

Role of *Zakāt* in Sustainable Development Goals

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Presentation Outline

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State of Development in the Muslim World

- Poverty rate is generally higher in Muslim majority countries, a great number of whom are located in Asia and Africa.
- Food insecurity and hunger is also a major problem in Muslim majority countries.
- Due to lack of sustainable source of subsistent level of incomes, Muslim population faces heightened poverty.

State of Development in the Muslim World

Development Indicators	High Income	Middle Income	Muslim Countries
Economic			
GDP Per Person Employed (Constant 2011 PPP\$)	76,507	29,631	40,341
Poverty Ratio at PPP \$1.90 a Day (% of Population)	0.56	5.95	24.58
Education			
Literacy Rate (% of Adult Population)	98.46	93.22	73.46
Net Enrolment Ratio in Primary (%)	96.92	92.34	85.55
Health			
Hospital Beds (Per 1,000 People)	5.18	3.37	1.98
Improved Sanitation Facilities (% People with Access)	97.14	81.85	64.53
Improved Water Source (% People with Access)	99.28	91.89	82.04

Source: World Development Indicators, 2015

State of Development in the Muslim World

Country	HDI Value	World Rank	OIC Rank
Brunei Darussalam	0.8556	31	1
Qatar	0.8498	33	2
Saudi Arabia	0.8373	39	3
United Arab Emirates	0.8355	41	4
Kuwait	0.8163	48	5
Oman	0.7930	52	6
Kazakhstan	0.7880	56	7
Malaysia	0.7792	62	8
Lebanon	0.7689	68	9
Iran	0.7656	70	10
Turkey	0.7611	72	11
Azerbaijan	0.7511	78	12
Jordan	0.7483	80	13
Algeria	0.7356	83	14
Albania	0.7328	85	15
Bosnia and Herzegovina	0.7325	87	16
Libya	0.7245	95	17
Tunisia	0.7212	96	18
Suriname	0.7143	103	19
Maldives	0.7064	104	20
Egypt	0.6899	108	21
Turkmenistan	0.6875	109	22
Indonesia	0.6838	111	23
Palestine	0.6775	113	24
Uzbekistan	0.6755	114	25

Source: World Development Indicators, 2015

Zakāt in the Islamic Socio-Economy

- *Zakāt* is a compulsory obligation in the faith of Islām to pay a certain part of surplus wealth to the specified beneficiaries every year.
- Every year, 2.5% of wealth subject to *Zakāt* has to be paid by the Muslims to the eight specified heads of beneficiaries and causes.
- In Islāmic jurisprudence, if a Muslim owns an equivalent monetary sum of *Nisāb*, he has to pay 2.5% of surplus wealth above the *Nisāb* every year.
- *Zakāt* is an important institution in an Islāmic economic framework for poverty alleviation and economic welfare.

Zakāt & Maqasid-al-Shari'ah

- In the Islāmic knowledge and institutional framework, there are five foundational goals, also known as 'Maqasid-al-Shari'ah'. These include:
 - Protection of Faith.
 - Protection of Life.
 - Protection of Progeny.
 - Protection of Intellect.
 - Protection of Wealth.

Zakāt & Maqasid-al-Shari'ah: Hifdh-ul-Imān

- In a supplication, Prophet Muhammad (pbuh) sought refuge from disbelief and poverty together.
- Poverty and destitution can make a person vulnerable in faith and may engender the perception that his way out of poverty is dependent on others.
- A person facing poverty can have lesser chances of exercising free will in choosing the right means to fulfill the essential needs. Thus, to reduce poverty with the aim of making people come out of the vulnerable state of Imān is an important part of Maqasid-al-Shari'ah.

Zakāt & Maqasid-al-Shari'ah: Hifdh-ul-Nafs

- Poverty can result in loss of life from lack of essential nutrition and basic life-saving medication.
- Therefore, if *Zakāt* helps a person to afford essential food intake and essential life-saving medicines, then it can help in saving lives, which an important component of Maqasid-al-Shari'ah.

Zakāt & Maqasid-al-Shari'ah: Hifdh-ul-Imān

- Infectious diseases can cause epidemic which can result in mass scale loss of lives and endanger the survival of entire human communities and other species in a particular affected geography.
- Likewise, fear of poverty can result in some people getting desperate and taking lives of themselves and their dependents. Poverty can become a vicious cycle and affects generations after generations.
- Thus, if the institution of *Zakāt* can enable people to get out of poverty trap, it will be consistent with protecting human progeny, which is an important part of Maqasid-al-Shari'ah.

Zakāt & Maqasid-al-Shari'ah: Hifdh-ul-Aqal

- Lack of essential nutrients can cause stunting and affect intellectual capabilities.
- Thus, if the institution of *Zakāt* can enable people to afford essential life's nutrients, then it will help in healthy nourishment of children and make them more productive in future.

Zakāt & Maqasid-al-Shari'ah: Hifdh-ul-Imān

- When a person fulfills the obligation to pay *Zakāt*, he is able to purify his/her wealth.
- It may seem that the wealth decreases by payment of *Zakāt*, but, at the societal level, it helps in wealth circulation which eventually benefits everyone in terms of economic activity and strengthening of social safety.
- Also, *Zakāt* helps a Muslim to achieve spiritual fulfillment by pleasing Allah and helps a person to obtain Barakah in the all encompassing sense of contentment and promise of greater rewards in this life and life hereafter.

Sustainable Development Goals



Zakāt & Sustainable Development Goals

- SDGs are ambitious and require all encompassing efforts and involvement of all sorts of institutions.
- It is especially crucial for countries that are much behind the targets and need considerable effort and resources to pull themselves up to meet the targets.
- Religious institutions which have a socio-economic character can also be employed in creating synergistic efforts towards achieving the sustainable development goals, especially in Muslim majority countries.

Zakāt & SDGS: Ending Poverty

- In institution of *Zakāt*, the payer of *Zakāt* and the receiver of *Zakāt* belong to two different income classes.
- The payer of *Zakāt* is a non-poor person with surplus wealth above *Nisāb*.
- The receiver of *Zakāt* is usually a poor person with no surplus wealth above *Nisāb*.
- The threshold wealth of *Nisāb* makes a distinction between the payer and the receiver and helps to achieve targeted wealth transfer to the people who are usually the poor people.

Zakāt & SDGs: Ending Poverty

- *Zakāt* can achieve the redistribution objectives more effectively and consistently since wealth fluctuates much less than income over the business cycles.
- *Zakāt* system has an inbuilt mechanism to reach the right targets in terms of *Zakāt* collection and disbursement.
- The accumulated wealth can be much more than the single period income, especially in the high net worth individuals of the society. *Zakāt* targets accumulated wealth and transfers it to the poor.

Zakāt & SDGs: Zero Hunger

- FAO reports that there are approximately 800 million people who suffer from hunger and are food insecure.
- If only 70% of the people in a country can afford to pay the market price of food, then for whom should the food be produced, i.e. the 70% of those who can afford or the 100%?
- The answer by market economy where price mechanism reigns supreme is that it is quite possible to have market equilibrium at a price where only the 70% non-poor could afford food and 30% remain unserved and unfed unless they get charity or government's support.
- Thus, the redistribution of resources is vital to enhance income as well as the capacity to earn sustainable incomes.

Zakāt & SDGs: Zero Hunger

- FAO estimates that food per capita availability has increased since the 1970s, but still close to 800 million people suffer from hunger.
- Unfettered Capitalism results in unmet needs as well as unused resources.
- *Zakāt* helps in wealth transfer as well as wealth circulation in the real economy to enhance employment of labor and non-labor resources and provide sustainable incomes to the poor.
- *Zakāt* could help in providing income support to the poor people who are food insecure due to lower and unsustainable incomes.

Zakāt & SDGS: Reducing Inequality

- Oxfam reports that 8 individual persons have as much wealth as bottom 50% of the entire global population.
- Their combined wealth is \$426.2 billion as of end-2016.
- As per World Bank, there are 767 million people below the poverty line of \$1.90/day.
- It means that poverty gap is \$531.9 billion ($1.90 \times 767,000,000 \times 365$) per year.

Zakāt & SDGs: Good Health & Wellbeing

- Nearly 50 percent of the people living in extreme poverty are 18 years old or younger.
- A significant portion of our global population would not have a fair start to achieve socio-economic mobility.
- Proper nourishment, basic medicines and vaccinations are necessary to avoid ill-health, stunting and loss of capacities for independent productive living in adulthood.
- Unless effective redistribution happens, the purchasing power cannot be enhanced which is vital to afford even the basic necessities today, such as food, water and medicines.

Zakāt & SDGs: Quality Education

- Vital goal for achieving permanent poverty exit, enhancement of skills and capacities, and to ensure upward social mobility.
- The financial institutions can come to the rescue once the people are able to hold enough assets and skills for enterprise.
- But, much before that, people require survival and human capital development in the early stage of life.
- Effective administration and management of the *Zakāt* funds can help in scaling up the benefits in terms of strengthening institutions to create synergistic effects.

Zakāt & SDGs: Gender Equality

- The institution of *Zakāt* is completely neutral to gender in terms of its principles of rules regarding payment and receipt of *Zakāt*.
- The *Zakāt* funds can be paid to the women and to the institutions which are working for the wellbeing of women, such as maternity homes and schools for girls.

Zakāt & SDGs: Decent Work & Economic Growth

- *Zakāt* from endowment surplus households (those having higher wealth than *Nisāb*) to the endowment deficient households can help in providing income support and affordability for skills enhancement programs.
- *Zakāt* could also be used to provide funding for educational and health institutions, thereby contributing to human capital development which can provide decent work.
- *Zakāt* would ensure circulation of wealth in the productive enterprise, thereby directing capital to go in the real sector of the economy rather than sitting idle in the hands of the wealthy individuals.

Conclusion

- Muslim countries on average have to travel much more distance in achieving the development targets as compared to middle income and high income countries.
- *Zakāt* is an important religious obligations and has immense potential in the Islamic socio-economy and it is attuned with Maqasid-e-Shari'ah.
- *Zakāt* can play an important role in meeting sustainable development goals related to poverty, hunger, global health and well-being, quality education, decent work and economic growth and income inequality.

Thank You