

THE ROLE OF ZAKAT IN WEALTH PROTECTION AND POVERTY ERIDICATION TOWARD SUSTAINABLE DEVELOPMENT GOALS (SDGs)

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Abstract: *The Sustainable Development Goals (SDGs) are aimed at overcoming some of today's greatest issues, such as ending poverty. It is estimated that Zakat, a mandatory tax on all Muslims earning more than a certain amount, is the world's greatest method of wealth transfer to the poor. The purpose of this research is to examine the available literature on Zakat and poverty alleviation in relation to the country of Malaysia. Descriptive research based on the examination of prior papers and literature on Zakat is used in this study's technique. According to Maqasid Shariah's fulfillment of Maqasid, this study examines how Zakat works to lower poverty rates in Malaysia. Zakat, according to the findings of this study, might be a powerful instrument for reducing poverty among Malaysian Muslims. Consequently, this study gives important recommendations and techniques for further research on Zakat.*

Keywords: *Zakat, Poverty, Maqasid Shariah, SDGs.*

INTRODUCTION

One of the main sources of income for Muslim states is *Zakat*. Since December 2019, the epidemic of Covid-19 has necessitated the effective and methodical management of *Zakat* in order to maximise its potential as a human development tool for Muslims. Every Muslim's quality and potential can only be improved if *Zakat* funds are used to their fullest extent. Every state in Malaysia has an Islamic religious council (IRC) that administers *Zakat*. It is because of Islamic responsibilities that Muslims have a loving and responsible attitude, hence they care for the less fortunate in society. According to Muslim tradition, it is based on verse 71 of Surah al-Tawbah (9:71).

“....They enjoin what is right and forbid what is wrong and establish prayer and give zakāh and obey Allah and His Messenger. Those - Allah will have mercy upon them. Indeed, Allah is Exalted in Might and Wise...”

(Surah al-Tawbah 9:71)

The socioeconomic gap between the wealthy and the poor can be decreased through the *Zakat* system, which encourages those with means to consider donating some of their assets to those in need (Mahmood, 2003). Muslims today confront a variety of political, economic, and

social issues that need a long-term communal support structure in order to achieve human well-being. As a result, *Zakat* is viewed as a method for effective civil society catalyst and in conformity with contemporary global circulation and development.

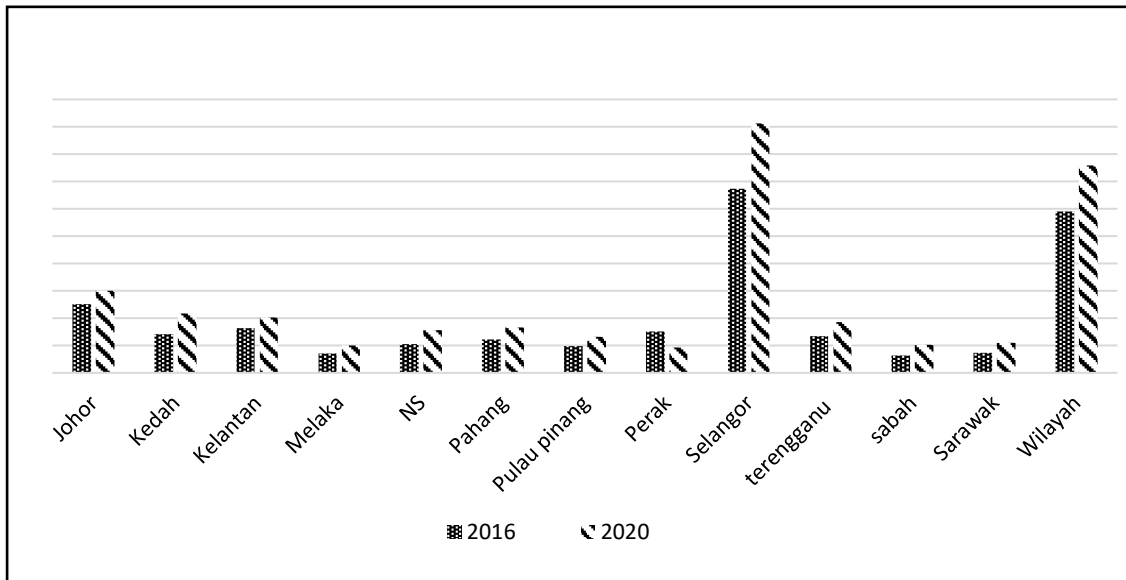
As indicated in Table 1.1 and Figure 1.1 below, the collection of *Zakat* revenues in Malaysia is on the rise, according to annual data reports. To give an example, in Kedah, since 2016, almost RM1.4 billion in *Zakat* funds have been collected, with a projected growth to around RM2.1 billion by 2020. As Muslims across the world became more aware of the need of paying *Zakat* and the IRC became more adept at monitoring the fund, its growth accelerated (Muhammad et. al, 2005). In general, each state shows an increase in the collecting of *Zakat* funds, which illustrates that *Zakat* is a key source of Muslims who, if properly employed, may create a shift in the quality of living among Malaysian Muslims.

Table 1. Zakat Collection in Malaysia From the Year 2016 to 2020

Year	2020	2019	2018	2017	2016
Johor	300,855,626.51	311,727,367.23	285,784,094.35	260,671,607.01	250,436,479.20
Kedah	217,913,020.82	206,055,559.61	183,556,547.63	170,030,088.00	140,448,128.00
Kelantan	202,654,987.00	195,138,060.00	183,034,916.35	179,303,841.00	162,678,760.00
Melaka	100,720,991.88	98,838,098.55	87,815,011.74	85,598,531.92	70,537,675.73
N.Sembilan	157,160,528.43	141,521,193.35	131,116,487.35	124,495,635.43	104,760,388.36
Pahang	165,260,316.30	167,220,290.72	138,696,397.46	133,655,623.03	122,248,982.33
P.Pinang	130,875,632.57	121,432,704.21	119,734,212.91	101,454,432.72	96,781,464.11
Perak	91,633,580.59	207,187,053.49	176,246,175.19	170,804,837.16	151,181,069.12
Selangor	912,956,543.00	855,137,860.00	793,679,701.00	757,112,779.00	673,736,282.00
Terengganu	185,104,612.29	178,654,905.67	160,718,725.50	137,949,523.03	133,360,064.38
Sabah	101,788,328.22	88,997,519.92	79,661,792.60	88,318,640.61	63,704,056.64
Sarawak	110,374,938.58	105,963,561.49	-	92,301,440.00	72,082,740.00
Wilayah	758,059,087.86	688,405,441.00	657,428,211.00	621,414,431.00	589,296,523.84

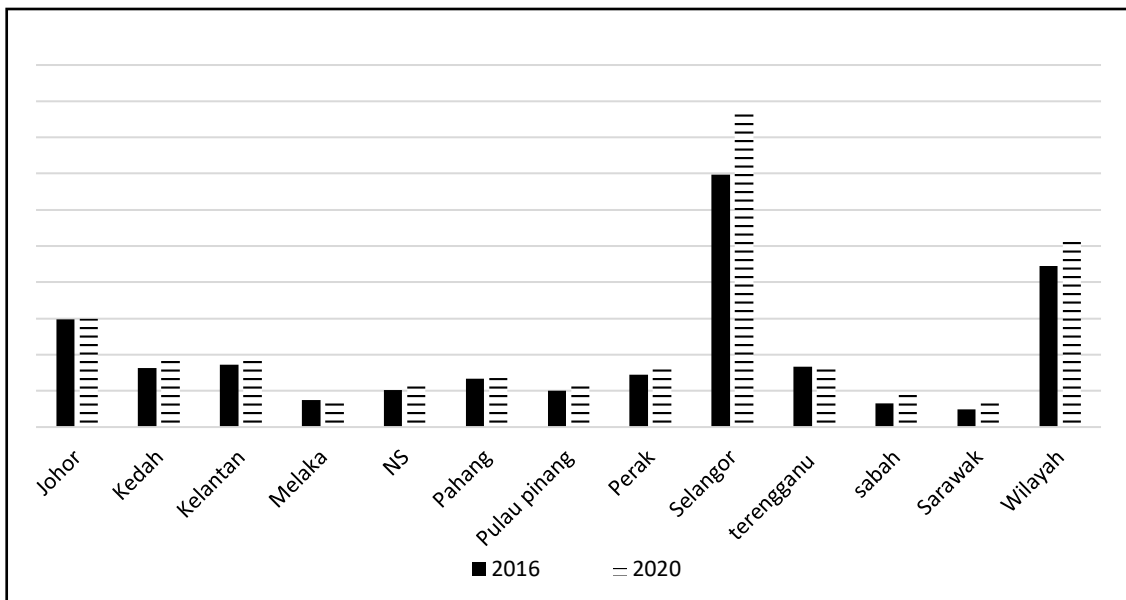
Sources: Jabatan Waqaf, Zakat dan Haji (JAWHAR)

Based on the Figure 1.1 and Figure 1.2 it shows a positive trend of *Zakat* fund collections and *Zakat* distribution made to the eight recipients of *Zakat* (*fakir, amil, muallaf, slaves, al-gharimin, fisabilillah, and the wayfarer*) for the Malaysia case in the year 2016 compared to the year 2020. From the graph illustrated above researchers found that the total amount of *Zakat* collection was totally distributed to the poor. Researchers believe that in Malaysia *Zakat* funds are the major sources of help to the poor especially during the pandemic where poor rates are in increasing trend from the year 2019 to 2020.



Sources: Jabatan Wakaf, Zakat dan Haji (JAWHAR)

Figure 1. Zakat Collection in Malaysia in A Year 2016 and 2020



Sources: Jabatan Wakaf, Zakat dan Haji (JAWHAR)

Figure 2. Zakat Distribution in Malaysia in a Year 2016 and 2020

Based on the above discussion, therefore, this study will attempt to explore the utilization of *Zakat* funds as a tool for poverty alleviation purposes in the fulfillment of *Maqasid Shariah*. This study is trying to conceptualize the role of *Zakat* based on the previous findings. Researchers are not only exploring in depth the highlighted issue above but looking forward to the additional added value for this study.

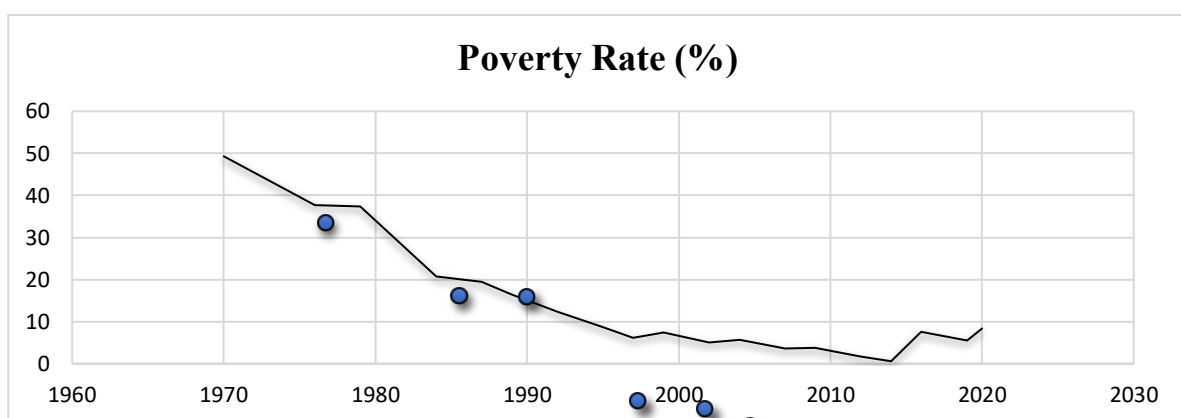
PROBLEM STATEMENT

It is a sensitive economic topic in Malaysia. The concept of poverty and the level of poverty between Malaysians have been argued. To address poverty through New Economic Policy, the government has faced a challenge by lots of political protests (Embong et al., 2013). Nearly

US\$31,000 in Gross National Income (GNI) per person places Malaysia in the upper middle class (2011PPP) (World Bank, 2020). As a result of the country's fast economic growth, the national poverty line has remained at around US\$ 4.00 per person per day since 1977. Economic growth of 6% or higher and increasing public investment on education, health, and family planning have been achieved in Malaysia, which is among the nations that have maintained consistent macroeconomic policies (Hassan, 2010). Overall poverty rates in Malaysia have decreased from 5.7% in 2004 to 3.6% in 2007, thanks to the country's government's constant efforts. However, this poverty rate grew slightly to 3.8% in 2009 due mostly to the economic imbalance of 2008. There was a significant decrease in extremely poor people between 2007 and 2009, when it dropped from 1.2% to 0.7%. (Economic Planning Unit, 2013).

However, there is a rising number of people living in poverty by 2020, which is growing from 5.6% in 2019 to 8.4% in 2020 (see Figure 1.3 below), even if the poverty rate in Malaysia has decreased between 1970 through 2020. The Covid-19 epidemic has had a significant impact on the economic patterns of Malaysia. The Malaysian government enacted a Movement Control Order (MCO) commencing March 18 and lasting until May 12, 2020, in an effort to break the transmission. The lockdown is having a devastating effect on the economy. Enterprises and supply chains are being disrupted and businesses are being upended as the economy is in freefall and the most vulnerable people are feeling the brunt of the economic downturn.

As there is lots of socioeconomic impact brought together during the pandemic, it is a crucial signal for the researcher to investigate a tool to manage the poverty problem in reducing back the level of poverty rate in Malaysia economy. This study believes that poverty among Muslims in Malaysia especially could be solved by distributing the *Zakat* funds in a way for wealth protection under *Maqasid Shariah* philosophy. This study trying to study on the conceptual work on how *Zakat* is able to protect Muslim's wealth, eradicate poverty numbers and in a way to achieving SDGs main target by the year 2030.



Sources: Malaysia Economic Planning Unit (2020)

Figure 3. Incidence of Absolute Poverty in Malaysia from 1970-2020

LITERATURE REVIEW

Zakat and Wealth Protection in *Maqasid Shariah*

Maqasid Shariah divides human requirements into three categories. A person's first priority is to meet his or her fundamental requirements (*daruriyyat*) before he or she desires anything else. A person in a dire need of financial and non-financial help is said to be in a state of dire needs. Some of life's most basic essentials include faith, food, shelter, clothes, and a supportive network of loved ones. Depriving oneself of these needs has no good effect on one's life. *Maqasid Shariah* categorises *hajiyyat* (comfort requirements) in the second category. When one's *daruriyyat* requirements are met, it's easier to focus on their *hajiyyat* needs, which include things like having a safe place to live and nourishing food to consume. A person is pushed to fulfil *tahsiniyyah* (luxury) needs as a sign of riches and luxury because of their importance. Although *hajiyyat* (basic necessities and comfort living) requirements are more important, *tahsiniyyah* are nevertheless promoted (Abu Bakar & Abd Ghani, 2011; Khan & Ali 2017; Lan, Lin & Lin 2017).

Maqasid Shariah refers to Islamic law, whereas *Maqasid* refers to the goal, objective, or purpose. On the other hand, the term "*Maqasid al-Shariah*" alludes to the greater purposes of Islamic law. It is based on the *Maqasid al-Shariah* that human beings have five essential requirements that include the maintenance of their religion, their bodily selves, their knowledge, their families, and their wealth (Mahyuddin & Abdullah, 2011). According to Mohamad Saladin et al. (2010), poverty may be measured holistically and comprehensively using these five fundamental requirements based on these findings. A fair and comprehensive evaluation, according to Rosbi and Sanep (2010), is provided by the perspective of *Maqasid Shariah*, which takes into account not just monetary, but also non-monetary factors. According to several empirical research, *Maqasid Shariah* is a necessity for the efficient distribution of *Zakat* (Edeme & Chibuzo, 2018; Zakaria, 2014; Zakaria & Abd Malek, 2014; Rosbi & Sanep, 2009).

When it comes to the preservation of wealth, the last need in *Maqasid Shariah* is the need for fixed assets and durable items to maintain a reasonable standard of living. In order to spend one's wealth on food and non-durable products, a Muslim must be able to create income or revenue through economic activity. It is permissible to gain as much wealth and property as possible, as long as the means by which the riches or property is obtained conforms to the *Shariah*. Everything in this world, including human riches, is a gift from Allah S.W.T for one to control, manage, and reign. It can only be kept for a short period before being passed down to the next generation (Ahmad & Ibrahim, 2006). When it comes to fulfilling one's basic requirements and building a pleasant existence, wealth must be acquired and used in a responsible manner. According to previous research, the efficiency of *Zakat* is determined by wealth preservation (Zakaria, 2014; Rosbi & Sanep, 2009).

In order to meet the fifth requirement, which is the preservation of wealth, the *Zakat* institution must make sure that the *Zakat* fund helps recipients achieve financial independence and ease of life. Moderation is strongly associated with the optimum quality of life, according to Mohamed et al. (2018). Muslims are urged to spend their wealth wisely by the Quran, which outlines the main principles of wealth management. It's critical to remember that in order to meet one's basic physiological requirements, one need financial stability.

Zakat and Poverty Eradication

When it comes to worshipping Allah SWT, salah is the one-to-one requirement of every Muslim, while *Zakat* is the obligation imposed by Allah on the wealthy and well-off to support those in need. Muslims may eliminate poverty and inequality by using *Zakat*, which literally means growth or cleansing.

By redistributing wealth to the poor and needy, an institutionalized *Zakat* regulated by the state can eliminate poverty. Islamic cultures' wealthiest citizens and enterprises must pay a social welfare tax known as *Zakat*, according to Clarke et al. (1996). Using this technique, the gap between the affluent and the poor may be narrowed. Like Taheri (2001), believe that *Zakat* is a vital instrument for the Muslim community to promote social justice by transferring income from those who have it to those who do not. *Zakat* has been documented empirically by Ibrahim (2006), who discovered that the distribution of *Zakat* in Selangor has successfully lowered the incidence of poverty, its scope and its severity.

In Islam, the poor and needy have the right to accept *Zakat* (charity) from the wealthy. Muslims who fail to pay their *Zakat* duty are showing their ungratefulness and lack of gratitude to Allah SWT, who has blessed them with riches, and have therefore committed a grave sin. In order to recompense for the sin of avarice, the wealthy are compelled to pay *Zakat* (Clarke et al. 1996). According to Haron et al. (2010), he mentions that *Zakat* has the ability to help Muslims meet their basic requirements, alleviate income and wealth disparities, and cleanse *Zakat* payers' inner selves and riches. Also through distribution of *Zakat* people are able to fulfill six basic needs at least like food, clothes, housing, education, health, and transportation. The Quran specifies eight distinct categories of *Zakat* receivers (*asnaf*) in Surah at-Taubah verse 60. These eight categories are those in need, those in poverty, *Zakat* collectors (*amil*), new Muslims (*mualaf*), enslaved people (*ar-riqab*), those who owe money to others (*gharimin*), and those who seek to serve Allah alone (*fisabilillah*) and wayfarers (*ibnu sabil*).

Zakat and Sustainable Development Goals (SDGs)

This intergovernmental agreement on broad-based development, which includes economic growth, human development, and environmental sustainability, is the successor of the Millennium Development Goals (MDGs). There are 17 main goals, each with a number of specific targets that must be met by 2030.

It is important to note that while SDGs are based on human rights, *Zakat* has no such ties to any one faith. However, there is a lot of overlap and engagement among *Zakat* organisations in pursuing the SDGs. The SDGs and *Zakat* share some remarkable similarities. The Sustainable Development Goals (SDGs) are mostly based on Islamic principles, and they aim to alleviate poverty and hunger while also eliminating income disparity. These objectives are in keeping with *Zakat*, which is a fundamental Islamic value. *Maqasid Shariah* are the five fundamental aims of the Islamic faith. In addition to these, there is the protection of life, family, knowledge, and wealth. In order to accomplish the most possible progress in such a short period of time, it is critical that all relevant institutions join together to conduct all-encompassing efforts. This is especially important for countries who are far behind schedule and will require a significant amount of work and money in order to catch up. The synergistic efforts to achieve the sustainable development goals may also be used by religious institutions with a socio-economic dimension, especially in Muslim majority nations.

By 2030, the primary sustainable development objective is to eradicate poverty. According to analysts, those who pay *Zakat* are non-poor with surplus money in excess of *nisab*. Those who get *Zakat*, on the other hand, are typically those who are in need and do not have anything extra to their *nisab*. So, the threshold of *nisab* differentiates between payer and recipient in order to achieve targeted income and wealth transfer to the individuals who are often the poor. To fulfil the redistribution objectives more efficiently and consistently, this redistribution is based on wealth rather than income, which swings less than income across the business cycle (Ismail & Shaikh, 2017). A broader foundation for *Zakat* is acknowledged by Metwally (1983), who points out that it can be applied to people regardless of their wealth or income. He points out that the *Zakat* system includes a built-in mechanism to ensure that *Zakat* is collected and disbursed to the proper people. This assures that the desire to eat more strongly and fast will be heightened as a result. The most important SDGs for reducing poverty and guaranteeing upward social mobility are decent work and economic growth. However, *Zakat* payments from wealthy households to those with lower endowments may go a long way toward alleviating poverty while also making higher-paying educational opportunities more accessible. Funding for educational and health care institutions might be provided through *Zakat* as well, helping to build a workforce capable of providing reasonable wages. Instead of remaining idle in the hands of the rich, the *Zakat* institution would assure the flow of money via the productive firm, channeling capital to the actual economy.

METHODOLOGY

This study is library research, the data sources from books, journals, documents, and reports from previous research. From the data collected, the researchers analysed by descriptive analysis method to answer the problems discussed in this study, it is the role of *Zakat* in wealth protection and poverty eradication towards achieving Sustainable Development Goals (SDGs) by 2030. The first objective of this study is to identify the role of *Zakat* in the wealth protection under *Maqasid Shariah* fulfillment. The second objective is to study the role of *Zakat* as a poverty eradication among the poor. Finally, the third objective of this study is to identify the role of *Zakat* in achieving SDGs goals focusing on the zero poverty target.

CONCLUSION

In this paper, researcher explored the potential of *Zakat* funds in fulfilment of *Maqasid Shariah* in Islam and poverty eradication. These poverty eradications are an effort to meet the SDGs goals by 2030. Since *Zakat* funds are from those people who in the surplus unit to channel to those needy people in the deficit unit, researcher found that *Zakat* funds not only contributing to reduce poverty but at the same time these *Zakat* funds are able to solve human capital development issues especially poverty, hunger, education and health as listed in SDGs. So, researchers may conclude that there is a vital role of *Zakat* funds not in fulfilment of wealth purification but, it is also brought an impact to the society especially in solving the issues of poverty and other human capital development issues as discussed before.

Realizing on this importance of *Zakat* in the Muslim society, it is suggesting that government especially Islamic institution who managing *Zakat* funds to play their role progressively to channel these *Zakat* funds to the needy people in the community in the fulfilment of *Maqasid Shariah* and achieving SDGs by 2030. Other than that, individuals who

are in wealth that require them to pay for *Zakat* (those having higher wealth than *Nisab*) must pay for *Zakat* not only for the wealth purification but also for the seek to develop ummah in our society.

Rather, it is critical for Muslims to get a thorough understanding of the *Zakat* fund in order to reap its benefits. *Zakat* is an obligatory charity instrument in Islam that may be utilised for eight different reasons. These include those in need, the impoverished, the debtors, slaves (so they might be freed from slavery), and those who are travelling in need. Helping the impoverished is only as effective as the technique used to distribute and the goal of the effort. In order to benefit the impoverished, this system has to be improved and analysed on a regular basis. That's why study in this area is so crucial for scientists to continue. Furthermore, *Zakat* payout has additional advantages, such as enhancing the health, education and level of life of the destitute.

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