

***The Role of Zakat in Poverty Alleviation in Somalia***  
***“Analytical Study on Islamic Economics”***

***Mr. Adam Ahmed Hussein***

*Head department quality control, Mogadishu University*

---

---

***Abstract***

Historically, the applications of Zakat pillar approved is be effective meaning to poverty alleviation and realization of the principle of brotherhood in Muslim community by minimizing poverty rate to lowest level, the poverty disappeared during period of Omar bin al khadab caliphate and the time of Omar bin Abdul Aziz because just rule and good leadership when Islamic caliphate fall and the influences of western system dominated the Islamic world, zakat has lost its glory as it is main character Islamic economic system. so, the poverty rate has been increased since that time, therefore this paper aims to present a comprehensive mutual understanding to the extent of need to re-establish Zakat institutions, especially, in Somalia in the rebuilding stage and reformation of developmental institutions. There is a demanding need for reduction of the extreme poverty by clearly utilizing zakat in poverty alleviation and economic growth.

The study has approached the descriptive analytical method to explain the concepts and the relationship between Zakat institution mechanism and poverty factors. The author used secondary data and found result that there is negative relationship between effectiveness of zakat role and poverty level in Somalia. The study also suggests that effectiveness of Zakat role in poverty reduction will improve by re-establishing zakaat institution which requires synergism between deferent efforts of community institutions like microfinance intuitions, intellectuals and relative organization in public sector so that the poverty is reduced.

**Keywords:** Zakat Institutions, Poverty Alleviation, Effectiveness Islamic Economic System.

## **1.1. Introduction**

Islam provides a complete set of systems and processes to organize relationship between person and Allah -his Creator- person and universe, person and the other persons and society, as well as person relation with himself.

One of the purposes of Islam is that the five basic requirements of human life to be secured for all community members, five Generic Shari'a Maqasid are maintaining the religion, the self, the wisdom, the dignity and wealth. The aim of brotherhood between believers and Zakat pillar of Islam is to constantly look after the poor in the community by the individuals and authority as well.

The degree of poverty can be measured at the national level by observing the percentage of the population living under national poverty lines. The usual measurement is by using US\$1 and US\$2 (at 1993 Purchasing Power Parity terms) at reference poverty lines (Note 3). It is estimated that 20 percent (1.2 billion) of the people in the world live on US\$1 a day and 46.7 percent (2.8 billion) of them live on \$2 a day (World Bank, 2001).

The corresponding percentages of poverty for Islamic Development Bank (IDB) member countries indicate that a relatively large percentage of the populations of these countries are poor although the world economy has grown intensively, In addition, Islam had brought a method on solving the problem of poverty. (Ahmed, 2015).

## **1.2. Problem Statement**

Allah created the worlds with the objective of worshipping and pleasure of Allah by using all their capacities and abilities, including

physical, mental and material forms of worship. Islam as the final and complete message doesn't allow wastage of resources. Therefore, all financial worships in Islam find their route to the pockets of the poor and needy.

The institution of zakat in Islamic society can and will bring about positive changes for the society, aside from the fulfilment of religious duty as decreed by Allah SWT. To ensure that zakat is a transcendental duty to uphold the pillars of Islam by conducting precisely Zakat institution.

The following research questions are explored by this study to address the role of zakat in poverty reduction and to point out the importance of Zakat institution for national economic development:

- How to develop conceptual understanding of the role of Zakat in poverty alleviation in societies that have been suffering from poverty a long time?
- How technically, possible to establish zakat institution with community based initiative and state perspective?
- What strategies can be used in addressing technical problem of managing zakat to realize its purpose in poverty alleviation?

### **1.3. Objectives:**

The paper aims to present a mutual understanding to the role of Zakat institutions in poverty eradication in Somalia, especially, in rebuilding stage and reformation of developmental institutions.

### **1.4. For this purpose the following specific objectives are addressed:**

1. To describe scope of Zakat concept as economical pillar of Islam to show its economic and social functions.

2. To analyze the challenges and the opportunities of establishment of autonomous Zakat institution based on community initiative in Somalia.
3. To propose appropriate strategies to effectively manage zakat institution to achieve purpose of Zakat in this stage of economic reformation of Somalia.

### **1.5. Methodology**

Descriptive analytical approach will be used in this paper to describe concepts and analyze the variable determining the relationship between institutional mechanism of Zakat and poverty problem, relative secondary data will be used to theoretical and procedural analysis to reach the purposed output.

The main sources of this study as Islamic Muamalat particularly and Part of Islamic economics system generally, like all other aspects of muamalat are the Qur'an and the hadith (al Aslain), and the body of jurisprudence, established on: consensus of Uluma, judicial reasoning, derivation, public interest, custom and usage as well as experiences of some Islamic world nations who developed Zakat institution and show its efficiency and effectiveness.

## **2. Literature Review**

### **2.1 Concept of Zakat:**

Linguistically, Zakat means growth, it can also mean purification and the Sharia's meaning of Zakat refers to the determined share of wealth prescribed by Allah to be distributed fuqar and masakin among the deserving categories of those entitled to receive it. Zakat is regarded

both as a right of Allah as well as right of the poor. The concept of Zakat implies both meanings of growth and purification.

The first meaning is construed as to cause growth in wealth or as to cause more reward or as to pertain to increasing wealth, such as the case in commerce and agriculture. This first meaning is supported by the Hadith of the prophet Mohamed peace and please of Allah be upon him. “*No wealth decreases because of Sadaqat (Zakat)*” owing to the fact that its reward is multiple. ((God increases the reward of *Sadaqat*)) (*al baqarah ayah 201*). The second meaning is construed to imply that *Zakat* purifies the human soul from the vice of avarice as well as sins.” (al Showkani).

## **2.2 Definition of Zakat**

Juristically, Zakaat is the amount of money or wealth that every adult, mentally stable, free, and financially able Muslim, male and female, has to pay to support specific category people.

Zakat is obligatory and compulsory to perform immodestly after its conditions. These conditions relate to both the payer and the wealth of the payer; and should be counted as a Mercy from the Almighty Allah.

## **2.3 Conditions of the Payer of Zakat**

- He or she is an adult, sane, free and Muslim.
- He/she must possess wealth in excess of specified minimum (Nisaab) excluding personal needs (clothing, household, furniture, utensils, car etc. are termed article of personal need).
- The Nesaab should be possessed for a complete lunar year.

- The wealth should be of productive nature from which one can derive profit or benefit such as merchandise for business, gold, silver, livestock etc.

#### **2.4 Kinds of Zakatable Wealth**

- Gold and silver, in any form and the Cash in Bank, company stocks and bonds, etc.
- Livestock.
- Agriculture yield
- Merchandise for business,
- Income derived from rental business. all should be equal to the value of Nisaab in long complete lunar year.

#### **2.5 Important of Zakat for Muslim Community**

As Mutasim (2009) stated that poverty reduction is one of the main objectives of development policies. Later United Nations put poverty alleviation as the first goal of the Millennium Development Goals (MDGs).

- **Zakat plays vital role in redistribution policies** of assets and opportunities, capacity building and wealth creation, and extending income support (Abdelmawla, 2011).
- **Zakat position in the quran and the Sunnah:** Sadaqah and Zakat are mentioned in the Qur'an and Sunnah, sometimes interchangeably, For example: The word Zakat is mentioned 30 times in the Qur'an. Salaah and Zakat are interlinked in 28 places in the Qur'an. Zakat is not linked with Salaah in 2 places in the Qur'an. (Surah Al-'Araf: 156 & Surah Ar-Rum:39) On the other hand the word Sadaqah is mentioned 13 times in the Qur'an. Sadaqah covers the

meaning of obligatory and voluntary charity. (foundation, 2015) in addition to the numerous of prophet hadiths about zakat pillar in which the sahihayn (Bukhari & Muslim) and othes sunan books are rich.

- **Zakat as determent of Islamic economic system**

**uniqueness:** Islam gives an important consideration to both Material and Spiritual satisfactions of mankind. Material satisfaction hapen through satisfying the physical needs and wants of all members of the society, spiritual satisfaction is gained with nearness to Allah and moral uplift, this is necessary in peace of mind, inner happiness, family and social solidarity, absence of crime and anomie. as M.O Chapra (2009) stated Equally important is generally recognized to the conditions of sustained well-being that are nearness to Allah, spiritual and moral uplift, security of life and property, individual freedom, proper upbringing of children, family and social solidarity, and minimization of crime, tensions and anomie. (CHAPRA, 2009). Therefore, givig Zakat plays vital role in realising all these values for the two sides of zakat payer and benefiter and welfare of the society.

- **Zakat, among others, is a factor proved principle of**

**Traineeship Ownerships of the wealth:** One of the Islamic economic system characteristics “the Trusteeship ownership principle” which means that all things belong to Allah S.W.T, is one of the major characteristics which differentiate Islamic system of economics from conventional economic systems. Wealth is therefore held by human beings in trust. Zakat distribution, Inheritance distribution, Takaful insurance and Awqaf–endowment are unique features to maintain



circulation of the wealth in large manner among people and to defend from hoarding money and monopolise health (CHAPRA, 2009).

- **Zakat uplift moral values in resources allocation and distribution:** Conventional economists ignore role of moral values in resources allocation and distribution. When there is absence of moral values societies should be solely dependent on the market or the government for allocation and distribution of relatively scarce resources. The question is can the market or the government promote the balanced well-being of both individual and the society without the help of moral values? It is obvious that needs to adhere requirements of Islam in every aspect of the human life including religious, political, social and economic activities in order to maintain a good relationship with Allah. In general Muslims believe that they are responsible for their actions and all actions accountable to god in the Day of Judgment. As Allah created the universe he is the ultimate owner of everything and human being is only responsible to steward the gods possession. Thus human being is only responsible to manage their property according to God's way. (farah, 2012).

Mutasim (2009) cited in Hassan "The Islamic economy identifies those economically individual differences among people as each person is endowed with different types and levels of human abilities. Thus, even though individuals are provided with equal opportunities, the economic status of two individuals may not be equal.

Therefore, poverty cannot be alleviated simply through income redistribution or ensuring equitable opportunities for all. An Islamic

approach to poverty alleviation would ideally involve a holistic approach including a set of antipoverty measures:

- a) Increasing income level with pro-poor programs.
- b) Achieving an equitable distribution of income.
- c) Providing equal opportunities for all social segments. (Mutasim, 2009)

### **2.6 The Purpose (Maqasid) of Zakat**

Social solidarity is one of the purposes of zakat to save the community balance through compassion, love, altruism, and purity of conscience, Zakat rejects extermination, loathing and envy, as drawn by our great Islam; but actual circumstances of the world give the confidence that the rich become rich for the benefit of the poor, if each rich gives the right of his poor slaves from the God's trust of wealth not poor, not hungry have been seen, the numbers who are dying because of hunger or disease would disappear. The lowest receivers to their rights in the countries of the world are Muslims (Alukah, 2016).

### **2.7 General Objectives of Zakat**

Zakat is not just any form of voluntary or charity alms giving or tax or simply an expression of kindness and generosity. Zakat is all of these combined and much more, for it also includes Allah-consciousness as well as spiritual, moral and social objectives. As the third pillar of Islam, Zakat is first of all an Ibadah (worship) whose spiritual impact on purification and sanctification is Zakat's most important function.

### **2.8 Economic Objectives of Zakat**

Paying Zakat is an act that purifies one's wealth. It is a divinely prescribed method of cleansing and purifying a person's heart and soul

from all kinds of wealth greed and material love by instilling love of Allah, making a person an obedient, sincere, and grateful servant of Allah.

The institution of Zakat-ul-Maal embodies a viable system established to assist in the process of growth and development of the Muslim community. It takes care of the poor in the community by providing the basic needs of the good life. Zakat is right of the poor and other recipients on the wealth of the rich persons, thereby establishing mutual rights and responsibilities between members of the community. Moreover, Zakat contributes fair and just distribution of wealth and circulation money in a society. The following are specific economic objectives of Zakat:

1. To promote circulation of the money.
2. To prevent from hoarding money and monopoly of goods.
3. To promote growth of economic market.
4. To create new employment opportunities.
5. To contribute in education and social development.

### **2.9 Advantages of Paying Zakat**

1. means to attain Allah's mercy
2. A precondition to achieve victory
3. A sign of brotherhood in religion
4. A distinctive feature of the faithful community

## 2.10 Factions of Zakaat

### **Zakat plays various functions in the economy:**

**First**, Zakat helps reforming both financially and spiritually in society. It eliminates misery and greed from hearts and consolidates the Islamic economy, leading to its stability and prosperity.

**Second**, for the production to grow without check in an economy, the money must circulate. Hoarding of funds is a prime reason for the depressions and slowdowns in the economy in the modern economic era as people save more and spend less, resulting loss in the business and layoff employees resulting further slowdowns in the economy.

**Third**, Zakat shapes consumer behavior, *it* ensures that wealth is distributed and circulated in the system, increases production and stimulates supply because redistribution of income through giving amounts of Zakat will enhance the demand by putting more real purchasing power to hand of the poor resulting in an ever-growing economy.

The regulations differ for each of the above categories. As the detailed system of computation of zakat in all categories discussed and detailed in standard books on Islamic jurisprudence. For cash, the minimum rate is two and half percent (2.5%).

Zakat should be given only on the net balance after all lawful expenses have been met at the end of the year. The rate mentioned above is only a lower limit as obligatory payment. There is no upper limit sadaqatu tadawuc charitable fund. Beyond these obligations, the more one gives, the greater the benefit on both the giver and the recipient.

The payment of Zakat is compulsory on the excess wealth which is equal to or exceeds the value of Nisaab, and which is possessed for a full Islamic year. If such wealth decreases during the course of the year and increases again to the value of Nisaab before the end of the year, the Zakat then must be calculated on the full amount that is possessed at the end of the year.

**The Amount of Zakat:** the amounts of Zakaat are detailed the following:

- 1) 2.5% on annual saving that are zakatable.
- 2) 5% on agriculture being taken care of by a farmer who is planning and irrigating from his own money. During harvest time, he pays five percent from the total crop.
- 3) 10% on the farmer's product if it is being irrigated by rain.
- 4) 20% on the resources like oil or precious metals (i.e. gold, silver,) which you find on a piece of land that you own. This is your property, no one can nationalize it.
- 5) 2.5% on whatever a business person saves after taking care of his family's needs and his business expenses. (There is some different opinion among the scholars in this).

### **2.11 Benefits of Giving Zakaat**

The inner intention when discharging Zakat should be based on the fulfilment of the Commandments of Allah. Solely for the pleasure of Allah. The individual who sincerely dispenses his Zakat most definitely becomes the recipient of the promised rewards and benediction of Alla. (Al-Baqarah :276) tells us that: "Allah will deprive usury but will increase charity: For He does not love the one who is ungrateful and

wicked.” The Hadith of the Prophet (peace be upon him) enunciates this concept very beautifully: “When a slave of Allah pays Zakat, the Angels of Allah pray for him in these words: “O Allah! Grant abundance to him who spends (in Your cause) and destroy him who does not spend and restricts to himself his wealth. (Bukhari).

Abdullah bin Abi Aufa narrated: When the people brought Sadaqah to the Prophet (peace be upon him) he used to say, “O Allah! Bless them with your Mercy.” Once my father came with his Sadaqah to him whereupon he i.e. the Prophet (peace be upon him) said. “O Allah! Bless the family of Abu Aufa.” (Bukhari).

The moral and material benefits of Zakat are obvious. To give zakat purifies the heart of the giver from selfishness and greed for wealth and develops in him sympathy for the poor and needy.

Receiving Zakat also purifies the heart of the recipients from envy and hatred of the rich and prosperous, and fosters in him a sense of good will towards his brother Muslims who although are better off, have shared their wealth with him for the sake of God.

God says in Qur'an "To Him belong the keys of the heavens and the earth; He enlarges or restricts the sustenance to whom He wills, for He knows full well all things." (42:12) "He has raised some of you in ranks above others that He may try you in the gifts He has given you." (6: 165).

Thus, a Muslim, whether prosperous or needy, considers his condition in this world as a test from God. Those who have wealth have the obligation to be generous and charitable and to share the bounties of God

with their brothers, while those who are poor have the obligation to be patient, to work to improve their situation, and to be free of envy.

Thus, Islam neither approves of hoarding and unlimited building up of capital, nor of compulsory equal distribution of wealth, as both are unjust. Its teaching encourages the earning of a livelihood and acquisition of wealth by lawful, honest and productive means, and enjoins the just sharing of the acquired wealth among the workers, the investors and the community at large.

The community's share in the produced wealth is Zakat and Sadaqah (charity), the first an obligatory and the second a voluntary contribution from individuals. Zakat, when honestly practiced, results in freeing the society from class distinctions, rivalries, suspicion and corruption.

It produces a community of people who love and respect each other, and who have sympathy and concern for each other's welfare. Giving Zakat is not a matter of pride. It is a devotional act, like Salat, on the completion of which the contributor should be thankful to God for the fulfilment of his obligation and pray for the forgiveness of his sins (Khan, 2014).

**2.12 The following are some of the many benefits for the one who gives his Zakaat:**

- 1) Pleasure of Allah.
- 2) Increase in wealth.
- 3) Protection from losses.
- 4) Forgiveness and blessing from Allah.
- 5) Safety from calamities.
- 6) Protection from the wrath of Allah and from a bad death.

- 7) Shelter on the Day of Judgment.
- 8) Security from seventy misfortunes.
- 9) Shield from the fire of Jahannam.
- 10) Safety from grief.

**Recipients of Zakaat:** The recipients of Zakaat are as following:

1. **Fuqara:** (Poor) people who are poor and who possess more than their basic needs but do not possess wealth equal to Nisaab.
2. **Masaakiin** (Needy) people who destitute and extremely to the extent they are forced to beg for their daily food rations.
3. **al- amileen** (employee of Zakaat): people appointed by an Islamic government to collect Zakaat.
4. **Mu-allafatul-quluub** (sympathizers): persons who have recently accepted Islam and are in need of basic necessities who would benefit from encouragement by Muslis which would help strengthen their faith.
5. **Ar-riqaab:** slaves who are permitted to work for remuneration and have an agreement from their masters to purchase their freedom on payment of fixed amounts.
6. **Al-gharimeen:** persons who have a debt and do not possess any other wealth or goods with which they could repay that which they owe. It is conditional that that this debt was not created for any un-Islamic purpose.
7. **Fi-sabeelillah**(for the cause of Allah): persons who have to carry out an obligatory deed which has become obligatory on them and subsequently ( due to loss of wealth) are unable to complete that obligation.



8. **Ibn-us-sabeel (travelers)**: persons who are travelers and during the course of their journey do not possess basic necessities, though they are well to do at home. They could be given Zakaat in order to fulfill travel needs to return home.

## **Contextual Analysis**

In this part, the researcher seeks in the answers for the pre-stated research questions through available references

**Q 1.** "How to develop conceptual understanding of the role of Zakat in poverty alleviation in societies that have been suffering from poverty a long time?" the researcher explained the answer of this question in theoretical frame work and literature review, the remaining two questions are illustrated below:

**Q 2** "How technically, possible to establish zakat institution with community based initiative and state perspective?"

Based on references related to this question, the writer presents some technicality of establishing Zakat institutions in Somalia:

### **1. Establishment of autonomous Zakat institution based on community initiative in Somalia "Challenges & Opportunities"**

Although further development of Islamic economy, zakat is still relegated as only alms for the poor in many Muslim nations, while on the other hand surah At – tawbah ayat 60 clearly states that zakat is used for all the funding needed by modern states.

That is why the concept of zakat is never discussed as a viable and specific solution in handling Islamic society problem. In line with the development of modes of government in Islamic regions, with these

experiences of public services development and zakat institutionalization, management and organization of zakat develops faces some challenges in along numerous routes as fzlu rahman (1898) states:

- Some states instituted state sponsored Zakat management system, mostly ministry of awqff and religious affairs are mandated to guide zakat institution
- There are some states that relegate the Zakat management to the population or the individuals.
- There are yet others that form an independent civil Zakat organization that also sanctioned by the government.

This diversity is an integral part of the history of zakat management (Fazlur Rahman, 1989).

Somalia is a country with the 100% Muslim population, the question of Zakat is then an indispensable feature of Somali economic issue. Exercising Zakat management in Somalia has a long history, since the inception of Islam in Horn of Africa but most of the times the concept of zakat has been integrated with the population issue and has the one or more of the following feature such as:

- a) **Direct given by the benefactor (Muzaki) to the beneficiary (Mustahiq)** Without the use mediation of Amil Zakat, due to the lack of zakat organization and then al-Muzakki gives directly to the al-Mustahiq.

The challenge in here is community awareness of zakat organization is still very low especially regarding the use of al amil zakat as the amil may be individual institution or state entity.

The other challenge is that Zakat is viewed as purely religious duty without any relevance with the solution of greater problem such as poverty eradication and development acceleration.

- b) **Committees of mosque lead by al-ulama operate as Amil Zakat** to collect and accept zakat from people in agriculture society and especially Zakatu fitrah in the neighbourhood of the mosque in the cities. Even then some people still feel that it is much more proper to give directly to the Mustahiq without going through the Amil Zakat organization like this manner.
- c) **Zakat given to the *recipient* is usually consumptive in its character**; which means it is used for short term needs and the amount of zakat income or wealth is very little bit. So the Amil duty is only to collect and distribute the amount of zakat. Managing the zakat fund to be productive doesn't include in the responsibility of the Amils, therefore he does not need to have professional skills in management of Zakat institution. He works as a part time profession. at the times of educational development and civilization the condition of importance of zakat is improved and the common consumptive attitude in the population is exacerbating, but there is still there is some negative reflection which is lack of trust and respect by the population to the Amil

Zakat, they have not give wakalah to him to manage zakat fund on behalf of them in productive way.

**d) In addition to that the wealth object of zakat is still limited.**

Conceptually Zakat object understanding is till now very limited, the majority of zakat payers consider zakat object into the wealth explicitly specified in Al – kitab or sunah; such as gold, silver, farm product (specifically primary food producing crops), ranch animal (limited to camel, cow, sheep, and goat), trade (limited to goods commodity), and rikaz (found wealth).

**This is caused by:**

- Poor understanding of zakat, it's goal, essence, value, procedure and zakat object.
- The ignore role of zakat to increase economic activity and wellbeing of the population?.
- The successive public authorities in Somalia have further aggravated the condition of the poor as such authorities failed to educate the population about the significance of zakat and its role in poverty reduction.
- In the recent stages of Somali history the problem of political level never became modern state that care after the zakat institutionalization and social charity organization does not encouraged well?

Even though there have been many charities and non-governmental organizations established in the country during the anarchy period -since

1991- but they have not professionally been developed with enough capacity to the management of zakat organization

**Q 3.**What strategies can be used in addressing technical problem of managing zakat to realize its purpose in poverty alleviation?

The researcher tries to present the following technical process to manage Zakat in poverty alleviation.

Management of zakat institution was the responsibility of the state since the birth of Muslim society. The policy of distribution of zakat was determined by the state leader (caliphah).

As Faizi stated (2016) in the early Islamic era, zakat had a central role in Islamic fiscal policy as a governmental action in the governmental budget context with the intention to influence the economy. This policy is usually being done together with other policies such as monetary and trade policy as a source of states' income. Zakat also sustains governmental spending and helps influence on Islamic economic policy to increase societal economic well-being, particularly those living in poverty.

There is lack of trust and confidence of citizens in the modern states in Muslim countries after the collapse of Islamic caliphate and the domination of colonial western system on Islamic world, as there has been no state societies relations where the contemporary states had been founded on the theory of western modernization for that reason citizens have no faith to pay zakat to the government as religious obligations have no place in the modern states unlike tax which is considered national duty.

This condition required to develop alternative initiatives of community based zakat organization manage by elites with relevant provision and supported by the companies. Zakat become an individual concern when the caliphate system collapsed and the monarchical system replaced.

Muslim individuals in every community may arrange their zakat payments under one institution that can be managed as charity organization that organises amounts of Zakat for the benefit of the recipient and can direct them to invest in a productive sectors through Islamic financing approaches like Musharaka, Mudaraba, and Murabaha etc. (Faizi, 2016).

## ***Results***

By analysing common situation of zakat payment system in our community and describing the extreme poverty that should be stressed by Somali rebuilding and development strategy, the following result are founded.

1. The government and society need to have mutual understand on the purposes, benefits and reasons of establishing autonomous Zakat institution.
2. Zakat purposes are not comprehensively understood by the society especially community awareness on the economic role of Zakat as effective tool in poverty alleviation is very low and need to raise the level of awareness.
3. The collaboration between the various actors in the society like educational institutions, business groups, policy makers and community leaders is less than ideal level?? Regarding zakat's wisdom, reasons, purpose and the socio economic role as indicated by the ways society applied zakat management in contemporary history of Somalia.
4. Establishment of such organizations need trust and confidence between society and government, because, zakat is individual responsibility as it is one of the pillars of Islam and the collection distribution and maintaining of it is the responsibility of the state.
5. There is need to discuss nationally, technical structuring and designation of the zakat organization as there is lack of national fiscal policy addressing problem of zakat management to realize its purposes.

6. As many countries examine managing zakat through independent organization, like Kuwait, Malaysia, Sudan, Pakistan, Indonesia and Djibouti shown the role of zakat as economic tool in poverty alleviation as an examples the zakat institution will be successful if perfectly regulated and managed??. The sentence is not clear
7. National policy of poverty eradication and social efforts regarding the caring poor members are not integrated since contemporary state formed on colonial legacy.

## **Recommendations**

Based on the above outcomes of the analysis on the role of zakat institution on poverty alleviation, we suggest using the following strategies to effectively achieve objectives of the zakat as pillar of Islam by institutionalization of zakat institution as productive organizations:

1. The family, society, market and government are important institutions involved in the allocation and distribution of resources so they should all be interlinked and to motivate all those actors to serve interest of the individuals, society and environment require uplift of moral values ad sacrifice self-interest.

For Muslim individuals and organizations, the accountability in front of Allah, reward and punishment in the Hereafter, Long-run perspective of self-interest in this world as well as the Hereafter are the main motivational factors in serving others in the community. (Umar, 2009)

2. Anti-poverty programs in the macro level , two broad strategies should be integrated:
  - a) **Direct Strategies** that targets the underprivileged segments in the community and provides them necessary



needs to ensure their finance access and capacity, improve health conditions, increase literacy rate, and ultimately eradicate poverty rate. Zakat institution will play vital role of realizing these strategy.

- b) **Indirect Strategies** that formulate a macro-economic policy framework to ensure sustainable growth, higher employment, higher per capita income, income and wealth of households raise the amount of zakat will increase and eventually poverty will reduce. So the government should be committed to take the role of implementation of this strategy through deployment of national production factors.

3. **Zakat institution must be established and effectively managed to realize critical objective of the Zakat** which is to achieve socio-economic justice without concentration of wealth or income in the hands of a few which is forbidden in Islam, so redistribution of the wealth and income by any means acceptable in the Shari'ah is one of the major objectives of the Islamic economic system. *Abdullahi ibn Abbas (Rdia Allh Anhuma) narrates that when the Prophet (peace be upon him) sent Muàdh ibn Jabal (Rdia Allh Anhu) to Yemen he told him, "You are going to a people who have a Scripture, so call them to testify that there is no god but Allah, and that I am the Messenger of Allah. If they respond to this, then teach them that Allah has imposed five Salaah upon them every day. If they respond to this, then teach them that Allah has imposed upon them a sadaq to be taken from the wealthy amongst them and given to their poor. If they*

*respond to this, then beware of taking any more of their wealth and most worth full wealth of them* ( Foundation, 2016)

4. To effectively managing zakat institution trust and wakalah contracts in zakat institution as Amil Zakat should be created, then the institution of zakat as Amil will manage zakat fund accordingly on behalf of the payers and recipients.
5. The benefits and reasons of requesting establishment of Zakat institution needs raising awareness campaign with collaboration among all actors in the society, as the zakat's responsibility is individually based and the collecting and maintaining of it is the responsibility of the state.
6. The fiscal infrastructure of national zakat organization should be developed clearly by the state to address technical problem of zakat management and overcome Zakat purpose realization challenges.
7. National policy of poverty eradication and social efforts concerning the care of the poor in the society should be integrated through forming community organizations and public services entities.
8. To create common knowledge by providing education about benefits and reasons of Zakat institution establishment, this is responsibility of Islamic scholars (Al ulama) and all actors in the society and more technical problems should be targeted by the experts of strategists, technologists and economist.

## **References**

- Ahmed, f. A. (2015). The Effectiveness of Zakat in Reducing Poverty Incident: An Analysis. *Asian Social Science; Vol. 11, No. 21; , 1,2.*
- Alukah. (2016). *Shari'ah*. Retrieved from Allukah.net: <http://allukah.net/sharia/0/375>
- Bukhari, Bukhari, Mohamed Bin Isma'il, Obligatory Charity Tax. (كتاب الزكاة)
- CHAPRA, M. U. ( 2009). ETHICS AND ECONOMICS: AN ISLAMIC PERSPECTIVE. *Islamic Economic Studies , 1-3.*
- Faizi, G. W. (2016). Menggagas Kebijakan Fiskal Islam” Republika (Jakarta), 18 Agustus. *International Journal of Business, Economics and Law, Vol. 9, Issue 5 (Apr.) , 3- 5.*
- farah, A. A. (2012). zakat and poverty elliviation .pdf. *International Journal of arts and commerce , 61 -65.*
- Fazlur Rahman. (1989). *Neomodernisme Islam : Metode dan Alternatif , (editor : Taufik Adnan Amal),. Mizan.*
- Foundation, T. N. (2016). *What is Zakat all about*. london : Mercy Mission UK, charity. foundation, Z. n. (n.d.). what Zakat is all about? *intiative of mercy mission, www.nzf.org.uk/Content/PDF/NZF\_Zakat\_Guide.pdf.*
- islam-guide.com. (2016). chapters in Islamic Gude . *chapter 3 Jeneral information of Islam.*
- Khan, I. (2014). inportance & objectives of zakat. In I. k. naqshandi, *Zakat* (pp. 9-10).
- Khuluqo, I. E. (2016). THE ROLE OF ZAKAT IN NATIONAL ECONOMIC DEVELOPMENT. *International Journal of Business, Economics and Law, Vol. 9, Issue 5 (Apr.) , 4-6.*
- Mutasim, Ahmed Abdelmawla. (2009). The Impacts of Zakat and Knowledge on Poverty Alleviation in. *8th International Conference on Islamic Economics and Finance, (pp. 2-3).*
- Pramanik, A. H. (1993). *Development and Distribution in Islam*. Pelanduk publication.
- Qardawi, Y. (2007). *Hukum Zakat : Studi Komparatif mengenai status dan Filsafat Zakat Berdasarkan Qur'an dan.*
- Umar, C. M. (2009). Ethecis and economics: an islamic prespective. *Islamic Economic Istudies , 2-3.*
- World Bank. (2001). “*Nature and Evolution of Poverty*. world bank.