niggardliness.
- (iii) The best charity is to feed an empty stomach.

- (iv) The upper (giving) hand is better than the lower (receiving) hand.
- (v) The nation that does not pay Zakat, Allah afflicts famine on them.
- (vi) When people stop giving Zakat the rain stops coming down. The only reason it still rains however is because of the animals.
- (vii) Money is only yours when you spend it for the cause of Allah (SWT).
- (viii) Every good deed, done for the rich or the poor, is charity.
- (ix) Charity does not diminish wealth.
- (x) When Zakat is looked upon as a penalty, then look for violent windstorms, earthquakes, men being swallowed by the earth, metamorphosis, stones being pelted from the skies, and calamities following one another in rapid succession, like beads of rosary falling one after the other when its string is cut.

**Note:** The above hadiths are taken from *Bukhari*, Muslim, Abu Dawood, Nasai, Ibn Majah, Tirmizi, Baihaki, and Miskat.

### **Zakat was Obligatory on Ummahs of All Prophets**

If we look into the Holy Qur'an, we will see that from ancient times Salah and Zakat were ordained as compulsory for the Ummahs of all prophets and the Islamic religion was never bereft of these two items during the period of any prophet. After mentioning about Prophet Abraham and the Prophets of his race, Allah says in the holy Qur'an: "And We made them leaders of men. They guided the people according to Our command, and We inspired them in doing of good deeds and right establishment of Salah and giving of Zakat and they were worshippers of Us" (Al-Qur'an 21:73). About Prophet Ismael, the Holy Qur'an said: "He enjoined upon his people Salah and Zakat and was acceptable in the sight of his Lord" (Al-Qur'an 19:55). Prophet Moses prayed for his people: "O God! Bestow upon us the well-being of this world as also the well-being of the Hereafter". In reply, Allah said "I shall smite with my punishment whom I will. Although My mercy embraceth all things, but I shall ordain it for those who will fear Me and give Zakat and those who will believe in Our revelations" (Al-Qur'an 7:156).

Since the people of Prophet Moses were narrow-minded hankered after money, just as we see the condition of Jews even today, Allah plainly said in answer to the prayer of such a distinguished prophet: "If your people will give Zakat steadfastly, then the promise of My mercy is for them, otherwise listen clearly here and now that they will be deprived of My mercy and My punishment will encompass them". Similarly, even after Prophet Moses Boni Israel were repeatedly admonished on this account. Time and again covenants were taken from them to worship none save Allah and to be steadfast in Salah and Zakat (Al-Qur'an 2:10) till ultimately a clear notice was given as: "And Allah said: O Children of Israel! I am with you, if you offer Salah, and give Zakat and believe in My messengers and support those messengers who are to come, and lend unto Allah a nice loan surely I shall remit your sins" (Al-Qur'an 5:12). Before Prophet Muhammad (peace be upon him) the last Prophet was Prophet Jesus. The commandment about Salah and Zakat was given to him also by Allah, as is found in Surah Maryam: "And hath made me blessed wheresoever I may be, and hath enjoined upon me Salah and Zakat so long as I remain alive" (Al-Qur'an 19:31). This shows that the religion of Islam has been established from the beginning,



in the ministry of every prophet, on the two great pillars of Salah and Zakat, and it never happened that any Ummah believing in God was exempted from these two obligatory duties. Many of us in our society still treat Zakat and tax equally because of lack of proper knowledge. But these two things are quite different. Tax is an obligation imposed by the state on the citizens. Taxation is required to cover government expenditures. For a long time, government imposed taxes to raise revenue only to cover the cost of administration, defense, and in the case of despotic monarchs for personal expenditure of the ruler. Nowadays, taxes are no longer levied for defense and administration only, but also for other social and economic policy of the state (Hannan, 2006). Zakat, on the other hand, is an Ibadah. It is totally different from the tax in terms of inner-value, objective, usefulness and sector. The sector of Zakat is the poor and distressed, whereas, the benefits of tax are enjoyed by the affluent and ruling bodies. Zakat is paid for the purification of soul and wealth by following the Creator's Order and achieving His Satisfaction whereas such noble points are quite absent in case of tax. However, there are some important similarities and dissimilarities between Zakat and Tax which are given below. See for a more detailed discussion, Al-Qardawi (2003).

#### **Similarities between Zakat and Tax**

- (a) Zakat is liable to be collected by force like tax, if the payer does not pay it willingly. This position is applicable where the state compulsorily collects Zakat, and in modern days, has legislated accordingly. The Quran and the Sunnah make it very clear that it is the obligation of an Islamic state which follows Islam to collect Zakat. An important proof in this regard is the decision of Hazrat Abu Bakr (RA), the first head of the state of the Islamic Khilafat, to declare war against those who denied paying Zakat to the state.
- (b) Zakat collected in an Islamic state has to be kept in the state Treasury, in a separate account, like tax, if collected by the state officials. However, if Zakat is collected by Non-government organizations or communities, these should be kept safely as in the case of any public fund and should be strictly audited.
- (c) Zakat, like tax, is paid though there is no direct and equivalent economic benefit is obtained by the payer. It is a different matter that Zakat payer expects return in the life hereafter and the tax payer may receive some service from the state in return but there is no direct correlation.

#### **Dissimilarities between Zakat and Tax**

- (a) There are also important conceptual and other differences between Zakat and Tax. Primarily, Zakat is an Ibadah (act of worship) which Allah (SWT) has made compulsory on Muslim human being, to express gratitude to Him and to obtain His nearness (Taqwa). Tax is not the same thing as Zakat. It is a social obligation without having special sense of gratitude to Allah or to obtain nearness to Allah. Zakat, on the other hand, is essentially a matter between Allah (SWT) and His servants, but tax has been primarily a matter between citizens and the state authorities.

- b) Zakat is based on Nisab; any wealth below a limit is exempted from Zakat. This is not true in case of many taxes in modern times. Concept of exemption is there in case of tax but it is applicable only when and where the Government or Tax authorities specifically prescribe.
- c) Zakat is a permanent and regular system. None can change it in any way. On the contrary, most of the taxes undergo change from time to time and from country to country.

There is also a big difference in the objective and intent between Zakat and Tax. As Allah (SWT) has said in the Holy Qur'an (9:103):

*"Take from their wealth Charity (Zakat) so that thereby you make them clean and pure and pray for them. Your Prayer (for them) is a source of comfort for them. Allah is All hearing, All-knowing" ... .*

The intent of Zakat is to make wealth pure (in moral sense) and cleanse the heart of human beings from greed and hoarding. The object of Zakat is spiritual as well as economic. But the object of tax is much more mundane and worldly. Tax could never achieve the moral and spiritual objectives like Zakat in any time of history.

**Table 1:** The items on which Zakat is leviable

S/N	Assets on which Zakat is payable	Nisab for payment of Zakat	Rates at which Zakat is payable
1.	Cash in hand or bank; share certificate; bond and the like (face value); amount received on maturity or as survival benefit or on surrender from life insurance during a year; amount received on final settlement or on non-refundable withdrawal from provident fund during a year.	Value of 52.5 tola ( 612.36 gm ) of silver	2.5 % of the amount
2.	Gold, silver, precious metal, ornaments of gold and silver	7.5 tola ( 87.48 gm ) in case of gold; 52.5 (612.36 gm)) tola in case of silver; and value of 52.5 tola (612.36 gm)) silver in case of gold and silver mixed.	2.5% of the market value.
3.	Stock in trade of commercial and industrial undertakings.	Value of 52.5 tola (612.36 gm ) silver	2.5% of the book value or market value (at the option of Zakat payer
4.	Agricultural production	5 wasaq or 948 kilograms per crop	10% of produce in case of non-irrigated land and 5% of produce in case of irrigated land, or value thereof.
5.	Animals (a) Sheep or goat	40 (forty)	i) for owner of 1 - 39 heads: nil ii) for owner of 40 - 120 heads : 1 sheep/goat iii) for owner of 121 - 200 heads: 2 sheep/goats iv) for owner of 201 - 300 heads: 3 sheep/goats v) for owner of every complete: additional hundred head ... 1 sheep/goat to be added.
	b) Cows, buffaloes or other domestic animals	30 (thirty)	i) for owner of 1 - 29 heads : nil ii) for owner of 30 - 39 heads : 1 year old calf iii) for owner of 40 - 59 heads: 2 years old calf iv) for owner of 60 head or more: 1 year old calf for each 30 heads
6.	Mineral production	Any quantity	20% of the market value of mineral production
7.	Other assets	As per Shariah	As per Shariah

**Source:** Al-Qaradawi (2003)



### **Role of Zakat in Poverty Alleviation**

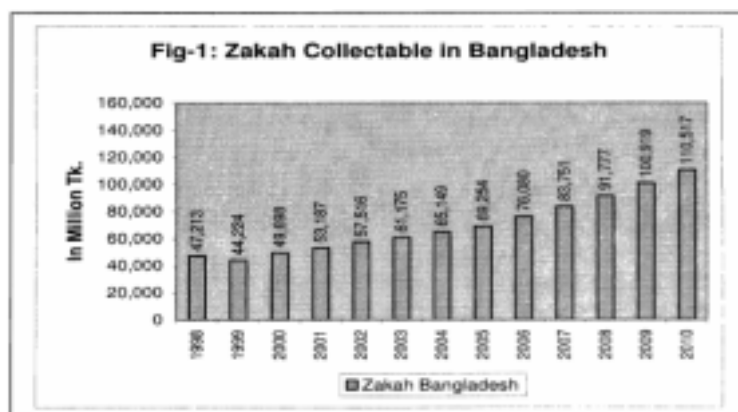
Over 1.3 million people in developing countries now live on \$1.25 a day or less. Between 1990 and 2008, efforts to reduce this number were highly successful and the number of people living in poverty decreased by nearly half, from 48 to 26 percent. But according to the latest United Nations reports food prices are back on the rise, causing an increase in global poverty for the first time nearly for two decades. Proper Zakat implementation program can reduce poverty level at least in Muslim developing countries. In this regard we present two examples below.

#### **Example 1: Bangladesh Case**

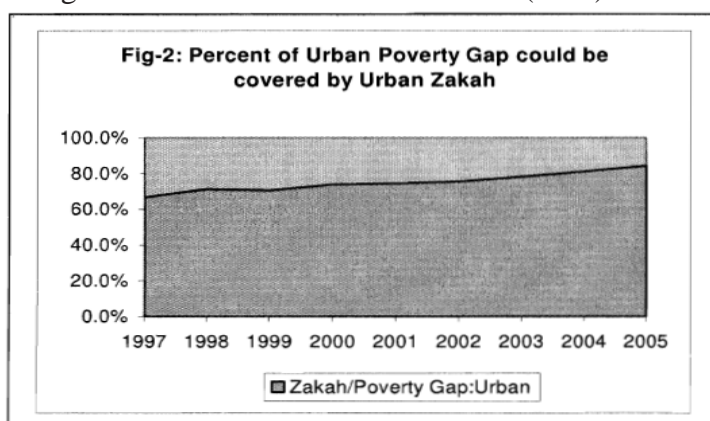
Much of the numerical information reported in this section is sourced to Akkas (2006) and Sohag (2008). Bangladesh is a land of 150 million people of which about 40 percent live under the poverty line. There are some areas like Rangpur and Kurigram where there are no works at all for approximately three months a year. At that time, they pass days without any food. As a result, every year huge number of people is forced to gather in the capital city for searching work. In order to overcome this problem, the government can take up income generating projects in the rural Bangladesh with the Zakat money. It is estimated that nearly TK. 100,000 million could be collected from the wealth of the rich men and it seems to be enough to remove poverty from a large area of Bangladesh in each year. By well-thought-out planning and proper distribution of Zakat money poverty from Bangladesh can be eradicated by about ten years. There are many Islamic scholars and experts capable of devising good planning in this regard. In fact, our Prophet (SAW) never liked poverty at all. He said, "Poverty tends people to forget Allah and His Attributes". At the same time, he always discouraged luxurious life because it also induced a person to forget his Lord.

However, in this regard the main question arises as to how much total Zakat money can be collected from the rich in a year from Bangladesh. Figure 1 shows the total amount of Zakat (Zakat & Ushr) to be collected in Bangladesh during the period under simulation. An amount of Tk. 28,337 million may be collected as Zakat (including Ushr) in the base year of the simulation, which stands at Tk. 47,213 million in 1998 and becomes Tk. 110,517 million in 2010. The figure 2 shows the percent of urban poverty gap covered by urban Zakat and the Fig. 3 shows the percent of rural poverty gap covered by rural Zakat. It is quite evident from the Fig. 2 that Zakat collected from urban area can cover about 64% of the urban poverty gap in 1997. The coverage rises over time and it becomes about 82% in 2005. From Fig. 3, we obtain different pictures about rural poverty gap. In 1997, the rural poverty gap is only 14.8% and it rises to only 24.7% in 2005.

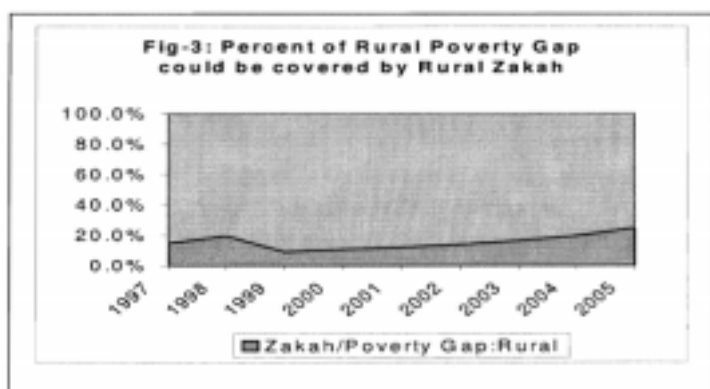
It is quite clear from figures 2 and 3 that the strength of Zakat as a poverty alleviation tool depends on how much of the prevailing poverty gaps would be financed by Zakat fund. The strength can be measured by portion of poverty gap that Zakat can finance at rural and urban areas. This rural-urban segregation can provide insights on the effect of interventions pursued on regional basis. Such information may help preparing policies which will encourage resources to be transferred wherever these would be of best use.



*Source:* Bangladesh Bureau of Islamic Economics (2008)



*Source:* Bangladesh Bureau of Islamic Economics (2008)



*Source:* Bangladesh Bureau of Islamic Economics (2008)

### **Example 2: Pakistan Case**

Much of the numerical information reported in this section is sourced to Sohail et al. (1994). Like Bangladesh, poverty is also widespread in Pakistan, particularly in rural areas. The change in agrarian structure in 1960s contributed towards the higher rural poverty. The increase in foreign remittances and hence an improved economic growth has

been responsible for a slight decline in poverty since 1970s. The introduction of Zakat and Ushr system in Pakistan in 1980 has also played an important role in this regard. Table 2 shows the total amount of Zakat and Ushr collection from 1982 to 1991. However, poverty still remains one of the most serious problems in the country. Sohail et al. (1994) estimated the effects of Zakat and Ushr on poverty alleviation in Pakistan at a disaggregated level by using the Household Income and Expenditure Survey data for 1987-88. The poverty measures reported on Table 3 are based on incomes that included Zakat. In order to see the effect of Zakat on poverty alleviation, they subtracted amount of this Zakat from the households' income and then re-estimated the poverty measures on the basis of the same poverty lines on which the estimates of Table 3 are based. They found that the poverty incidence has significantly increased. The similar results can be seen on Table 4 as well. It clarifies that if there is no Zakat, poverty levels are higher than those reported on Table 3. With the same view, the authors reported the percentage differences in the various poverty measures with and without Zakat on Table 5.

Table 5 clearly reveals that Zakat has resulted in reducing poverty level in Pakistan by 2.41% overall from levels computed with Zakat and 3.93% in urban areas and 1.83% in the rural areas based on the head-count measure. Although the reduction of poverty due to Zakat in percentage terms seems to be small, yet the absolute number of household who benefited from Zakat is quite large. For example, more than 60 thousand households moved above the poverty line in Pakistan through Zakat in 1987-88 which is quite a large number though it is not significant in relation to the total number of poor households.

**Table 2:** The total amount of Zakat and Ushr collection between 1982 and 1991

Year	Zakat	Ushr	Total (Rs in Million)
1982-83	855.19	179.34	1034.53
1983-84	1011.33	259.40	1270.73
1984-85	1230.86	262.74	1493.60
1985-86	1439.04	247.35	1686.39
1986-87	1513.62	228.92	1742.54
1987-88	1944.18	240.69	2184.87
1988-89	2190.01	183.24	2373.25
1989-90	2444.03	140.79	2584.82
1990-91	2685.53	113.83	2799.36

**Source:** Central Zakat Administration, Ministry of Finance, Government of Pakistan, Islamabad (1994).

**Table 3:** Head Count, Poverty Gap and Poverty Measure using Poverty Lines (1987-88)

	[P. sub. 0]	[P. sub. 1]	[P. sub. 2]
Overall	23.2	4.8	1.5
Urban	12.7	2.3	0.6
Rural	27.2	5.7	1.8

**Table 4:** Head Count, Poverty Gap and Poverty Measure after subtracting Zakat from Households' Income using Poverty Lines (1987-88)

	[P. sub. 0]	[P. sub. 1]	[P. sub. 2]
Overall	23.8	5.0	1.6
Urban	13.2	2.5	0.7
Rural	27.7	5.9	1.9

**Table 5:** Percentage Change in the Head Count, Poverty Gap and Poverty Measure using Poverty Lines (1987-88) due to Zakat

	[P. sub. 0]	[P. sub. 1]	[P. sub. 2]
Overall	2.41	4.93	8.62
Urban	3.93	8.69	16.66
Rural	1.83	3.50	5.55

## CONCLUDING REMARK

Zakat is really a unique system in Islam in terms of i) pure transfer from the rich to poor, ii) direct incentive on the poor people, iii) no interest and no payback, iv) making down flow of money, v) reducing poverty from the society, vi) reducing social crime from the society, vii) equitable distribution of wealth, viii) individual freedom within the context of social welfare, ix) making bridge between the rich and poor, and x) universal brotherhood and justice (Sohag, 2008). Today the main task of every Muslim is to create solidarity with the poor to eradicate social injustice and poverty. People do not want to be poor. Their poverty is largely the byproduct of capitalism and oppression. And this is the reason the Holy Qur'an stresses to establish the system of Zakat in society. To introduce a reliable and efficient Zakat collection system is only one side of the coin. In fact, we need two-prolonged approaches to this issue. Firstly, the real standing issues are Unfortunately, the paying of Zakat and other forms of gifts to help the poor and needy on a voluntary basis are still widely practiced. We find no Muslim State in the world to follow all the dictates related to Zakat according to Islamic Shariah. We hope that the people of all Muslim countries would observe certain Islamic traditions in this regard. From example 1 and 2 it is clearly evident that Zakat can significantly help in poverty alleviation from the society. Its impact particularly on the poverty gap and severity of poverty index are quite significant.

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