

DISTRIBUTION AND ALLOCATION OF ZAKAT AND SADAQA FOR ECONOMIC GROWTH: A PROPOSED MODEL OF HOUSE OF ZAKAT AND WAQF (U), AND UMOJA HELPING HEARTS UGANDA.

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Abstract: A Muslim is encouraged do charity for the blessings and rewards from Allah subhanahuwata'ala, not limited to low-income households (Dwi Arsyianti et al., 2017). On the other hand, Islam establishes a unique instrument for poverty alleviation as wealth is transferred from well-off Muslims to the worse-off people. Both instruments (Sadaqa and zakat) can be a source of economic growth if distributed effectively. A sample size of 42 respondents were used using purpose sampling, interview guides and administered questionnaires. The current distribution of Sadaqa and zakat by both institutions is captured and gaps are revealed and confirmed by the respondents. Therefore, this mixed method paper develops and proposes an effective model for zakat and Sadaqa distribution and allocation by House of Zakat and Waqf Uganda, and Umoja Helping Hearts Uganda.

Keywords: Sadaqa, Zakat, Economic growth, House of Zakat and Waqf (U), Umoja Helping Heart

INTRODUCTION

The Islamic economic system encourages helping the exceedingly poor and deprived to meet their basic necessities of life, and in this regard, Sadaqa and zakat are the major intermediaries. The economic system of islam envisages a society or a community which is not only surviving, but also prospering in all aspects of life. Zakat and Sadaqa are meant to provide the much-needed social safety net for the bottom pyramid of the society which is excluded from the conventional financial access market. In Uganda, funds collected through Sadaqa are majorly meant to cater for consumptive and relief issues within the community these may include, mosque utility bills, food for the needy, transport for the wayfarers and many times allowances for imams and duats. On the other hand, however, zakat needs no explanation in regards to who is supposed to receive or where

it is supposed to be allocated or distributed. Allah distributed zakat in the Holy Quran as per the following injunction;

“Zakat expenditures are only for the poor and for the needy and for those employed to collect [zakat] 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”

(QS, al-Taubah 9: 60)

In the study by (Wan Mohd Khairul Firdaus & Mahadi, 2013) following definitions of each category was given,

- a) The Poor (al-Fuqara’) - An Individual Muslim who does not have a job or got a source of income does not reach 50% of the requirements (Kifaya) and does not have enough for his/her daily needs.
- b) The Needy (al-Masakin) – An Individual Muslim who have a job and earn source of income that met half of requirement (Kifaya) and does not have enough for his/her daily needs.
- c) Administrators of zakat (‘Amil) – An Individual or organizations that are directly involved in the management and administration of the zakat affairs, including the collection, distribution, finance and so on.
- d) Those inclined to Islam (Muallaf) – Recently embraced Islam. An Individual who tamed his heart to Islam or to accept Islamic orientation. He/she can be a new convert, Muslim minority in a non-Muslim majority country etc.
- e) Captives seeking freedom (al-Riqab) – Slavery. Individuals who were freed from the bondage of slavery and conquest whether physical or mental. Since slavery was abolished nowadays, the definition is expanded includes liberation from ignorance, political, economic, and so on.
- f) Debtors (al-Gharimin)- Individual who is in debt but needs assistance to meet his/her basic.
- g) For the cause of Allah (fi sabillillah)- Strive in the cause of Allah for the betterment of the community. Individual who engages in activities to manage, develop, uphold, defend and missionary (dawah).
- h) Wayfarers (ibn al-sabil) - Stranded travelers on a permissible journey. Individuals who travel and financial outages or need help.

Analytically, some of the categories as explained above, are consumptive whereas others are productive in nature. This implies that, if some categories are catered for exhaustively, they can productively contribute in helping people in the consumptive categories-in the long run. For instance, category two (The needy) whose income is not sufficient for him to sustain himself. Presumably, he can be a skilled or professional worker who is temporarily caught in between a financial difficult situation but just needs zakat funds to break free. Secondly, in the Muallaf category, a convert may be a potential zakat payer who just needs both spiritual and material

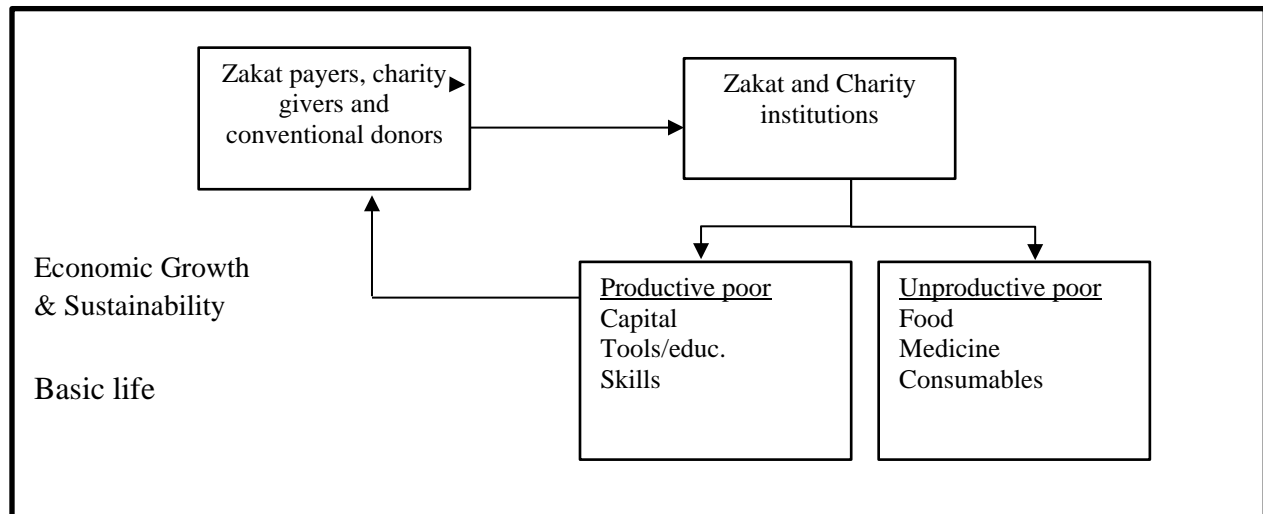
temporal comfort but when fully converted and well acquainted with Islam, he/she could benefit the Islamic religion.

In Uganda, ever since the introduction of Islam in 1844, zakat was not given due importance commensurate with its economic centrality as the Islamic religion. Those who paid it, did it on an individual basis or through imams who acted as sole beneficiaries themselves. This act or predicament meant that records or documentation on zakat in Uganda is minimal or unavailable. On the other hand, Sadaqa, has had a very fertile ground in Uganda unlike zakat. Imams, Muslim school committees, Muslim county leaderships and even local Muslim communities have over the years been giving Sadaqa. The holy month of Ramathan registers the highest collections and distributions. According to Umoja Helping Hearts records, mosque constructions and iftar distributions form the highest channels through which Sadaqa funds are expended in Uganda. However, Umoja Helping Hearts is consistently shifting from a consumptive distribution policy to productive one.

Uganda is a poor country by global standards. According to (UNICEF, 2020), multidimensional poverty which encompasses poor quality of work and lack of education among other deprivations was found to be as high as 67% in households with on formal education, 56% of children below the age of 18 experience the same poverty. The same study revealed that 55% of rural homesteads suffer the same predicament and 50% of households headed by women are not spared of the same problem. Another challenge is, the labour market in Uganda is reported to be struggling with low skill and low productivity jobs yet in the study by (Nabukeera, 2020) it is revealed by the Uganda Bureau of Statistics revealed that the share of unemployed youth (national definition, 18-30 years) among the total unemployed persons in the country was 64 percent in 2013.

In the study by (Hamzah, 2019) it is revealed that about 12.2 million pupils started primary one but only 6.95 million (57.2 per cent) completed their primary schooling cycles – over 5.2 million (42.8 percent) dropped out. The same study revealed that, school completion rates (secondary level) were very low in the Muslim majority populated districts of Luuka, Iganda and Mayuge. These school dropouts are likely to become additional statistics of the unemployment rates because they are in shortage of employable skills and lack the right and needed attitude towards certain work types. Zakat and Sadaqa funds can play an important role if allocated for, provision of school fees and tuition to educate the poor and needy and two, provision of capital start up and tools to the poor families and youths who are unable to continue with education.

Therefore, the purpose of this study is to propose a new model of both zakat and Sadaqa distribution by both House of Zakat and waqf Uganda and Umoja Helping Hearts. The model espouses a notion that, if priority is given to allocation of the Islamic social finance funds towards economic and sustainable programs aimed at relieving economic burdens off the poor, effectiveness will be achieved.

Conceptual framework of the study:

The conceptual framework elucidates that, zakat payers, charity giver and donors of all kinds entrust their contribution with a zakat institution (House of zakat and Waqf Uganda) and charities with (Umoja Helping Hearts). It is the responsibility of the institutions to assess the ability and capabilities of productive poor for purposes of equipping them for sustainable and productive skills, tools and capital to engage in economically viable ventures. On the other hand, the theoretical framework also proposes that the unproductive poor be given basic needs and requirements.

House of Zakat and Waqf Uganda.

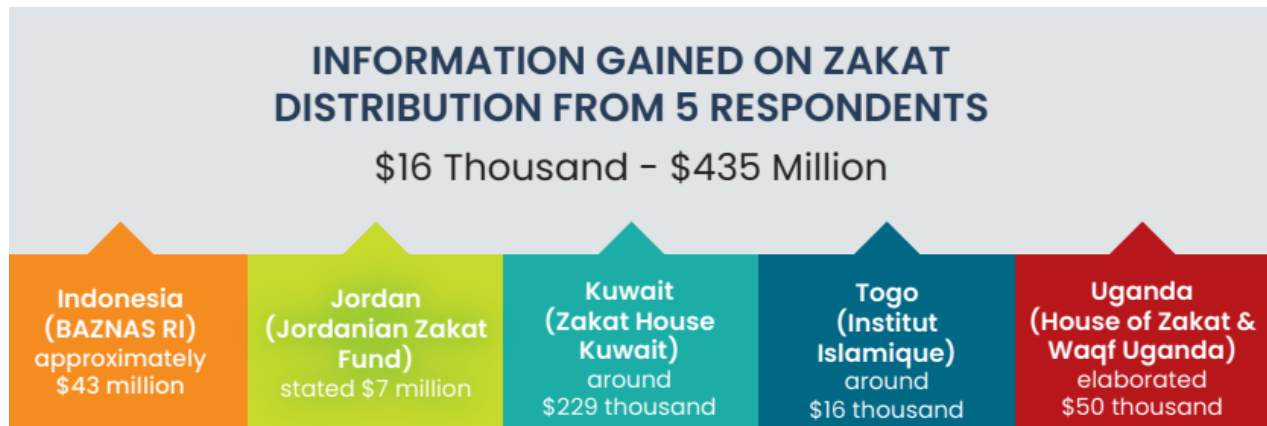
House of Zakat and Waqf Uganda (HOZWU) is a Muslim Charity Organization legally registered as a company limited by guarantee in 2010. It was set up to streamline the collection and distribution of Zakat and the preservation of *Waqf* in Uganda. The organization's primary commitment is to facilitate the performance of the third pillar of Islam in the Country. Its core values are transparency, accountability, professionalism and community interest before personal interest. HOZWU was established in 2011, before, that, Zakat management in Uganda could hardly be described as institutional (Hamzah & Haji-Othman, 2020).

Some of the newly adopted programs of House of Zakat and Waqf Uganda include but not limited to;

- a. **Occupational skills development and transfer:** Training workshops are conducted for zakat beneficiaries to acquire knowledge, vocational skills and provision of tools or equipment necessary to become self-reliant and develop to be able to also pay Zakat in the future.
- b. **Provision of Capital:** Provision of business capital to verified needy persons who already have occupational skills to fund their entrepreneurial projects.

- c. **Development and provision of health facilities and services:** Provision of medicine and equipment to health centers and direct support to treat the sick, elderly, and vulnerable men, women and children with special needs, e.g., 25-wheel chairs distributed to the disabled in 2018 and support towards Mosque Health Centers, etc.

Zakat distribution for the Year 2020 (During COvid-19 Times)



Source: (Hudaefi, 2020)

House of Zakat and Waqf Uganda Distributed USD 50,000 (approx. UGX 200,000,000) in the period of Covid-19. More than 70% of the funds went into supporting small scale businesses hit by the pandemic. The remaining 30% went into food distribution.

Umoja Helping Hearts

Umoja Helping Hearts Uganda was founded in 2017 by Sheikh Elias Kigozi. Its registered and recognized Muslim Non-Government Organization by Uganda Registration Service Bureau, and National Bureau for Non-Government Organization and Uganda Muslim Supreme Council (UMSC). Umoja Helping Hearts Uganda is authorized to collect and distribute Charity, Sadaqa. The organization focuses on the vulnerable; the elderly, orphans, widows, widowers and crippled. The Organization operation areas include; monthly food distribution, mosque construction, water well drilling, house construction, household income generating and orphan.

Table showing Charity Distribution by Umoja Helping Hearts in 2019 and 2020

No	Project	2019 Distribution (UGX)	2020 Distribution (UGX)
1	Monthly Food Distribution	45,500,0000	46,500,000
2	Mosque Construction	148,560,000	120,070,000
3	Water Well Drilling	34,970,000	25,170,000
4	Iftar Ramathan	58,750,000	46,500,000
5	Economic Empowerment	6,750,000	6,000,000

Source: Umoja Helping Hearts annual reports

From the table above, it is evident that Umoja Helping Hearts spend the highest amount of charity on Mosque construction, followed by Food, Iftar Ramathan and water wells drilling. However, economic empowerment was the least funded.

LITERATURE REVIEW

Zakat:

Zakat is the third pillar of Islam. Zakat in Islam is a religious obligation to Muslims which have a significant influence on the Islamic country's administrative system, economically, zakat is a financial management tool that aims to overcome poverty and hardship by placing the responsibility on those who are rich against the recipients (poor) which was clearly stated in the Quran (Abd Rahman & Ramli, 2013). Classical scholars have also defined zakat, for example, (Qardawi & Kahf, 2000) defined zakat in two perspectives, one, linguistically, as an infinitive of the verb zakah, which means to grow and to increase. He further elaborated that, when it is said about a person, it means to improve, to become better. He concluded that zakah is blessing, growth, cleanliness, and better. In the second perspective, (Qardawi & Kahf, 2000) used shariah to define zakat as, the determined share of wealth prescribed by God to be distributed among deserving categories. They added that zakat can be used to mean the action of payment of this share.

The (*International Standard of Zakat Management*, 2017) of the World Zakat Forum defines zakat as an obligatory contribution or tax which is prescribed by Islam on all Muslim persons having wealth above an exemption limit at a rate fixed by the Shariah. Similarly, (Ibrahim, 2016) defined zakat as a compulsory and divine act obliged by Allah (SWT) on the rich Muslims to give out from their legitimate wealth to the poor, in order to better their quality of life. Zakat improves lives by bridging the gap between the poor and the rich in the society. While protecting the rights of “haves” and “have nots” its main objective as an act of worship are: (1) the promotion of stable economic growth through investments, employment and balance consumption, and (2) the achievement of greater income equality through an equitable distribution of wealth, thereby eliminating poverty and extreme disparities of wealth between the rich and the poor (Hamzah & Haji-Othman, 2020).

Several studies have been made on the subject of zakat and economic growth. Due to the constant belief by many economists in Malaysia that zakat does not influence the economy at a macro level, in response, (Suprayitno, 2019) conducted aimed at assessing the impact of zakat distribution on macroeconomic in Peninsula Malaysia by using OLS, 2-SLS and ECM analysis. This study finds that zakat has a positive and significant relationship with economic growth, consumption and investment respectively. Similarly, (Ben Jedidia & Guerbouj, 2020) conducted research on the effects of zakat on the economic growth in selected Islamic countries in the maghrib region. Findings provided evidence that zakat stimulates the country's growth, as it increases consumption, investment, factors which spur on economic growth.

Sadaqa:

Sadaqa is sometimes referred to as charity, this means voluntary giving of help. The act of engaging in generous actions/donations to support the vulnerable in order to re-empower one's life socially or economically. Sadaqa revolves around compassion. In other words, Sadaqa can be defined as alms or a charitable gift donated voluntarily expressing sympathy with the recipient, not out of duty or compassion. It can also be a donation to promote Islam or a Muslim community in any part of the world. Or to support a religious cause such as building mosques, schools, hospitals, or to provide for the upkeep and support of orphans and widows.

Economic Growth:

Economic growth is the most powerful instrument for reducing poverty and improving the quality of life in developing countries (OECD," 2014). Several studies have attempted to define the concept of economic growth, albeit combining it with development. According to (Heller, 2012) economic growth is the process of increasing the sizes of national economies, the macro-economic indications, especially the GDP per capita, in an ascendant but not necessarily linear direction, with positive effects on the economic-social sector, while development shows us how growth impacts on the society by increasing the standard of life. In the context of this study therefore, economic growth can be defined as a process or an attempt to empower institutions and individuals to become financially stable and sustainable.

Methodology

Data collection.

This paper used primary data from 42 respondents who were all beneficiaries of House of zakat and waqf Uganda's economic empowerment program in the year 2020. In addition, the study also used data and information from previous researches on the similar topic to review this topic thoroughly. The data collection was done through distribution of questionnaires and respondents included youths, and women. The secondary information gathered come from journals, books, statistics and annual reports. The study employed a random and purposive sampling technique. Due to the fact that the youth formed the largest portion of the productive poor, purposive sampling was employed in selecting the 20 youth from the total of 42 respondents. The remaining number of 22 was derived from random sampling. Quantitative data were collected and entered into the Scientific Package for Social Scientists (SPSS) for analysis. Qualitative information was used throughout the research and analysis was done thematically as per the objective of the study.

Findings & Conclusion

Results indicate that 65% of the youth (13 out of 20) preferred to receive startup capital, tools and equipment to engage in economic activities rather than receive food and relief support. However, 30% (6 out of 20) preferred tuition/school fees. However, 1 (5%) of the youth preferred food and relief support. On the side of women, 86% of them (19/22) preferred economic support instead of

relief. However, the 14% (3) preferred relief. The study thus concludes that; Zakat and Sadaqa are literally understood to be tools used relieve the needy of basic challenges. However, their primary objectives are transformation of the poor and needy into sustainability. Secondly, since the youth are able bodied and energetic, income generating initiatives should be designed under zakat and Sadaqa funds for them. Lastly, since women were found to be heads of most families of respondents, zakat and Sadaqa funds should be allocated towards initiatives that can sustainably develop them.

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