

Zakah and Waqf Sustainable Means of Poverty Reduction: A Literature Review

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Abstract

The Islamic economic tools zakah and waqf are among the several economic tools set by Islam to battle poverty and to enhance standard of living. Factually, Zakah aids in circulation and distribution of funds among the poor and less privilege in society. However, waqf provides revenue and services infrastructure, social welfare needs, and it improves family and community standard of living to the tolerable level. The objective of this study is to point out and discuss the role of zakah and waqf in poverty reduction and in enhancing the standard of living. The paper uses document research method to identify and analyse the significance of zakah and waqf in sustainable poverty reduction in the Islamic perspectives. The study shows that there is a positive impact of zakah and waqf in poverty reduction and enhancing living standard. Zakah serves as the prescribed mechanism in Islam for distribution of income from the wealthy to the poor and less privilege of the society. Through zakah's generosity, the poor and less privilege of the society is guaranteed of having the approximate necessary amount of food or money to cater for his livelihood. Regarding waqf, it has been used since a long time ago to provide revenue for the society and to cater for social welfare, economic activities and infrastructural development. Therefore, in order to achieve benefit and significance of these

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two Islamic poverty reduction tools there is a need from governments and scholars of *ummah* to call on the wealthy and rich people to pay zakah according to the teachings of Islam. In addition, there is also need for the reform and improvement in the management of zakah and waqf institutions in Muslims society to provide warrant extensive achievement.

Keywords: *Poverty reduction, extensive achievement, community services.*

Introduction

Poverty reduction is one of the major world important challenges over long period of time. In trying to address the issue, the focus on basic needs encouraged the development programs to reduce poverty and improve living standard. Therefore, private sector have a vital role in creating economic growth, employment and acquiring options needed for significant poverty reduction (Hipsher, 2013). However, Islam has faithfully commanded Muslims to be charitable in order to attain righteousness. Charitable act does not go unrewarded because whatever is disbursed in charity will never escape the knowledge of Allah as the knower of everything (Group, 2013). The eradication of poverty is one of the major considerations and objectives of an Islamic economic system. The system deals with provision of financial assistance to the poor, needy less privilege people for promoting and sustaining their welfare through fair distribution of wealth. The Islamic economic system is not mainly about the survival of fittest, rather helpful for the weak, poor, less privilege and the needy among others. therefore, the payment of zakah in Islam helps in redistribution and circulation of wealth among people which is one of the sustainable ways of poverty reduction while the endowment of waqf help in delivering infrastructural development, social welfare and community services.

Concept of Zakah

Zakah is an Arabic word which literally means to grow, to increase or purification as it is mentioned in the glorious Qur`an:

“Take, (O Muhammad) from their wealth a charity by which you purify them and cause them increase and invoke [Allah`s blessings] upon them. indeed, your invocations are reassurance for them. And Allah is hearing and knowing.” (International, 1997)

(Surah Al-Taubah v:103)

Technically, zakah refers to a religious obligation, prescribing all Muslims who meet the necessary criteria to give a certain portion of their wealth each year for charitable causes to be distributed among the categories of those that are entitled (Kahf, 1999; Liberto, 2019; Mathews & Tlemsani, 2003). Zakah is one of five pillars of Islam which is obligatory on every financially stable Muslim who attend the minimum amount that a Muslim must have before being obliged to pay zakah (*Nissab*). However, the payment of zakah is compulsory giving of a specified portion of one`s wealth to the poor, needy and less privilege of society as charity. The eligible are required to pay an annual percentage of 2.5% of the property and wealth they own (Nadzri, Abd Rahman, & Omar, 2012). The basic objectives of paying zakah in Islam is to create balance in earning income in the society and to support the needy, poor and less privilege not to suffer or die of hunger. Zakah is compulsory when we possess a specific amount of gold, silver, or other properties that can be weighted and calculated (Hands, 2008).

Zakah in Islam is not a voluntary charity nor a tax payment but an obligation. Its significance can be comprehended from the fact that Allah has prescribed it and made it a pillar in Islam so that every Muslim can experience it either as a giver or a beneficiary. Therefore, paying zakah helps in removing hatred of the poor and less privilege to the wealthy and rich people and will bring mutual understanding, respect and care among the society, because zakah helps in shaping the character of both the rich and the poor. It protects the rich from greediness and selfishness and it protects the poor and less privilege from the hatred and regular begging (Nadzri et al., 2012). Zakah is regularly paid at the end of a year once calculations on wealth are made and it reached the minimum amount stipulated for the payment. The recipients of zakah in Islam are the following as mentioned in the Qur`an;

“Zakah expenditures are only for the poor and for the needy and for those employed to collect [zakah] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveler - an obligation [imposed] by Allah. And Allah is Knowing and Wise”

(Surah Al-Taubah v:60)

The significance of paying zakah to the above-mentioned categories is because poverty is one of the greatest problems and challenges of every given society in the world. Therefore, Islam has looked at the danger of poverty and has recommended several ways to reduce its

suffering and pains in society. Zakah can help in reducing poverty and enhance living standards. The vital significance of zakah can be understood in this verse;

"My punishment - I afflict with it whom I will, but My mercy encompasses all things." So, I will decree it [especially] for those who fear Me and give zakah and those who believe in Our verses"

(Surah Al-A`araf,v156)

However, distribution of zakah can also help in balancing income inequality in a society through a meaningful distribution of wealth which will quickly reduce poverty and extreme disparities of wealth between the rich and the poor (Ali, 2009).

Concept of Waqf

Waqf is an Arabic word derived from the verb *waqafa* which literally refers to, detention, confinement, and prohibition or causing a thing to stop or stand still (Nahar & Yaacob, 2011). Technically waqf according to Imam Abu-Hanifah is the detention of a specific thing that is in the ownership of the founder and the devotion of its profits for good objects. (Ibrahim, Amir, & Masron, 2013). However, waqf is the voluntary act of charity under the general name of *Sadaqah*. Making waqf is considered an act charity that will be rewarded by Allah. The Prophet pbuh encourages Muslims to give out ongoing *Sadaqah*, that is continuous charity that will be generating benefits and revenues for use in the targeted intention as supported by many authentic Hadiths. All over Islamic history waqf was recorded as one of the Islamic economic tools that significantly played a vital role in alleviating poverty and services different societal needs (Yakubu & Usman, 2019a). Waqf has catered a lot of services in the past and present. Some researchers has suggest the use of waqf sponsoring and financing education both the formal and informal system (Yakubu & Abdulaziz, 2019).

Role of Zakah and Waqf in Poverty Reduction

Poverty has become an economic, political and social challenges all over the world especially in the developing countries. Several organizations such as United Nations and the World Bank are working hard to eliminate poverty with all kinds of programs and policy development. In the year 2002, the United Nations gathered the world leaders to sign the Millennium Development Declaration which is aimed to achieve the Millennium Development goal in the year 2015, where one of the major objectives is to positively reduce hunger and poverty in the world significantly (UN, 2012). It is believed that government and

markets alone cannot solve the poverty problem (Nadzri et al., 2012). Now based on the 2030 Agenda for Sustainable Development are the Sustainable Development Goals (SDGs). Eradication of poverty is the first goal of SDGs (UN, 2020). Therefore, it is important for the general society, nonprofit and non-governmental organizations to vigorously participate in encouraging economic growth, social welfare and infrastructural development to reduce poverty and to improve standard of living. Historically, zakah is being practiced since the early period in Mecca with the major objective of helping the poor, needy and less privilege (Al-Qardawi, 1999). Paying zakah is significantly creating balance in the society where by the needy and poor are supported and they will not die on, hunger, and it also help in circulation of wealth in society to reduce poverty rate (Yakubu & Usman, 2019b).

However, waqf can alleviate through the following ways; financing entrepreneur which is a procedure of searching economic goals. by financing intrapreneur the poor, less privilege and needy who were restricted from accessing external finance will easily access and become self-reliant. Secondly, lending money as *Qard Alh-assan*, which is interest free loan of financial kind set by Islam to assist the needy. Giving interest free loan through small and medium enterprise SME is also enhancing the small business owners to grow and to get profit within short period of time. The major significance of *Qard Alh-assan* in Islam to bring social justice, inclusion and resources distribution among the society members. Therefore, the *Qard Alh-assan* is permissible and is highly applauded with guarantee to pay back the same amount received exclusive of any interest or charge in return. The *Qard Alh-assan aim* is to assist poor to become part of economic activities in a proper and effective way. However, the poor do not have any considerable collateral, social capital is the collateral for attaining such loan. Therefore, it provides a motivation to poor to perform and be able to have access to such credit in the future.

Conclusion

It is clearly understood that zakah and waqf can play a vital role not only in enhancing welfare in society but also in the economic activities. This study shows that zakah and waqf can reduce poverty from different angles to the barest level. The historical role that these Islamic economic tools played in poverty alleviation and welfare promotion in different Muslim society can never be overemphasized. The success of using zakah and waqf in alleviating poverty is wide and general. Therefore, history proves that with proper management, zakah and waqf are capable to reduce poverty from different dimension. There are lot of problems hindering and delaying the potentials of zakah and waqf in combating poverty in several societies among which is the failure to distribute the resources to the

eligible people as well as mismanagement of the resources and the institutions. Therefore, proper management, God fearing, justice in collecting and distribution of the wealth will help to cater for societal problems, enhancing economy and positive achievement in poverty reduction.

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