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ROLE OF ZAKAH IN THE ALLEVIATION OF POVERTY- A CASE STUDY OF KERALA

Ibrahim PK¹

Abstract

Poverty is one of the major problems faced by the world in the path of development. There are so many poverty alleviation programs in the world like "food for work" program. In India also we have number of programs to eradicate poverty. But it had created a very limited impact in the level of poverty in the world and in India. The Millennium Development Goals (MDG), 2012, report by United Nations says that more than one billion people will live across the world on less than \$1.25 per day in coming years. This reminds us one thing that we have to go through a new path of poverty alleviation. Here, this work examines the institution of 'Zakah', one of the main pillars of Islam, as a tool of poverty alleviation. It has been working in a lot of Muslim countries very successfully. It is one of the main tools in Islamic economic system. The work has analysed the different sources and benefits of zakah received by the people in detail and the study found that the zakah has high impact on the reduction of poverty among Muslims and it has a high role in the ensuring food security in the community.

Key words: *Zakah, poverty, benefits, determinants and impact of zakah, food security*

Introduction

Problem of Poverty: A Major Challenge to the World

Poverty is a state which one who lacks basic human needs, which include food, water, clothing, shelter and sanitation. According to the estimates of United Nations, about 25,000 people die every day because of hunger or hunger related causes, that is, one person in every 3.5 seconds. This estimate is enough to know how much this problem is serious. The most dangerous outcome of poverty is hunger. Yet there is plenty of food in the world for everyone. The problem is that hungry people are trapped in severe poverty. Anywhere and everywhere poverty is a very vexed problem. It is more serious in a developing country like India. Alleviation of poverty has remained a major challenge before the nation even after 70 years of independence. Anyhow there are so many poverty eradication programs in India. Since 1950, the Indian Government and non-governmental organisations have initiated several programs to alleviate poverty, including subsidising food, agricultural price support and increased access to loan. In every Planning government has given more importance to reduction of poverty. There are number of special programs to eradicate poverty like Javahar Gram Samridhi Yojna (1999), National Family Benefit Scheme (1995), Annapurna (1999-2000), Integrated Rural Development Program (IRDP), Swarna Jayanti Gram Swarozar Yojana (1999), PMGY, and VAMBAY. But still, even prevailing bundle of programs, India is facing a severe poverty.

The Institution of Zakah: As a Tool for Alleviation of Poverty

Zakah is a compulsory payment for all independent Muslims on his eight types of wealth like gold and silver, food grains and different animals like camel, cow and goat. It is a religious obligation of every rich person to pay a part of their wealth and production to the poor people.

The meaning of the Arabic word 'Zakah' is "to grow, to purify and to increase". It is a cornerstone of the values that govern Islamic economics. Different from 'Zakah', 'Awqaf' is not a compulsory payment. It is a payment or donation given by one person to another person or to an institution by expecting reward from the part of God. The institution of 'Zakah' and 'Awqaf' are the instruments instituted by Islam to reduce poverty and income inequality in the society.

It is one of the effective fiscal mechanisms. By giving wealth to poor people from rich, it will help to reduce the gap between the rich and poor. In technical way we can say that zakah is a progressive system of taxation. But it has some significant difference from tax. It is not only a state obligation but more importantly a religious obligation. So everyone will give it without any force by government. Therefore it is expected that it will not result in significant tax evasion and tax avoidance.

In Islam there is a measurement to give 'Zakah' on the basis of amount of wealth. If anybody has 85 gram gold, if it is not usually wearing, they should give 1/40 of that,

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that is, 2.5 percent of that gold to the poor people. In the case of silver, for 575 gram, 2.5 percent of total should be given. That means, for one kilo gram, 25 gram silver should give to the poor. In the case of animals also there are some rules. If anybody has 30 to 40 cows, he should give one cow to the poor. There is another type of 'Zakah' that is 'Fithar Zakah'. It is more common and wide spread in the community. 'Fithar Zakah' means it is distribution of rice (in India) on the previous day of 'Ead'. It is compulsory for every family (if they have a single amount of wealth more than their use on the day of 'Ead'). Its rule is 2.5 kilo gram rice should give for each member of a family.

However, the system of zakah has not spread all over the country. But still it is prevailing in the Muslim community. Here this paper is examining how much it has influenced their standard of living and how it is working as a tool for poverty eradication and food security.

Objectives of the study

The main objectives of the study are as follows:-

- To analyse the types of Zakah received and its uses by the sample households
- To find out the benefits of Zakah received by the sample households
- To examine the role of Zakah in the eradication poverty of sample households.

Statement of the Problem

- Poverty is the most crucial socio-economic problem of our country. So, this work aims to explain about the concept of Zakah and how it acts as a tool for poverty alleviation and it also explains the importance of implementing this system in our economy as a poverty eradication tool.
- Most of the people are not familiar with the system of Zakah. So, this paper aims to introduce it in a simple way and it studies what is its impact on beneficiaries and how it affects their standard of living.

Methodology of the Study

The present study is based on primary data that collected from households living in Kuzhimanna village Panchayat, Malappuram District, Kerala. It has been collected the details of economic background and Zakah collection of 71 sample households. The study used simple statistical tools and techniques to explain this issue.

Review of Literature

There are so many works on Zakah and its role in poverty alleviation. Most of the papers are based on the study in some Muslim countries in the world. The papers based on Indian context are very limited.

Choudhury (1983) observes distributional equity is one of the principles of Islamic economics. In his paper, he explains redistributing private property is the responsibility of every society in Islamic economics. The main way of this is Zakah. In his view Zakah fund can use to organized social assistance program by state, employment creation and family welfare. He has considered the effect of Zakah in more technically. He has observed the relationship of Zakah to per capita income and Zakah to labour force. He found that Zakah is associated with an income multiplier effect.

Khan (2000) has observed Zakah is one of the responsibilities of Islamic state. He explained the base amount of wealth to responsible for Zakah as 'nisab'. He mentioned four types of rate of Zakah. 2.5 percent, 10 percent, 5 percent and 20 percent for cash, jewellery, business stock and agricultural product produced by rain water and by artificially and treasure trove respectively. Iqbal (2001) gave some powerful non-economic reasons for state collection of Zakah. It considered Zakah as an instrument of fiscal policy. To widening the collection of Zakah the paper has argued that the Zakah can be extend to non-Muslims also.

Zein-al-abdin (2003) observed that the main purpose of Zakah is to alleviate poverty from the society. He gave his views on the basis of religious thought and examined how much Zakah had contributed to reduce poverty in some Muslim countries. In his opinion poverty is a grave religious and social problem. So with this he emphasized the importance to reduce poverty as a responsibility of both society and state.

In their paper Shorazi and Amin (2010) estimated the resource shortfall and potential Zakah collection for poverty elimination in 38 OIC countries. They have used poverty gap index to estimate resource gap.

ZAKAH, ITS DETERMINANTS AND IMPACT

This chapter discusses the annual details of Zakah collection of sample respondents. It shows how much amount of cash, rice, and jewels they are receiving annually as Zakah and how they are using it. It also reveals how it influences their living standard and how it acts as a poverty alleviation tool.

Table - 1 : Details of Distribution of Zakah

The table-1 shows percentage of households who are receiving Zakah in the form of cash, rice and jewels and their amounts. The table also showed savings of Zakah.

Sl. No.	Details	No. of Households	Percentage(%)
A	Zakah in Cash		
	1) Received	58	81.6
	2) Not Receiving	13	18.4
	Total	71	100
B	Amount of Zakah in Cash(Rs.)		
	1) 1000-5000	12	20.7
	2) 5000-10000	15	25.9
	3) 10000-15000	12	20.7
	4) 15000-20000	14	24
	5) Above 20000	5	8.7
	Total	58	100
C	Zakah in Rice		
	1) Received	71	100
	2) Not Receiving	0	0
	Total	71	100
D	Amount of Rice as Zakah (in kg)		
	1) 25-35	9	12.7
	2) 35-45	26	36.6
	3) 45-55	25	35.2
	4) 55-65	10	14
	5) Above 65	1	1.4
	Total	58	100
E	Zakah as Jewels		
	1) Received	10	14
	2) Not Receiving	61	86
	Total	71	100
<i>Source : Sample Survey</i>			

According to the table, 81.6 percent of sample families are receiving Zakah in the form of cash and 18.4 percent are not receiving Zakah as cash. It shows that most of the families are receiving Zakah in the form of cash. When considering the cash amount of Zakah, 20.7 percent of the total sample families are receiving the amount between Rs. 1000 and Rs. 5000. Apart 25.9 percent are receiving the amount between Rs. 5000 and Rs. 10000 as Zakah. Apart 20.7 percent are receiving an amount between Rs. 10000 and Rs. 15000 and the important thing is that 24 percent are receiving the amount between Rs. 15000 and Rs. 20000 annually as Zakah. There are 8.7 families who are receiving more than Rs. 20000 as Zakah.

Benefits of Zakah

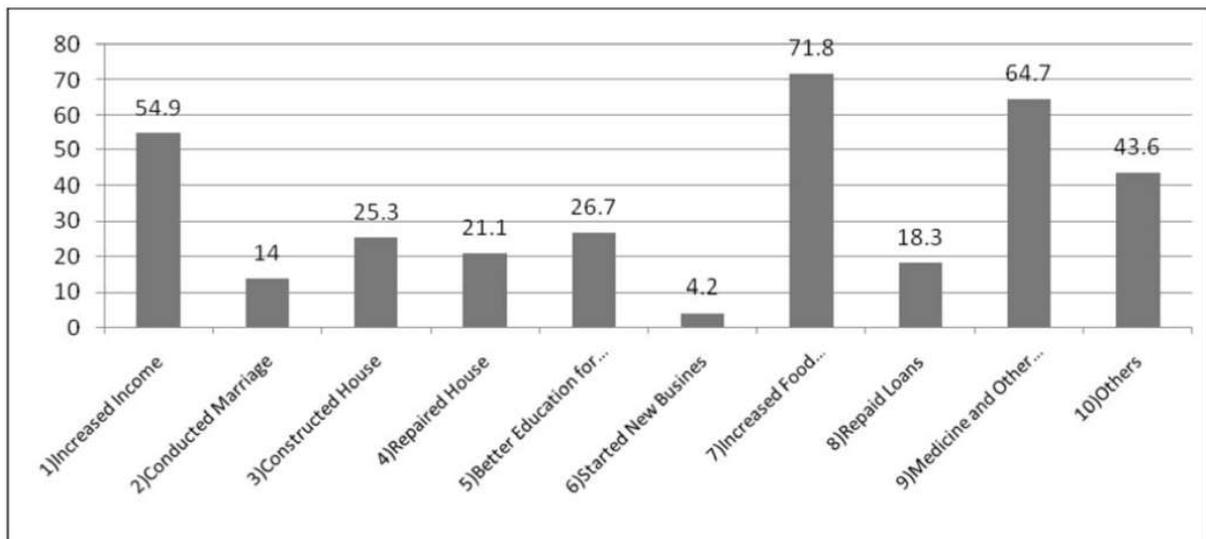
Table - 2 shows the main benefits of Zakah.

Table - 2 : Benefits of Zakah

Sl. No.	Details	No. of Households	Percentage(%)
A	Benefits of Zakah		
	1) Increased Income	39	54.9
	2) Conducted Marriage	10	14
	3) Constructed House	18	25.3
	4) Repaired House	15	21.1
	5) Better Education for Children	19	26.7
	6) Started New Business	3	4.2
	7) Increased Food Expenditure	51	71.8
	8) Repaid Loans	13	18.3
	9) Medicine and Other Expenses	46	64.7
	10) Others (Expansion of Business and Rice as Food)	31	43.6

Source: Sample Survey

When looking at the benefits of Zakah, 71.8 percent of the total respondents have opined that Zakah had increased their food expenditure. Apart 64.7 percent are using the amount of Zakah for medicine and other expenditures. Income of 54.9 percent of the total households had increased due to Zakah. Apart 14 percent of the sample households used the amount of Zakah for conducting marriage. Apart 25.3 percent are used the amount of Zakah for constructing house and 26.7 percent of the total sample households used the amount of Zakah for giving better education to their children. Benefits of Zakah are illustrated by the following bar-diagram-4.3.

Benefits of Zakah (in percentage)

Impact of Zakah on Sample Households

Sl. No.	Details	No. of Households	Percentage(%)
A	High influence of Zakah on Livelihood		
	1) Yes	44	62
	2) No	27	38
	Total	71	100
B	Improvement in Standard of Living		
	1) Yes	55	77.5
	2) No	16	22.5
	Total	71	100

Source: Sample Survey

When considering the influence of Zakah on the livelihood of the household, 62 percent of the total households had opined that Zakah has a high influence on their standard of living and 38 percent opined that it has a little influence on them too. Apart 77.5 percent of the total households opined that Zakah has helped to improve their standard of living.

Poverty Condition of the Households with and Without Zakah

The table-4 shows the percentage of Above Poverty Line (APL) and Below Poverty Line (BPL) families in the locality.

Table - 4.4: Poverty Condition of the Households without Zakah

Sl. No.	Details	No. of Households	Percentage(%)
A	Without Zakah		
	1) BPL	29	40.9
	2) APL	42	59.1
	Total	71	100

Source: Sample Survey

Without adding the amount of Zakah to total income, 40.9 percent of the total families are living under Below Poverty Line (BPL) and 59.1 percent are in Above Poverty Line (APL).

Table - 4.5: Poverty Condition of the Households with Zakah

Sl. No.	Details	No. of Households	Percentage(%)
B	With Zakah		
	1) BPL	9	12.7
	2) APL	62	87.3
	Total	71	100

Source: Sample Survey

When adding the amount of Zakah to total income, there are only 12.7 percent of BPL families and 87.3 percent of the total families are APL. It clearly shows there is a large reduction in the poverty due to Zakah in the locality.

Major Findings of the Study**Major findings of the study are as follows:-**

- Around 80 percent of them are receiving Zakah in the form of cash.
- All families are receiving Zakah in the form of rice.
- Annual amount of Zakah of 25 percent families are more than their monthly income.
- Income of more than 50 percent families has increased due to Zakah.
- More than 60 percent families got better health facilities because of Zakah.
- More than 25 percent of families could give better education facilities to their children due to Zakah.
- There is a high reduction in the number of BPL families due to Zakah.
- The most popular form of Zakah prevailing in the community is in the form of rice.. It has a tremendous impact on the livelihood of poor families. In the sample, every family is receiving rice as zakah. It has a high role in the ensuring food security in the community

Conclusion

Anywhere and everywhere poverty is a very vexed problem. It is more serious in a developing country like India. Alleviation of poverty has remained a major challenge in the nation even after 70 years of independence. There are so many poverty alleviation programs in the country. These programs are creating a high economic burden to the government. Here the work has analysed how the Zakah is act as a fiscal mechanism and as a way of eradicating poverty since it is not creating any burden to the government and it does not carrying any cost. So it has a unique position among all other poverty alleviation programs.

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