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Zakat as a God's Recommended System to Reduce Poverty: An Analysis in the Light of Socio-Economic Dynamics of Pakistan Society

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Abstract

At present, poverty is the most critical issue of Pakistani society as almost 60% of the population is living below the poverty line with an earning less than 1.25US\$ per day. In this context, this paper evaluates the prevailing system of *zakat* in Pakistan and its role in the reduction of poverty from the perspective of objectives of Shari'ah and socio-economic condition of the society. It explores that *zakat* is an everlasting religious principle of economics and recognized by all the religions as one of the important obligations of that religion. The prime focus of which is reduction of poverty and fair distribution of wealth and resources. Talking about Pakistan, it has a state-run *zakat* system, introduced during 1980s to eradicate poverty and to ensure a fair, just, and social economic system yet the target could not be achieved despite the fact that Pakistani rich community is one of the most generous communities of the world. It leads that there is some flaws in the contemporary system of *zakat* collection, distribution and consumption due to which poverty could not be reduced. This research thus, evaluates the issue in perspective of objectives of Shari'ah and socio-economic dynamics of Pakistani society. It concludes some conclusions and recommends some recommendations to reform the existing system.

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Keywords: Introduction; development of *Zakat* system; Objectives; *Zakat* System in Pakistan; Analysis; Conclusions; Recommendations.

1. Introduction

Zakat has been declared as one of the primary components of Islam by Allah Almighty Himself Who made the rich segment of the society bound to help needy and deprived persons and to contribute in the reduction of poverty. Pakistani society is consisted of more than 180 million people and among them 96.4% is Muslim while non-Muslims are only 4.6% [1]. Talking about economic condition of the people more than 60% of them are suffering from acute poverty and living below the poverty line by earning less than 1.25 US\$ per day (Rs.160 per day) [2]. In this way, Pakistani economy is considered as under developing economy and one of the poorest economies of the world.

It is however, a high moral and religious-quality of the Pakistani people that they are generous by heart and are among the top charity-givers of the world. The most generous country of the world is United States of America where charity contributes 2.2% of GDP. In UK, charity makes 1.3% of GDP and in Canada charity makes 1.2% of GDP [3]. Talking about South Asian countries, Sri Lanka is ranked first and scores 8th position in the world in charity giving and Pakistan rank second in South Asia by getting 34th position in the world [4]. It is estimated that in Pakistan charity makes 1% of GDP in its lower end while upper end of charity makes almost 5% of GDP. Thus, the upper end of 5% is more than double of American charity, which contributes 2.2% of GDP annually [5]. India however, is rank 93 in the world and here charity makes only 0.6% of GDP [6]. Although more than half of the population is living below the poverty line, yet many of the poor also try to help others by way of charity. It is reported that almost 51% of Pakistani contribute money by way of charity and 27% people provide their services voluntarily while in India, only 28% people contribute money and 18% spend time voluntarily [7].

There is a "*Zakat* and *Ushr* department in Pakistan. Each year, billions of rupees are deducted from the bank accounts of the Muslims. The *Zakat* and *Ushr* department distributes among the poor and the needy people. The nisab of *Zakat* is prescribed in the light of the rate of silver that is very cheap in Pakistan. The amount of Nisab is decreased every year like in 2015, it was 50000 Pakistani rupees (450US\$) while in 2016 the amount of *Nisab* was only 35000 Pakistani rupees (300US\$) [8]. Yet worrying situation is that poverty could not be reduced rather poverty ratio is increasing day by day while it should be decreased. It leads that there are some flaws in the contemporary system of *zakat* due to which objectives of *zakat* obligation could not be achieved and poverty could not be reduced. In this context, the question how and in what manners, poor may be provided greater benefits from *zakat* system is very important and needs special attention of the concerned. This article points out many socio-economic and traditional factors that made the *zakat* system stagnant and non-productive. This article is divided into two sections: Section first throws light on the historical development of the concept of almsgiving/*zakat* among different religions and second section analysis the system of *zakat* and *Nisab* in perspective of state performance and socio-economic factors of Pakistani society. In the end, there are some conclusions and recommendations to improve the present situation of *zakat* collection and its consumption in Pakistan.

1.1 Alms giving/Zakat System in Historical Perspective

The concept to help the needy and the poor people by way of charity or *alms giving* is as old as the history of the human beings. It is ever considered as an important instrument to reduce poverty and almost all the religions have recognized it. The term *Almsgiving* has derived from the Greek word *eleemosynary* which means pity or mercy and is used in the meaning of any material favour done to assist the needy and poor persons [9]. In Arabic the term almsgiving is used corresponding to *zakat* which literally means purity, chastity, and increase [10]. The history of the concept of *alms* giving reveals that it is religious based concept and that the religion has ever played a vital role in motivating the rich segment to support the poor segment of the society and declared charity/ *alm* giving as a sacred service to the poor. For instance, the Torah, especially Exodus, and Deutronomy contains a long list of injunctions regarding economic behavior and urge to set free the slaves and to care for needy persons [11]. Likewise, Christian Holy Book Bible states: "I have showered you all things, how that so laboring you ought to support the weak, and to remember the words of Lord Jesus, how he said, it is more blessed to give than to receive"[12]. The Buddhist economics that is associated with socialist's views of economics offers concept of spiritual merit through sponsoring temples and needy people [13]. With the passage of time however, people left to pay *zakat* due to negligence and lack of religious knowledge and *almsgiving* started to be considered as a voluntary activity throughout the world. In pre-Islamic Arab *zakat* was also well known and the righteous people considered it a religious duty and a source to get pleasure of Allah [14].

In that particular context, Islam revealed during medieval period in the beginning of the 7th century (610 AD) [15]. Like other good customary practices, it recognized the act of *alms giving*. The Qur'an [Chapter,2. Verse, 83] states: "And when We took the covenant from the children of Israel (saying): Worship none but Allah and be dutiful and good to parents, and to kindred, and to orphans and poor. . . and perform *al-salat* and give *zakat*, then you slid back except few of you while you are back sliders" [16]. The significant of Islam is that it not only made the almsgiving as one of the five pillars upon which Islam is based but also declared it a unique system of economics which leads to eradicate poverty, to enhance economic activities, to ensure fair distribution of income, and to establish a just and fair economic system in the society. It is due to the importance of *zakat* that Allah Almighty made the act of *almsgiving* an unavoidable obligation and attached it with the most commanded act of worship *salat* in which a Muslims praises his Lord, admires His blessings and prays for his *hidayah/righteous path* five times a day. Most of the Qur'anic verses related to *salat* also contain mentioning of *zakat*. It is stated in the Qur'an: "And perform *al-salat* and pay *al-zakat* and bow down yourself along with *al-raaki'in*" [17].

It leads that a Muslim cannot please his Lord just by performing *salat* or by way of spiritual *ibadah* until he spends his wealth by way of *zakat* to contribute in the reduction of poverty in his society. It is a well-known dogma that poverty and hunger destroys intellectual capacity of the people and instigates them towards crimes, which ultimately results in anarchy and destruct the whole social fabric. To overcome these and similar issues of the people, Islam introduced *zakat* as the most recommended system to reduce poverty and conditioned it with the completion of the belief of a Muslim. All the related issues of *zakat* such as the purpose behind the obligation of *zakat*, type of wealth on which *zakat* is imposed, quantity and quality of the subject-matter,

conditions of *Nisab* and period have been prescribed either through revelation or by way of Sunnah (pbuh) and Sunnah of the four Caliphs [18]. The prime objective of *zakat* obligation is circulation of wealth between the rich and the poor. It is stated in the Qur'an: "So that it (wealth) will not be a perpetual distribution among the rich" [19]. It leads that Allah Almighty intends that the wealth should not be stuck into few hands rather it should be circulated among the people. In this way, Allah almighty Himself introduced an economic principle of prosperity by way of circulation of wealth among the people. As Dragon and James A. Robinson (2012) observed that prosperity leads to sound physical and mental growth that enable the people to contribute in the development of the society [20].

Moreover, Allah Almighty declared *zakat* as a way to purify and increase of one's wealth by revealing: "Take alms from their wealth in order to purify them and sanctify them with it" [21]. The rule of charity prescribed by Allah Almighty is general by nature, which leads that what is surplus should be spent in the way of Allah. Rather, Allah declared that in the wealth of the rich there is right of the poor. It is stated in the Qur'an: "And in their wealth there is recognized right of beggars and deprived off" [22]. The Prophet (pbuh) however, interpreted the relevant verses in the light of the socio-economic conditions of the society. The Holy Prophet (pbuh) guided in detail about the wealth and the property that should be subject to *zakat* such as gold; silver; business profit; savings and money; agricultural productions; animals; mineral deposits; and all valuable things, which may lead some business and profit. Not only is this, he (pbuh) also set a standard value against each type of the wealth and based on that standard *zakat* is imposed upon the owner. This standard value that was prescribed by the Prophet (pbuh) is called *Nisab* [23].

Further, the Holy Prophet (pbuh) imposed certain conditions the fulfillment of which is pre-requisite to pay *zakat* like the subject matter should be in the ownership of a particular person and that one complete year should be passed over that ownership. A *hadith* is reported on behalf of Abdullah bin Umar that the Holy Prophet (pbuh) said: "There is no *zakat* on the wealth except upon the completion of one whole year" [24]. Talking about the *Nisab* of gold and silver, the Holy prophet (pbuh) said: "There is no *zakat* if gold is less than 20 *mithqal* and there is no *zakat* if silver is less than 200 *dirham*" [25]. In this way, the Holy Prophet (pbuh) declared silver and gold two separate identities and treated them differently. The *Nisab* of the gold that was prescribed by the Prophet (pbuh) is 20 *mithqal* that is equivalent to 87 grams and 500 milligrams. It leads if a Muslim possesses the above mentioned quantity of the gold, then after completion of one whole year, the owner will be liable to pay 40th portion of the total gold by way of *zakat* (or at the rate of 2.5% of the total). If there is less than the above-mentioned quantity of the gold, he will not pay *zakat*. In the same manners, if a Muslim has 200 *dirham* silver that is equivalent to 612 grams (52.5 *tolah*), then he will pay 40th portion of the total silver as *zakat* (5 *dirham*). Regarding animals and grains, it is reported on behalf of Abu Saeed al-Khudri that Allah's Apostle said: "There is no *zakat* on less than five camels . . . and there is no *Zakat* on less than five *Awsuq* (A special measure of food-grains, and one *Wasq* equals 60 *Sa'* [25:434])".

From these *ahadith*, it becomes clear that the Holy Prophet (pbuh) and the companions (Hadrat Umar, Hadrat Ayesha and Hadrat Ali) considered gold and silver as two different subjects and did not mingle them in order to impose *zakat* if both reach the quantity of *Nisab* [26]. The traditional Muslim jurists however, differed over the issue whether the gold and the silver could be mingled to reach the quantity of *Nisab* or not? Imam Abu Hanifah

and Imam Malik declared that if both (silver & gold) together reach the quantity of *Nisab*, *zakat* would be liable to pay. On the other hand, Imam Shafi'i and Abu Thawr and Abu Dawud opined that both should not be mingled rather to be dealt as two different identities [27].

The issue of the entitlement of *zakat* to whom *zakat* can be given has also decided been by Allah Almighty Himself in these words: "Verily, *zakat* (al-sadaqat) only for the poor (fuqaraa), and for needy people (al-masakin, who do not beg) and for those who are employed to collect *zakat* and for those who have inclined towards Islam, and to set free the slaves, and for those in debt, and in the way of Allah (for those who fight) and for the wayfarer, a duty imposed by Allah. And Allah is All-Knower, all-Wise"[24: Vol.1,p.186].

To make the task of the state regarding *zakat* collection easy and trouble free, Allah Almighty revealed many verses, which motivate the people to pay *zakat* if they want to seek the pleasure of their Lord. Those who spend their wealth in the cause of Allah . . . their reward is with their Lord. On them shall be no fear, nor shall they grieve" [28]. Allah Almighty rather made *zakat* as a source of augmentation of one's wealth. The Qur'an states: "The likeness of those who spend their wealth in the way of Allah is as likeness of a grain; it grows seven ears and each ear has hundred grains. Allah gives manifold increase to whom He wills [29].

Allah Almighty Himself prescribed a very severe punishment for those who do not pay *zakat* and hoard their wealth in these wording: "And those who hoard up gold and silver, and spend them not in the way of Allah (the *zakat* of which has not been paid), announce unto them a painful torment" [30].

In the same manners, the Holy Prophet (pbuh) warned those who did not care for paying *zakat*. Hadrat 'Adi bin Hatim reported that the Holy Prophet (pbuh) once said that on the Day of Judgment, Allah will ask every rich person: "Did not I give you wealth?" He will reply in the affirmative. Allah will further ask "Didn't I send a messenger to you?" Again, that person will reply in the affirmative. Then, he will look to his right and will see nothing but Hell-fire, and then he will look to his left and will see nothing but Hell-fire"[26:578].

Moreover, Allah Almighty has described the type of the punishment, which will be awarded to those who did not pay *zakat* on the Day of Resurrection. It is stated in the Qur'an: "On the Day when that (gold, silver and money) will be heated in the fire of Hell and with it will be branded their foreheads, their flanks and their backs (and it will be said to them): "This is the treasure which you hoarded for yourself. Now taste of what you used to hoard" [31].

It is reported that when this verse was revealed, the companions became afraid of their wealth and thought to spend their whole wealth and property in the way of Allah even it might cause to create hardship for them. Although the wording of the verse was so clear in its literal meaning, yet Hadrat Umar (R.U) went to the Prophet (pbuh) and requested to interpret the verse. The Holy Prophet (pbuh) interpreted the verse in its contextual meaning and said: "Verily, Allah did not make *zakat* obligatory except (with the intention) to purify what is surplus in your wealth and (remember) Allah has made inheritance an obligation as well" [26:535]. This *hadith* not only made the Muslims happy but also provided the primary objective of *zakat* that is purification of wealth by spending in the way of Allah [18: 155].

The question whether *zakat* is a state-run system or an individual-run program is also very important and can be resolved in the light of the revealed verses and the Sunnah of the Prophet (pbuh) and his companions. History of Islamic legal system reveals that Islam recommends state-run *zakat* system. During the whole period of Caliphate, *zakat* was considered as one of the primary responsibilities of the Islamic states [32].

At Mecca when the Muslims had no political structure and were submissive to the idol worshippers, the issue of charity was considered as an individual-run program and left at the discretion of the individual to determine the value and to distribute among the poor. As soon as the Muslim state of Madinah came into being, the institution of *zakat* became centrally administered system and included in the principles of policy of the state [33]. All this reveals the significance of *zakat* in poverty eradication and in economic development of society due to which Allah Almighty and His Prophet (pbuh) included the system of *zakat* among the principles of the state policy.

The most favorable argument in this regard the verse: “Those who if We give them power in the land, enjoin performing *al-salat* (Iqamatu al-salat) and paying *al-zakat* and enjoin monotheism and good deeds (al-ma’ruf) and forbid polytheism and prohibited acts (al-munkar)” [34]. In this verse, Allah Almighty has mentioned the primary functions of an Islamic State. Among the primary responsibilities of an Islamic state are to establish the principle of monotheism, to set up performance of *salat*, and lastly, to manage the system of *zakat* to eradicate poverty by making its people prosperous and happy. In this way, Allah Almighty made the state bound to collect *zakat* and to arrange for its distribution in such manners as to lead eradication of poverty and to establish a just social system.

In the light of the revealed *zakat* principles, the Holy Prophet (pbuh) established the system of *zakat* collection and its distribution on behalf of the state. An independent institution of *zakat* was established and employees were employed for collection and distribution of *zakat*. There are number of *ahadith* that verified that *zakat* was a centrally administered and well organized institution. As *zakat* was a state-run system so, whenever, the Prophet (pbuh) appointed a governor to any province, he (pbuh) had to instruct him to collect *zakat* from the rich and to spend on their poor [26: 535].

For instance, when the Holy Prophet (pbuh) appointed Muaa’z bin Jabal as governor of Yemen, he (pbuh) instructed him at the time of his departure regarding *zakat* in these wording: “Verily, Allah has imposed upon them *zakat*. Take *zakat* from their rich and spend on their poor”. After the death of the Prophet (pbuh) his successor, Hadrat Abu Bakr pronounced war against those who denied paying *zakat* to the state [7:Vol.1, 656]. Like the Prophet (pbuh), Hadrat Abu Bakr employed *zakat* collectors on behalf of the state and had to give them written rules of *zakat*, started as: “In the name of Allah, the Beneficent, the Merciful. These are the orders for compulsory charity (*zakat*) which Allah's Apostle had made obligatory for every Muslim and which Allah had ordered His Apostle to observe: Whoever amongst the Muslims is asked to pay *zakat* accordingly, he should pay it (to the zakat collector) and whoever is asked more than that (what is specified in this script) he should not pay it; for twenty-four camels or less, sheep are to be paid as *zakat*; for every five camels one sheep is to be paid, and if there are between twenty-five to thirty-five camels, one Bint Makhad is to be paid; and if they are between thirty-six to forty-five (camels), one Bint Labun is to be paid; and if they are between forty-six to sixty

(camels), one Hiqqa is to be paid; and if the number is between sixty-one to seventy-five (camels), one Jadh'a is to be paid; and if the number is between seventy-six to ninety (camels), two Bint Labuns are to be paid; and if they are from ninety-one to one-hundred-and twenty (camels), two Hiqqas are to be paid; and if they are over one-hundred and-twenty (camels), for every forty (over one-hundred-and-twenty) one Bint Labun is to be paid, and for every fifty camels (over one-hundred-and-twenty) one Hiqqa is to be paid; and whoever has got only four camels, has to pay nothing as Zakat, but if the owner of these four camels wants to give something, he can. If the number of camels increases to five, the owner has to pay one sheep as Zakat. As regards the Zakat for the (flock) of sheep; if they are between forty and one-hundred-and-twenty sheep, one sheep is to be paid; and if they are between one-hundred-and-twenty to two hundred (sheep), two sheep are to be paid; and if they are between two-hundred to three-hundred (sheep), three sheep are to be paid; and for over three-hundred sheep, for every extra hundred sheep, one sheep is to be paid as Zakat. And if somebody has got less than forty sheep, no Zakat is required, but if he wants to give, he can. For silver the Zakat is one-fortieth of the lot (i.e. 2.5%), and if its value is less than two-hundred Dirhams, Zakat is not required, but if the owner wants to pay he can" [26:553]. Hadrat Umar utilized *zakat* revenue for the constructive and development program of the state rather extended the items of *Nisab* where deem necessary and imposed *zakat* upon them.

In later period, the Muslims states however, adopted tax policies of the secular system, ignored the dynamic system of zakat, and left the task at the discretion of the individuals that slowly weakened the effects of *zakat* over society and made it confined to the discretion of the rich segment of the society.

1.2 Zakat System in Pakistan and its Role in the Reduction of Poverty

Pakistan has a dual system of *zakat* collection and its distribution. It has a state-run system and as well as it allows individual-run *zakat* system by granting the rich people an option to submit an affidavit to pay *zakat* at their own disposal. The state- run *zakat* system was introduced in Pakistan in 1980s to establish a system of fair collection and distribution of *zakat* among the needy persons and to eradicate poverty. To achieve this goal certain legislations have been made since 1980 and some amendments have been inserted in the light of the changed context.

The first ever legislation regarding *zakat* and *ushr* system was "Zakat and Ushr Ordinance 1980" and "Zakat Collection and Refund Rules 1981" and then "Zakat and Ushr Amendment Act 1997". In accordance with the "Zakat and Ushr Ordinance 1980" a department named "The Zakat & Ushr Department" has been established, the task of which is collection and distribution of *zakat* among the poor and needy people [44].

Section 5 of "The Zakat Collection and Refund Rules 1981" describes about the procedure of *zakat* deduction. The Head Office of Pakistan is named as "Zakat Collection Controlling Agency (ZCCA)". The function of this office is to direct, or control the affairs and the operations of the regional offices named as "Collection Offices" which are responsible for the deduction and collection of *Zakat* paid voluntarily, grants, *atiyyat* and other receipts etc. These Collection Offices are also responsible to collect *zakat* on compulsory basis from deducting agency such as banks, post offices, and other financing agencies etc. And if any Collection Office fails to collect *zakat*, the amount will be considered as arrears of land revenue [35]. Until the Eighteenth Amendment

2010, of the Constitution 1973 the system of *zakat* and *ushr* deduction, collection and distribution was included in the concurrent list and was within the jurisdiction of both federal and provincial governments but now only provincial government has authority to legislate [36].

In Punjab, the most recent legislation in this regard is “The Punjab Zakat and Ushr Act 2012”. Under section 14 of the Act, certain “Zakat Funds” have been established in hierarchical manners such as a “Central Zakat Fund” to which the deducted amount of *zakat* and *atiyyat* and transfer from province to centre are credited. At each province, there is a “Provincial Zakat Fund” to which the deducted *zakat*, transfer from district to province, from centre to province, from local *zakat* fund to province, and voluntary *zakat*, *atiyyat* and other receipts are credited. In the same manners, at each district there is a “District Zakat Fund”. At each *tehsil* there is a “Sub-divisional Zakat Committee” and at each settled rural area there is a “Local Zakat Fund”.

As far as the issue of distribution and disbursement of *zakat* is concerned, “The Punjab Zakat and Ushr Bill 2012” describes that *zakat* can be used only for the specific purposes such as for assistance of the needy, poor particularly, orphans, widows, handicapped, disabled, and those who are eligible to receive *zakat* under Shari’ah for their subsistence or rehabilitation. The means of assistance can be directly or indirectly like *deeni* madaris, educational, vocational and social institutions, public hospitals, charitable institutions or health care centers etc. It also provides a list of the individuals entitled to assistance and a list of the institutions through which assistance may be provided directly or indirectly. It also assists the needy persons rendered homeless due to natural calamities like flood, earthquake and for their rehabilitation. *Zakat* amount can be utilized to meet the expenditures on the collection, disbursement and administration of *zakat* and *ushr*.

It also provides that *zakat* amount may be utilized in the investment in any non-interest instrument permissible under Shari’ah or for any other purpose permitted by Shari’ah”. Section 15 of the Act provides “that a *sahib-e-nisab* may pay either to a *zakat* Fund or directly to those eligible under Shari’ah to receive *zakat* so much of the *zakat* due under Shari’ah as is not deductible at source under this Act, on assets mentioned in the Second Schedule”. There is however, no provision regarding the condition of the completion of one whole year over the deposits. At each province, “The Zakat & Ushr Department” arranges disbursement of *zakat* amount among the needy and poor people. For instance, in the province of Punjab around 3 billion rupees are spent annually for the welfare of the poor people [37].

1.3 Flaws in the Contemporary System of Zakat in Pakistan

Zakat system in Pakistan however, is running in poor manners without proper planning of *zakat* deduction, collection and consumption. Despite the fact that Pakistani rich community is one of the most charity giving communities of the world and *nisab* of *zakat* is decreasing yearly yet more than 60% of the population do not have access to safe water, good food, basic health facilities, and education and poverty ratio is increasing alarmingly [51]. It leads that there are some flaws in the contemporary *zakat* system that has made the whole *zakat* system ineffective, stagnant and non-productive. These flaws are discussed as

1.3.1 Poor manners of zakat disbursement

Each year millions of rupees are disbursed in cash among the beggars and the poor people who spent it on the fulfillment of the necessities of life and hence cannot be utilized in for development projects. In most of the cases, the *zakat* and *Ushr* department does not keep record of disbursement. The *zakat* is given by way of monthly allowance and on approach basis. Further, the size of the disbursements is determined as annual budget on a territorial and programmatic basis and *zakat* is allocated to each district on the basis of its population, not on the basis of its need. In addition, *zakat* is also spent on state owned projects such as in the construction of hospitals, educational stipends for the students, donations for natural calamities, and *eid* allowance, thus, all the people get benefits entitled or not [38]. In this way, *zakat* amount cannot be spent in investment plans for economic development of the poor segment of society.

1.3.2 Lack of Assessment of the poor persons

Another hot problem regarding *zakat* disbursement is that the amount of *zakat* is distributed among all the applicants without any assessment of the poor person [39]. This led the poor segment of society to spend *zakat* money extravagantly and lavishly without any policy for their future earning or their future as they have hope that the next year they will get money, which make them careless and effortless.

1.3.4 Unusual Expenditure

Zakat and *Ushr* department is taken as least important institution by the law enforcing agencies, which has created many loopholes in the system. Consequently, a large amount of *zakat* is wasted due to mismanagement of collection and disbursement. In addition, under the head of unusual expenditure, a big amount of *zakat* is misused. Likewise, expenses related to *zakat* disbursement are capped at 10% of the budget [40]. In this way, the purpose of *zakat* cannot be achieved and poor people cannot get more benefits.

1.3.5 Inadequate system of audit

Although, the Zakat Collection and Controlling Agencies (ZCCAs) are supposed to provide data on monthly basis regarding collection of *zakat*, which is then supposed to be compared against data provided by the State Bank of Pakistan on collections yet in many cases, fail to provide any records and thus, no reconciliation of the data sets is possible. The process of audit of the Public Accounts Committee, that is the apex financial watchdog in the government, is very slow rather ceased to exist. For instance, the report of CZA (Central *zakat* Administration) 2009 could not be examined until 2013 and still in process.

Further, due to absence of accurate record, the auditors cannot evaluate the amount mentioned in the list provided by CZA for examination and all this lead misuse of *zakat* amount. For instance, during 1996, about 216 million rupees were allocated to the Investment Corporation of Pakistan during fiscal year 1996 but investments were against its mandate and it could be assessed yet. It is also reported that the federal auditors found unusual expenditures totaling Rs.219 million and for that, officials from the CZA had no explanation, despite two requests by the AGP's office for records [41].

1.3.6 Corruption

The other hot issue regarding failure of the contemporary *zakat* system in Pakistan is corruption. The survey report of Transparency International published in 2015 ranked Pakistan as one of the most corrupt countries of the world. [42]. In the Auditor General of Pakistan's Annual Report for fiscal year 2014, the auditors pointed out many severe discrepancies in the record-keeping of the CZA regarding collections and disbursements which totaled Rs3,952 million during fiscal 2013-14 [43]. It is reported that auditors found problems in virtually every area of the CZA that they looked. The rate of corruption and unusual expenditure in *zakat* disbursement is very high that is why the people have lost their reliance on the government and avoid distributing *zakat* by themselves. A survey, 2010 of the World Bank reveals that corruption and bribery almost four times as high as in previous surveys (2006, 2007, 2008, and 2009 [44]. Due to corruption in collection, allocation and distribution of *zakat*, poor people cannot get more benefits from *zakat* and consequently, remain deprived of the necessities like food, medicine, education and shelter.

1.3.7 Individual disbursement of zakat

As in Pakistan rich people has option to submit a declaration of exemption from *zakat* to the relevant account agency, so a greater portion of *zakat* amount is distributed by the people themselves in pure traditional style by giving utility packages or money during the month of Ramadan. This method of distribution however, failed to improve the economic conditions of the poor people. Every year poor people wait for Ramadan to get *zakat*, and start moving around the rich requesting for *zakat* to fulfill their necessities like utility items, arrangement of marriage and dowry of their daughters and medical expenses.

There is hardly any case where a poor man expresses his desire to have some work instead of *zakat* money while this method has been condemned by the Prophet (pbuh). A *hadith* is reported from Abdullah Ibn Umar that he heard Allah's Apostle (pbuh) while he was on the pulpit speaking about charity, to abstain from asking others for some financial help and about begging others. The apostle of Allah said: "The upper hand is better than the lower hand" and described that the upper hand is that of the giver and the lower (hand) is that of the beggar [26:510].

In another *hadith*, Hadrat Abu Huraira reported that Allah's Apostle once said: "By Him in Whose Hand my life is, it is better for anyone of you to take a rope and cut the wood (from the forest) and carry it over his back and sell it (as a means of earning his living) rather than to ask a person for something and that person may give him or not"[26:548]. Further, this method of giving *zakat* by the individuals themselves is also against the self-respect of poor as the person seeking *zakat* is dishonored.

Further, it leads the needy people buttering up the rich people, that is also condemned by Allah Almighty in these wording: "Those who criticize such of the believers who give in charity voluntarily and those who could not find to give in charity except what is available to them"[26:576]. Talking about the cause of revelation of this verse, Hadrat Abu Mas'ud narrated that when the verses of charity were revealed, we used to work as porters. A man came and distributed objects of charity in abundance and they (the people) commented: "He is showing off". And another man came and gave us (a small measure of food grains); the people started to say: "Allah is not in need of this small amount of charity". Then, the divine Inspiration revealed [26:496].

1.3.8 Lack of Confidence of the People on the CZAs

Due to corruption and unusual expenditure by Zakata and Ushr department, the people have lost their confidence on the government agency of *zakat* collection and ways of disbursement. People are afraid of corruption and have fear that their *zakat* will not be reached to the poor segments of the society so, to avoid *zakat* deduction from their accounts, they submit *zakat* declaration forms in the banks and as well as started withdrawing money before the first day of Ramadan [45]. This is the reason that the ratio of the collection of *zakat* by the government agency is decreasing every year. For instance, in 2006, the collection of *zakat* from the saving bank accounts was at 2.3 billion rupees while it decreased in 2007 and 2008 reached only at 1.9 billion and 1.6 billion rupees respectively [46]. Overall collection of *zakat* through banks witnessed a sharp decline of 45.65% this year. It reflects the lack of trust of the people on banks and government agency [47].

1.3.9 Measure to prescribe nisab of zakat does not meet the objectives of zakat

Another important issue that is necessary to understand is the issue of level of *nisab* of *zakat* that does not meet the objectives of *zakat*. Most of the Pakistani people cannot earn enough money even to fulfill the necessities of the life and are living below the poverty line. This number is increasing every year such as during the years 2011-13 almost 40-50% of the population was living below the poverty line while at present this number has been increased and at present more than 60% of the population is living below the poverty line [48]. It is reported that out of every 100 rupees of the national income, 85 rupees are consumed and only 15 rupees are saved. All this leads that saving is too small to meet the economic needs of the country as to grow by 6% annually at least 25% saving is required [49]. It also leads that the people who are responsible to pay *zakat* are few in number. Yet the statistical data shows that every year amount of *nisab* is getting low.

The task of prescription of *nisab* of *zakat* is performed by the Ministry of Religious Affairs @ 2.5% from PLS accounts excluding current accounts [50]. At present, the minimum level of *nisab* of money is prescribed in the light of the *nisab* of silver (52.5 tolah), that is very cheap in Pakistan not in the light of the *nisab* is gold while there is big gap in the cost of 12gram gold and 12 gram silver. *Zakat* is deducted forcibly from the accounts of the account holders who have money equal to the cost of 52.5 tola (12gram=1 tola) silver even if they have saved money to fulfill one of the necessities of the life. A review of the last five-year policy of amount of *nisab* and its comparison with the poverty ratio discloses very surprising facts. For instance, in 2011, the *nisab* prescribed by the Ministry of Religious Affairs was 61,336 Pakistani rupees [51]. While the “Economic Survey of the same year (2010-11) revealed that at that time almost 43% of the population was living below the poverty line and that the food prices increased up to 94% since 2006 [52]. The level of *nisab* decreased in 2012 by 16.71% and reached up to Rs. 51,086 [53].

However, a door-to-door survey of the government during 2012 found that 45.7% of the population was living below the poverty line [54]. In 2013, the amount of *nisab* was again decreased up to 18.04% as prescribed *nisab* was Rs.41872 [55]. In 2014, the prescribed amount of *nisab* was 38,810 rupees with a decrease of 7.31% while in 2015, it was reduced up to 13.32% and was 33,641 rupees were declared as amount of *nisab* from PLS accounts [56]. Contrary to this, the “Economic Survey of 2013-14” revealed that if the

poverty line is US\$2 per day with international standards for middle-income countries, then almost 60.19% of the population fall below the poverty line in Pakistan [57].

Another big flaw in the present system of deducting *zakat* is absence of the fulfillment of the pre-requisite of *zakat* that is completion of one whole year over surplus wealth. There is no instruction to *zakat* deducting agencies to abide by this condition of the completion of one whole year and *zakat* is deducted from all PLS accounts even if the money is deposited one day before the first Ramadan [58].

This context thus, raises some questions as how the increasing ratio of poverty constructively decreases the level of *nisab*? How and in what manners, the Ministry of Religious Affairs prescribe the level of *nisab*? Why not gold is declared as minimum level of *nisab*? It leads that the state organ that prescribes *nisab* of *zakat* each year is very ignorant of the contemporary socio-economic context of the Pakistani people. Almost 60% of the population is living below the poverty line. Among rest of the 40%, most of the people have no housing, no health facilities and no resources of higher education. There is no relevancy in the current system of *zakat* deduction and poverty ratio in Pakistan. The level of *nisab* should be prescribed in the light of the social-economic conditions of the people. It should be clear to the Muslims that *zakat* becomes an obligation after fulfillment of the necessities of the life such as food, cloth, medicine, housing and education. Suppose, a Muslim saves money to build his house, or for his medical treatment or to pay fee of the education of his children, and his savings reaches the *nisab* of *zakat* and one whole year passes over it, yet objectives of Shari'ah/*zakat* lead that he should not be declared liable to pay *zakat*. The objectives of Shari'ah clearly declare that the necessities are considered as *hajat al-Asliyah* in Islamic legal system [42:Vol.1, 465]. It is not out of place to mention here, that the *nisab* of *zakat* prescribed by the Holy Prophet (pbuh) was only for the rich people and the poor segment of the society was declared exempted from paying *zakat*. There are number of *ahadith* which lead that *zakat* should be imposed only upon the rich segment of the society [41:Vol.1, 235].

1.3.10 Lack of the Government Concern

The most critical reason behind the failure of the *zakat* system is lack of the government concern with the problems of the poor people. The government has no clear policy regarding improvement of the economic conditions of the poor or utilization of *zakat* in investments to get far reaching benefits from the amount of *zakat*. The *zakat* amount is spent by the agencies unsystematically and without any scientific policies of economic development. All these are the most significant hurdles in achieving the actual purpose of *zakat* that is reduction of poverty and economic development on constant basis [59].

2. Conclusions and Recommendations

This article thus, concludes that *zakat* as presented by Islam in itself is a complete economic system, a system of social justice if it taken in its broader meanings and objectives. It is also concluded that Islam gives us the concept of a "state-run *zakat* system" because only state policies of economic development can meet their objectives easily and can make a society self-made and prosperous. In perspective of Pakistani society, it is concluded that the contemporary system of *zakat* deduction, collection and distribution has been failed to play a

constructive role in the in the reduction of the poverty and in the growth of economic development. The individual run-*zakat* system also has no effective role in reducing poverty.

It is also concluded that in Pakistan the *nisab* of *zakat* is prescribed without caring the socio-economic conditions of the people like for the year 2016 only Rs. 33832 was declared as *nisab* of *zakat* while this money is too little to meet any emergency situation or to purchase even a refrigerator or to pay annual fee of the children.

It is also concluded that the ignorance of the condition “completion of one whole year” is also against the objectives of Shari’ah. And causing difficulty for the poor people who save money just to meet necessities of life yet are forced to pay *zakat*.

This article thus, suggests that the contemporary *zakat* system in Pakistan should be reformed in the light of the socio-economic conditions of Pakistani society. It is also suggested that silver and gold should be treated as separate identities as declared by the Prophet (pbuh) and the companions and that the *nisab* of *zakat* should be prescribed in the light of the *nisab* of gold not of silver. For instance, *nisab* for gold prescribed by the Prophet (pbuh) is 20 *mithqal* (that is =87.5 grams) and the cost of this quantity of gold in Pakistani rupees is about Rs. 3,46,5,78 (three lac, forty six thousand, five hundred and seventy eight), so *zakat* should be deducted from this amount [60].

It is also suggested that the fulfillment of *nisab* condition “one complete year” should be made part of “*Zakat* Acts” and *zakat* deducting agencies should be made bound to abide by this condition. Some amendments should be made in the related Acts to ensure state-run system of *zakat* by prohibiting individual *zakat* giving. For this purpose, an amendment should be made in Section 15 of the Punjab *Zakat* and *Ushr* Act 2012 and the wording “that a sahib-e-nisab may pay either to a “*Zakat* Fund” or directly to those eligible under Shari’ah to receive *Zakat*” should be replaced with the wording “that every *Sahib-e-Nisab* must pay *zakat* directly to the relevant *zakat* fund of his area”.

In the same manners, the areas of *zakat* consumption should be prescribed in scientific manners like instead of spending *zakat* on utility items or by giving utility package, it should be utilized to establish industries and factories to provide employment to the poor segment which is living below the poverty line. In the light of the *hadith* (pbuh) “to take *zakat* from their rich and spent on their poor”, the amount of *zakat* and *ushr* should be utilized by designing a five year plan of economic development at each local rural area. In the light of the local production or raw material of each area some factory or small industry should be established and only those who are eligible to *zakat* should be given chance to work there as employees. It will result in fair distribution of income among the people. Such type of industries should be declared tax- free. The profit should be utilized to establish more factories or small industries at each local area. The government should provide subsidy on the cost of the items produced in *zakat* factories. During first five- year plan, the budget deficit of these industries if there should be borne by the government. Special utility card should be issued to the poor families and *zakat mustahiqqin* should be allowed to purchase on minimum cost price. It is necessary for the government to adopt a proper mode or survey to prepare a list of the poor families to define the categories of the needy persons like

labour, workers or handicapped etc. Unusual expenditure from the amount of *zakat* should be condemned. Lastly, the issue of corruption at *zakat* department should be penalized with severe punishments. These and similar steps can be helpful in reducing poverty from Pakistan. It also be helpful to make the poor segment of the society self sufficient, independent and confident to consider itself as a contributor in the economic development of the society not just a beggar.

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