

Chapter 26

Zakat and Its Socio– Economic Merits: A Holistic View towards Eradication of Poverty

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ABSTRACT

The chapter investigates the role Zakat (alms giving) in eradicating poverty around the world. It (Zakat) is one of the five main pillars of Islam; it is the practice of charitable giving by Muslims based on accumulated wealth and is expected to be paid by all practicing Muslims having the financial means. As part of the study, a questionnaire that consisted of five questions to enquire about how Zakat can eradicate poverty was administered to 200 Muslim people living in the United Arab Emirates (UAE). Further, the questions were designed targeting the core goals of a Zakat institution that also reflected the Muslims psychometric behavioural aspects. Islam has 1.57 billion followers, making up over 23 percent of the world population (Pew Research, 2011). With such a vast population, the role of Zakat in alleviating poverty is an achievable objective.

INTRODUCTION

Zakat is one of the five main pillars of Islam, it is the practice of charitable giving by Muslims based on accumulated wealth and is expected to be paid by all practicing Muslims having the financial means. It (Zakat) is a mandatory 2.5 percent take on the wealth of well-to-do Muslims; it is endogenously infused into preferences and behavior by spiritual values of all Muslims. Recent studies had shown a need of exploring the investment of the zakat treasuries in helping the poor being micro-entrepreneurs and act as members of the society, benefiting the economic productivity of their Nations. The underlying value

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of zakat is sustainability, as the obligation is predicated upon sustainable yearly contribution from ones wealth, and it further acts an impetus for labor-intensive enrichments, resiliency and self-dependency of the impoverished. Further, Zakat financing plays a catalytic role in ethical community development, considering its importance in entitlement and empowerment formation and human resource development (Silva & Choudhury, 2006).

Throughout the Islamic era, the management of Zakat was among the duties of Muslim leaders, until the crash of the last Muslim caliphate in Turkey in the early twentieth century. Zakat is the first universal welfare system in human history that has played a significant role in smoothing the consumption of the poor. There had been times in history during the reigns of caliphate Omar Ibn Abdul-Aziz, an Umayyad Caliphate and ruled from 717 to 720, he was known to be among the most just and pious leaders in his time, he was disdainful from worldly luxuries and extravagance, and during his reigns purported notions of fair distribution of wealth, it was even said that at the end of his rule, there were hardly poor people to give charity money to.

BACKGROUND

Aims of This Study

This study aims to define the role of Zakat in the Muslim world, not merely as a divine one-off charity giving, but as a holistic economical fiscal stream that could shape-up a healthy fiscal model. The legality of Zakat investment will also be depicted not only by an implied meaning; but a more holistic approach whereby the underlying values for the law will be highlighted (Maqasid-al-Sharia).

Hence the aims of this research and chapters are as follows:

1. To understand Zakat and its rewarding paradigm,
2. To discuss the role of Zakat and its underlying values,
3. To portray Islamic economics and the religions values, and looking at Islamic Law,
4. Shed light on the Zakat institution in UAE, and how (if at all) to improve its administrative planning, governance, and efficiency,
5. A glimpse on the historical background of zakat, and building a constructive argument about its socio-economic gains,
6. And finally, this study conducted empirical research to find the best contemporary ways to improve the efficiency of Zakat institution most of which echoed respondent's feedback.

The United Arab Emirates, Islam, and Zakat

The United Arab Emirates (UAE) is a nation located in the Arabian Peninsula; it has a total landmass of 83,600 Km² on the Arabian Gulf. The country's neighbours include Oman to the east; Kingdom of Saudi Arabia to the south, as well as it shares its sea borders with Qatar and Iran. The UAE is a federation of seven emirates (equivalent to principalities), each emirate is governed by hereditary Sheikhs who jointly form the Federal Supreme Council which is the highest legislative and executive body in the country. "The constituent emirates are; Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Quwain, Ras al-Khaimah, and Fujairah" (UAE government Bulletin, 2012).

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