

## Socio-economic Role of Zakat: A Case Study of Zakat Spent for Human Resource Development through Education in Abbottabad District, Pakistan

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### Abstract

*Zakat is third of the five pillars of faith in Islam, an instrument practiced in the Muslim world considered as part of wealth of man designated for the poor. Zakat is an obligatory requirement for Muslims to give, on idle & horded savings, wealth, assets, silver & gold every year at the rate of 25 %. It constitutes the most important product of Islamic civilization and a very effective mean of alleviating or at least reducing poverty, inequality, circulation of money in society and a step towards equal distribution of wealth helping the poor in attaining their basic needs. It facilitates rendering of social services such as health care, education, and employment generation which are important for human resource development. Moreover, it helps in establishing business and employment opportunities and promotes community services. In Islamic world, Zakat system is quite an instrumental process that comprises serving the society by making endowments for construction of educational institutions, projects of welfare such as water supply, and many others. The present study has focused on the aspects of Zakat for endowments in HRD in the light of definitions, interpretation and explanation of HRD; thus addressing a recent case of District Zakat Committee (DZC) Abbottabad District of Pakistan which successfully managed the deployment of zakat funds particularly by imparting scholarships to talented but poorest students for attaining technical education. This further helped them in securing reasonable jobs.*

**Keywords:** Zakat, Poverty, Education, HRD.

### Introduction

In Islam Zakat is third pillars of faith among the five pillars, practiced in the Islamic world, which has appeared as an effective measure of social safety being a tool, capable to reduce income inequality and poverty and an instrument in respect of wealth redistribution & welfare of Islamic society (Laila, Khan, Nadzri et.al 2012; Sarea, 2012; Johari et .al. 2013) by yearly levying at the rate of 2.5 % on “idle” wealth and considered a most important constituent of Islamic civilization (Jehle, 1994; Mutiara et al. 2013).

Zakat is a part of wealth of man designated for the poor; and major financial obligations which all Muslim have to pay once during a year if they possess assets, which are a minimum prescribed or specified quantity called Nisab by Shariah (Sahib-e-Nisab). This amount is subject to paying Zakat, varying for the different classes of assets. Payment of Zakat is obligatory (Fard) on all Muslims who are Sahib-e-Nisab and not

merely a voluntary (at will) charity. All Muslims (may be women or men) have to pay a specified part from their savings or capital; like currency (metallic or paper), cattle, farm (agriculture or fish) products, precious metals like gold & silver and business activities. In Shariah Zakat is defined: "A right yearly due in specific percentage on specified items of properties or assets, with consideration of the satisfaction of the conditions of nisab." Allah Almighty commands Muslims for giving Zakat on their wealth which is more than nisab, to the poor for their benefits and the society's economic & social welfare. So, zakat imposed to prosperous businesses & more wealthy persons of Islamic society is compulsory as a social welfare levy which helps to reduce the gulf between the rich & the poor (Suhaib (2009; Abdullah & Suhaib, 2011; Rom & Rahman, 2012; Laila, n.d; Sarea 2012). It is also a tax form like presently fiscal policy and deemed important in the Islamic civilization as a resource paid to the poor unable for meeting their basic necessities e.g. biological, health & education necessities Darmaa et.al (2012).

Therefore, zakat is a compulsory obligation regarding funds paid for prescribed categories and prescribed purposes for which Muslims are commanded to give, on hoarded savings & assets, on revenue from business and silver & gold, at the yearly rate of 2.5%. The yearly rate of two and a half percent is set forth a benchmark. Almighty Allah prescribed this amount relating for welfare & wealth of the society, for persons entitled to Zakat as prescribed in the Holy Qur'an. The zakat's economic importance the Holy Qur'an highlights mentioning more than 100 times, the commandments for establishing zakat most often in conjunction with prayer (Salah) (Jehle; 1994; Laila, Nadzri et. al. 2012; Sarea, 2012).

Different strategies and policies have been framed in different countries for reducing poverty, but in reality poverty still exists particularly in the Muslim countries & societies. The member countries of Muslim world have inherited powerful institutions of Zakat, Waqf & Sadaqat to fight the poverty which in the past have been very successfully applied for the welfare & rehabilitation of the poor. Muslims countries neglected the sestrong institutions and as a result faced poverty at large. After coming out from the folds of the colonial period some Muslim countries such as Pakistan, Yemen, Libya, Saudi Arabia, Malaysia & Sudan adopted compulsory zakat administration through governments whereas others such as Jordan, Egypt, Kuwait, Bangladesh, Iran, Iraq & Bahrain established specialized state departments but with voluntary public participation (Sarea, 2012; Shirazi, 2014).

About zakat collection & management, Salim (2006) revealed that the process of zakat collection varies from country to country. While countries e.g. Pakistan, Yemen, Libya, Saudi Arabia, Malaysia and Sudan, have made complete zakat incorporation as part of Islamic state's regular tax collection and enforce zakat regularly. Three countries clearly incorporated it as state responsibility in their constitutions to enforce the zakat. Others countries e.g. Bahrain Egypt, Jordan, Indonesia, Kuwait, use intermediary financial institutions for receiving voluntary zakat paid and still some Muslim countries i.e. Oman and Morocco marginalized zakat to the private conscience of individuals.

## What is Zakat?

Abdullah & Suhaib (2011) wrote about zakat significance as: Mighty Allah narrated zakat in the Holy Qur'an more than eighty times and is an obligation from Allah Almighty similar to 'Salat'(prayer). In the Holy Qur'an, Allah Almighty commands: "So establish Salah & pay zakat, and maintain fast for Allah Almighty". The Holy Prophet Hazrat Muhammad (PBUH) said: "Islam was established upon: to witness that there is no God but Allah & that Prophet Muhammad (PBUH) is His servant & messenger, observing prayer, paying zakat, performing pilgrimage & maintaining fast during the month of Ramadhan. The first Caliph Hazrat Abu Bakar Siddique (RA) announced war (Jihad) against the tribes refusing payment of Zakat, despite in rest of the matters they were yet following Islam and offering Salat. And argued that Shariah (Divine Law) can't be divisible and that one can't obey a part of the Holy Qur'an & disobey other parts.

Johari et al (2013) asserted that zakat is defined in different ways like pure, blessing, grow, good & renowned. Further, from the Shariah view point, zakat from a specific wealth can generate a certain quantity to benefit its deserving recipients as stipulated by Mighty Allah.

Johari et al. 2013; Mohsin (2013) & Khan (n.d.) stated that zakat is a Rukn of faith & is a mandatory Ibadah upon every Muslim ordained with prayers in the Holy Qur'an, to part of Muslims wealth basis or harvested once which Muslims, possess in excess of Nisab are commanded to pay to deserving recipients at the rates specified in the Islamic Shariah. In the past during all other Prophets it had been a mandatory Ibadah or obligation, emphasizing importance of zakat as an Ibadah as well as signifying its important role in Muslims' socio-economic progress. Therefore any discussion in the worship context of zakat can't be separated as socio-economic element, particularly in helping the unprivileged based on the concept of Maslahat because zakat payment relieves the recipients of funds from poverty & raises their life standard. Similarly Johari et al (2013) narrated that zakat is an important financial source, particularly in Muslim countries. On wealth Zakat spread over fourteen kinds of wealth possessed by Muslims e.g. fixed capital, silver & gold, jewelry, currency (metallic or paper), agriculture products, honey, plants, livestock, commercial assets, rented buildings, & animal products, fishing & mining.

Mutiara et al (2013) expressed that in Islam zakat is an obligation compulsory for Muslims having different kinds of property, if necessary conditions, such as period (haul) & minimum quantity (nisab) enough for meeting basic necessities for imposed period. Those rightly performing zakat obligation will be conferred an enhancement in the wealth. Any amount or asset given as zakat is assured to increase significantly, in various dimensions e.g. spiritual, financial & psychological – benefiting givers along with the whole economy.

## Human Resource Development

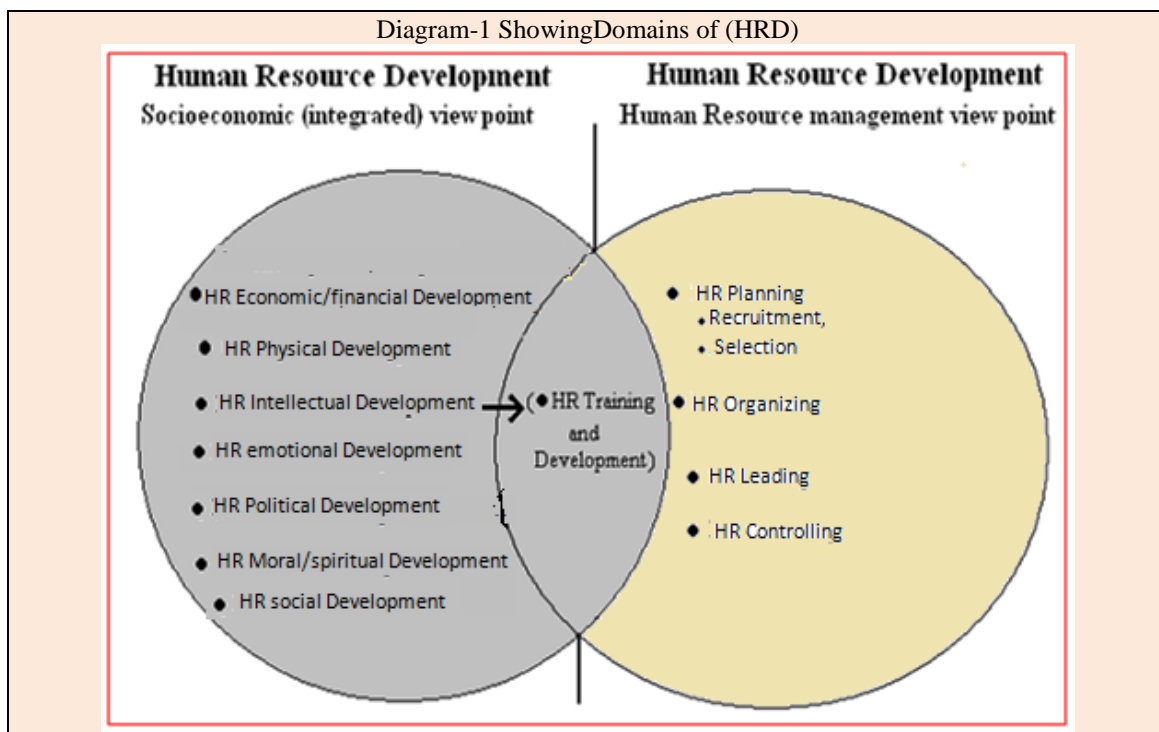
At present Human Resource Development (HRD) is an important discipline. Kuchinke (1996) expressed that HRD has widened and delimited from narrow focus on training to encompass issues of the level of system & organization affecting the development of extensive sets of abilities, skill, & knowledge (KSA) attributed to learning in social, technical, & the interpersonal areas. Abdullah (2009) summarizing from many studies concluded that HRD scope is viewed very broad, encompassing activities belonged to developing human resources, intellectually (educated, skilled, trained), physically (good health & strength) emotionally (motivated), spiritually (honest) and also improving their productive & technical skills

Abdullah (2009) reported that Harbison & Myers in 1964 put forward the first HRD definition, which is very broad in its perspective, because of elaborating HRD in relation to the economy, culture, and political & social contexts instead of organizations & individuals. Harbison & Myers defined HRD as: *"The process of enhancing the capacities, the skills & knowledge of every person of society. In the terms of economics, HRD is expressed as the human capital accumulation & its effective application for developing the economy. In the terms of politics, HRD prepares citizens to participate in the political process especially as democratic people. From the cultural & social view point, developing human resources assists people to live richer & fuller lives, less bounded by traditions. In short, HRD processes unlock the modernization door"*.

According to Rao (1995), the scope of HRD is extended, at one side, to the development of human resource competencies by changing attitude, increasing knowledge, teaching values, building skills, and at the other side, generating conditions through programs, public policies & other interventions to assist people in application of acquired competencies for the benefits for them & others' and also making things happen. Bacchus (1992) is of the opinion that in any country the final HRD objective is "improvement of the life quality of all citizens and not only concerned with building people necessary skills.

Rao (1995) concluded that what is ultimately important is human quality of life and satisfaction. The development of people is the spirit of all HRD efforts and also an important objective of all the other development activities (programs, policies, plans, mechanism & new structures establishment). All development types (technological, economic, agricultural, ecological, industrial, etc.) are meant to serve citizens in terms of improvement of their living standard & better quality of life.

The HRD concept deals with several development facets of people i.e. their intellectual, physical, political, psychological / emotional, & spiritual aspects. Economic (financial) development is very important facet of HRD and its intellectual, physical, emotional development is heavily dependent upon its economic development (Khan, 2009). The following diagram expresses many of these socio-economic HRD aspects.



Source: (Khan & Khan, 2011) It is author's developed & improved model (diagram)

### Intellectual (Education) HRD

Intellectual development of people is through education & socialization process (Khan, 2009). Both these factors of HRD and their development through zakat application are elaborated in the following section.

### Assets subject to Zakat, Nisab & Rate According to Commands of Islam

Suhaib (2009) mentioned that zakat collection & its disbursement system is based on Holy Qur'an text (verse 9: 60; 9-103).

According to Schaublin (2009); Abdullah & Suhaib (2011); Adebayo (2011); Amuda (2013) and Mohsin (2013), zakat or almsgiving for relieving the poor is third tenet of Islam and an compulsory obligation on all financially sound (Sahib-e-Nisab i.e. persons possessing a prescribed wealth limit) Muslims men and women to donate yearly a prescribed part or specific portion (of wealth) from savings or capital such as precious metals like silver & gold, currency (metallic or paper), business activities, cattle (livestock), and farm products, etc. to the poor deserving in the society. Holy Qur'an stresses repeatedly importance of

zakat payable on wealth of more than fourteen kinds such as gold & silver currency (metallic or paper), jewelry, livestock (cattle), animal products, fixed capital &, plants, commercial assets (merchandise), agricultural products, honey, fishing, mining, and rented buildings, subject to the condition that such wealth remains in the owner's possession for a year and also reached the limit of nisab.

About Nisab Adebayo (2011) wrote that Nisab varies for various types of property. For gold or gold jewelry the Nisab (minimum assessable quantity) is 85 grams while for silver Nisab is 595 grams. In the lifetime of Holy Prophet, there was fixed nisab for currency 200 *dirhams* & for gold 20 dinars. Today its cash equivalent is calculated for which zakat is to be extracted. Zakat almost at a uniform rate of 1/40 or 2.5% (2 ½ %) is imposed on the assets. On products of agriculture e.g. oil seeds, grains, peas, beans, the minimum nisab (assessable quantity) is 650 kg and levi-able zakat on crop is 1/10 may be grown on rented lands. Where irrigation is done partly by machine and partly by rain, the rate is 1/20 (or 5 percent) otherwise 1/10 (10 percent). Nisab for the animals' is thirty cows or bulls, five camels, & forty sheep or goats. Nisab for fish & other marine items (wealth) is 85 grams' gold value & rate is 10 percent of net profit annually paid.

Darmaa et al. (2012) and Hossain (n.d.) mentioned that zakat is a tax of wealth (levied at the rate of 2.5 % on silver & gold) and also an income tax for professional workers levied on income they earned (e.g. levied at the rate of 5 % on water irrigated agricultural products & at the rate of 10 % on rain irrigated), for hidden treasures at the rate of 20 % & for extracted minerals at the rate of 5 %. Hadith is not clear for underground resources, The Holy Prophet Hazrat Muhammad (PBUH) preferred paying productive assets instead of currency or items immediately consumable as zakat.

### **Objectives, Uses and Beneficiaries of Zakat**

Schaublin (2009) wrote that almsgiving (charity) to relieve the poor is third of the five tenets of Islam, and the Holy Qur'an stressed its importance repeatedly.

Adebayo (2011) asserted that zakat goal is augmentation of social wealth of Muslim and benefit & welfare of poor community.

Sarea (2012) revealed that zakat is the money that financially stable Muslims pay to help particular segments in one of the eight classes. Regarding these eight classes of eligible zakat receiving people Abdullah & Suhaib (2011); Yusoff (2008); Rom & Rahman, (2012; (2012); Nadzri et. al. (2012); Amuda (2013); Abdelbaki (2013); Johari et al (2013) and Khan (n.d) stated that Allah Almighty has clearly & perfectly and in detail narrated in the Holy Qur'an the purpose & goals of zakat for society and for eight categories (called eight asnaf) eligible zakat recipients. The primary and important goals, (objective), aim & purpose of zakat & sadaqat, is to attain social objectives i.e. to decrease the burden on the poor as well as to redistribute society's wealth among the poor people. The Holy Qur'an announces in "Sura Al-Tawaba": "The Alms (Sadqat)" an obligation imposed by Allah Almighty, is merely for the community's poor (Fuqara), the needy (Masakeen) and giving in the way of Mighty Allah, for those who are inclined towards Islam & whose hearts are to be reconciled for freeing slaves; or who are in bondage, or the captives & who are debtor, and giving for the wayfarer (in travel), for employees to collect & administer the funds". Zakat only secures the areas of social: security & insurance.

Suhaib (2009) expressed that zakat makes the poor stratum a useful part of the community by enabling them to responsibly take part in the economic activities in the society and as a result make them feel a constructive segment of the society.

Nadzri et al. (2012) quoting from some studies stated that zakat contributes an important role in the economy as well as in social and moral well-being of the society. Zakat morally, promotes wealth sharing & reduces avarice, whereas socially assists to alleviate poverty in the society. Consequently, wealth is



distributed widely among all strata of the community & undoubtedly this, encourages healthy economic atmosphere.

Yusoff (2008) further strengthened the argument by expressing as: a) Islam is against begging & fights against it through education & training and disliked asking for any kind of alms except in the dire need. The Holy Prophet (PBUH) said, "That you worship Allah Almighty and do not make any partners with Allah whatsoever, observe the five prayers listen & obey" and ask people for nothing" are successful. b) For the self-support, two essentials Holy Prophet (PBUH) gave in his teachings: Firstly, the sustenance means & source to gain income is work. Work, is better than living on humiliating alms. Secondly, unnecessarily asking people is forbidden as it is degrading.

Suhaib (2009) expressed that zakat is considered an antipoverty instrument. Maintaining economic balance in the economy is the primary objective of zakat system and simultaneously and equally having a negative effect on the wealth concentration and positive effect on the funds circulation and also benefiting all the strata of the society through this mechanism. System of zakat also assures that every person will attain the basic needs.

Amuda (2013) asserted that zakat, waqf foundations, sadaqat, & public funding, have benefits and contribute importantly for benefiting directly to the beneficiary & indirectly to giver or donor. These institutions extend relief & financial assistance to recipients or beneficiaries whereas the givers or donors will be rewarded hereafter.

### **Importance of Zakat for Society and Economy and Stable Social System**

Darmaa et al. (2012) & Hossain (n.d.) argued that it is clear from the Hadith & Sunnah that for every Muslims zakat is a religious obligation. And Hossain (n.d) revealed that in Islam the zakat importance can be assessed by the frequency of its mentioning in the Holy Qur'an & making it clear that salat is not established without zakat. Furthermore, the Holy Prophet Hazrat Muhammad (PBUH) referring zakat as a pillar of Islam also stressed the importance of zakat.

Hossain (n.d) further explained that zakat is not a charity paid voluntarily but a religious duty upon the rich Muslims to pay & the poor's right to receive. For paying zakat reward is manifold whereas penalty of not paying is very severe, both are expected in present life & hereafter as well as.

Darmaa et al. (2012) stated that being a development financing source zakat carries out dual function, i.e. working as a social safety net and encourages the organizational functions of development as well, by managing the rural economy & social infrastructure development.

Abdelbaki (2013) expressed that zakat fulfills several objectives; summarized in economic, social, & moral types. Economic objective is seen in combating against hoarding & diverting the flow of cash to support the essential expenditure instead of luxury expenditures, fighting against consumer lending & encouraging non-usury lending for those heavily indebted or in bondage. The social objective is seen in income redistribution for eight social groups particularly the needy & the poor. The moral objective of the zakat is seen in cleansing.

Abdullah & Suhaib (2011) asserted that human society without strong & viable economy cannot prosper or develop because only financially sound members can stand against and sustain social pressure while the poor & the destitute can easily become victim of social evils. Weak economic situation can cause the social problems e.g. illiteracy, moral bankruptcy and crime rate increase as explained below.

**1. Illiteracy:** The poor cannot arrange proper education of their children, who resort to child labor leading to falling prey of mischief monger which causes problems for community.

**2. Moral Bankruptcy:** the uneducated & the poor society not capable of maintaining the strong morality footing. Moral values, which inculcate sympathy, mutual respect & cooperation in society members but the illiterate people, cannot exhibit such great human standards & noble traditions.

**3. Increase in Crime Rates:** Economic weakness puts the society in the bleak law & order conditions causing the poor segment to bend upon to robbery & theft, for meeting their economic needs. Sometimes, these feelings of deprivation lead to bloodshed or political revolutions.

Abdullah & Suhaib (2011) also mentioned collective & individual social impacts of zakat, and mentioned that Islam begins & concentrates for the reforms from the individuals because they are ingredients of the community, which moves onward for establishing ideal society, which is a natural process towards positive change. So zakat, at first in the same way builds character of members (individuals) (by facilitating in education & making them economically better) and then brings many effects for the society. Here is list of important social (collective & individual) effects.

## Individual Effects

### 1. Generosity

By nature, man is hungry for more material gains, but helps the poor & needy by giving zakat and extending financial aid learns to think for other human beings and leave the personal interests which, cleans him from selfishness, avarice & miserliness. According to the Holy Qur'an "And who so saved from the own greed they are successful" The Holy Prophet (PBUH) also said: "Avoid from greed as before you people were annihilated because of greed"

### 2. Faith Sincerity

Zakat is a "Sadaqa" and Proper calculation of capital & assets for specifying specified quantity for the needy & the poor is a strong evidence of the sincerity of people for their faith.

### 3. Self Purification

On one hand, zakat, purifies the payers from selfishness and on the other hand it purifies its receivers from the haltered emotions against the wealthier people, creating love for them and saving them from ego-centricity & self-indulgence

### 4. Special financial Aid

Zakat in society is different from other kinds of charity because it relieves the receivers from their outstanding debts and also affords essential financial help to wayfarer who suffer from financial problems regardless of being poor or rich.

## Collective Effect

All Islamic commands begin from individuals & move towards establishing people's ideal community. In the same lines zakat first builds individual's character and then casts effects on the society. Few collective effects of zakat are listed below.

### 1. Social Harmony & Justice

Zakat fills the gap of the haves & the have-nots. Wealth accumulates in few hands in capitalistic economies where the poor condition more deteriorates and one purpose of zakat is avoiding such social disparity. According to Holy Qur'an "This (Wealth) may not circulate solely among the rich from among you".

## 2. Social Security

Zakat also acts as a social security measure for all. Those having enough money are paying for what today they have but tomorrow when they need money, due to zakat system they will get what they need to live decently.

### Check against Hoarding

Zakat is levied on hoarded items & savings instead of the income. Therefore, people paying zakat every year have preference of investing their wealth to increase it as per the literal connotation of zakat i.e. 'Growth', lest it may not dwindle every year. According to Holy Qur'an "That which you give in zakat seeking Allah's countenance, increases manifold". It increases production & stimulates supply as it is income redistribution which raises the demand by augmenting real purchasing power of the poor.

## 4. Wealth Circulation

Zakat benefits the society as a whole by keeping the wealth in circulation. The Holy Prophet Muhammad (PBUH) advised Mua'az bin Jabal, while proceeding to Yaman "to teach them that Allah Almighty has made it obligatory for them to pay the zakat from their property & it is to be taken from the wealthy among them and given to the poor". Thus, zakat is very helpful in alleviating poverty.

### Discouraging Beggary

Many societies now-a-days face beggary problem. On one hand Islam forbade the needy & the poor from spreading their hands before others but on the other hand commanded the affluent to take care of the destitute. Holy Prophet Muhammad (PBUH) said: "Whoever begs from people for accumulating more wealth, is asking for a live coal (fire) from Hell, so let him ask for a lot or little."

Amuda (2013) argued that Islamic socially endowment instruments or tools (i.e. Zakat, Awqaf Endowment, Public Funding & Sadaqat) can perform important functions in several social activities like marriage assistance to persons incapable of marrying & providing for their wives, or extending pecuniary help to those who are capable (mentally & physically) to get marriage with additional wives but have insufficient income to maintain them.

Darmaa et.al (2012) wrote that as a development funding source zakat encourages social capital formation & local organizations well-functioning. Management of zakat by an organization having norms' set promotes function of development of local community organizations for the activities of rural economic development.

Adebayo (2011) stated with stress that zakat institution is distinct from government charged conventional taxes. As contained in Holy Qur'an (9:60) zakat is instituted to benefit & alleviate the problems of the poor, & the needy, the destitute & those in bondage or in debt and also for some categories narrated in the Holy Qur'an. Thus, zakat if collected properly & monitored judiciously by those appointed for it, benefits these above-mentioned categories of people. Therefore, instead of spending zakat money on the projects, having no direct benefit for the less privileged persons in the society, governments must realize that many people are jobless having nothing to cater and feed their dependents, many more are in hospitals waiting for means to pay their expenses, while many others sick are at their homes not being able to afford hospital bills. Zakat money is the right of these poor people.

Adebayo (2011) also expressed that in Islam the zakat institution also provides opportunities of job. Adebayo mentioned a practical example from history about zakat instrumentality as means of poverty all deviation demonstrated in Damascus (Syria) in the era of the *sallaf* particularly during regime of Umayyad



Caliph, Hazrat Umar ibn Abdul-Aziz, who when became caliph took keen interest in the zakat administration. Within (even less than) three years of his assumption of the caliphate, nobody remained in Damascus in need of zakat as a pauper, poor, or a debtor. With sufficient zakat disbursement those deserving to collect zakat, ascended to status of zakat givers causing the increased number of zakat payers.

Abdullah & Suhaib (2011) and Adebayo (2011) also revealed a unique & distinct zakat characteristic of being levied on net accumulated worth in the possession for up to a year of givers instead of their income, implying that any wealth left idle is subject to penalty by annual zakat payment. For protection against this penalty, the wealth owners have the option of investing their wealth, in lucrative businesses because amount invested is free from zakat. This encourages investment and discourages hoarding and this investment of wealth in lucrative businesses will create job opportunities for many others producing cumulatively more zakat givers because their status has risen from zakat recipients to zakat givers.

Abdelbaki (2013) asserted that zakat has a very influential role in decreasing poverty problem in the Muslim society, and also plays an important and vital developmental role through income & wealth redistribution for benefitting the poorest.

### **Potential of Zakat**

Suhaib (2009) expressed that zakat having wide base except the too poor all others have to pay it, has a wide potential to mobilize adequate resources to alleviate poverty (because of its low *nisab* & fairly wide levying base). According to some countries' studies, it was seen that zakat has the potential to transfer 3 – 4 % of Gross Domestic Product (GDP) yearly to poorer segment of the population. However, this situation varies from one country to other depending on pattern of income distribution & country's structural characteristics. Whatever difference may be, the system of *nisab* of zakat has a significant potential in social development of the societies.

Suhaib (2009) also revealed the wide base of zakat funds to finance Islamic socioeconomic infrastructure. A part is mentioned here:

#### **(i) Payments Channel for the needy & the poor**

Under this category, zakat funds can be utilized for imparting Islamic education to the poor children, by establishing at least one school for Islamic education yearly in every town with one free meal to its students, and with Arabic teaching as a basic subject and also establishing & supporting primary school for Holy Qur'an teaching.

#### **(ii) Professional Training & Rehabilitation of Zakat recipients**

By imparting training to tradesmen & craftsmen and also providing those required tools their skills & productivity can be increased. And imparting vocational training to handicapped persons along with supplying tools turns them as productive individual enabling them to carry out their indoor economic functions e.g. establishing centers for ready-made clothes, & woolen clothes' 'knitting & producing centers' for widows.

### **Expectations from Zakat and its Role**

Shirazi (2014) expressed that many poor nations & communities to decrease poverty are setting their priorities for services provision, public investment, particularly after 1999, when the World Bank & the IMF commenced preparing 'Poverty Reduction Strategy Papers' (PRSP) with the respective countries consultation. PRSP concentrated upon human development; pro-poor progress; good governance; and basic services provision & social safety nets. For instance, PRSP of Pakistan pointed out 17 pro-poor sectors,

grouped under five broad headings e.g. Human development; Community services & Market access; Safety nets & Governance & Rural development. Similarly poverty reduction strategy of Islamic Development Bank's concentrated upon promotion of pro-poor growth specially emphasizing the addressing of barriers & issues women are facing in their economic development; equitable distribution of the benefits; emphasis on human development; particularly improvements in education & health care; Provision of nets of social safety for the poor; emphasizing good governance & access of the poor to public service delivery; and harnessing & fostering full ownership and member states' commitment.

Rom & Rahman (2012) asserted that in human history zakat is the pioneer institution (instrument) of system of world welfare. Zakat under economic activity as fiscal mechanism deals with, social assistance, social security, housing, food subsidy, health care, childcare, education, & public transportation.

Amuda (2013) expressed that the effective cause & purpose of zakat, waqf endowment, sadaqat, waqf properties & public funding is reduction of poverty & enriching needy Muslims to make them financially independent in the community. If the management & collection of zakat, public funding & sadaqat, are properly performed and the establishment of waqf is given positive consideration the institution will affect positively the present & future societies & social problems would decrease significantly.

Shirazi (2014) by comparing the pro-poor expenditure of Pakistan (3.77 % of GDP in 2001/2002 to 5.5 % of GDP in 2007/8) with potential zakat collection (ranging about 2 % to 4 % of GDP) indicating clearly that Pakistan can easily fulfill the pro-poor expenditures only with collection of zakat & will need no borrowing and the available funds can be spent on other developmental purpose. Therefore, the revival of Islamic institutions, along with their optimum utilization & implementation is direly needed.

Sarea (2012) and Shirazi (2014) referring some studies highlighted the significant contribution of zakat in alleviation of poverty e.g. in Bangladesh zakat funds replaced budgetary expenditures of government in the range of 21 % of Annual Development Plan (ADP) in 1983-84 to 43 % in 2004-05, which were utilized for other development & social requirements of the country. Moreover, zakat can enhance the employment, productivity, & output, consequently which will enhance the government's potential of taxation.

### **Zakat in Pakistan**

Bonbright & Azfar (2000) reported that Pakistan Government promulgated 'Zakat & Ushr Ordinance in 1980 makes it mandatory that 2.5 % of the value to be deducted by state automatically at source of all fixed assets declared by persons having nisab at the start of holy Islamic month of Ramadan (traditionally when zakat is paid). Though the injunction of Holy Quran for zakat paying is applicable to all society members fulfilling the threshold wealth level, certain sects of Muslims, non-Muslims, & non-Pakistanis are exempted from at source compulsory zakat extraction of the Pakistan's Government. Central Zakat Council which is heading an elaborated administrative structure monitoring the zakat & Ushr collection & disbursement through the councils established at federal, provincial, district & local levels. Government gives merely the general information regarding its distribution structure, operating through some 40,000 government framed local zakat committees. Individual zakat givers can directly pay zakat to institutions recognized by government instead of state deduction. However, some organizations recipient of philanthropy disclosed that after state zakat extraction public (directly) zakat paying has reduced. Both individuals & organizations are included in zakat receivers, with 50 % paid to needy or deserving individuals, to whom local zakat committees identify and 50 % is divided between local, religious, education & health, institutions and many eligible fellows. The government discloses the aggregate figures only for the extracted zakat amounts, and regarding the final beneficiaries reveals no data. Presently estimated deserving people are 1.5 million.

Hossain (2012) wrote referring to some studies in detail about Pakistan that poverty is also widely spread like Bangladesh, in Pakistan, especially in rural areas. Agrarian structure's change in 1960s caused more

poverty in rural areas. A little poverty reduction since 1970s is due to slightly improved economic growth & rise in foreign remittances. Zakat & ushr system introduction in Pakistan in 1980 also contributed in poverty decline. Table-1 exhibits 1982 to 1991 zakat & ushr collection.

Table -1 The total amount of Zakat and Ushr collection between 1982 and 1991

Year	Zakat	Ushr	Total (Rs in Million)
1982-83	855.19	179.34	1034.53
1983-84	1011.33	259.40	1270.73
1984-85	1230.86	262.74	1493.60
1985-86	1439.04	247.35	1686.39
1986-87	1513.62	228.92	1742.54
1987-88	1944.18	240.69	2184.87
1988-89	2190.01	183.24	2373.25
1989-90	2444.03	140.79	2584.82
1990-91	2685.53	113.83	2799.36

Source: Central Zakat Administration, Ministry of Finance, Government of Pakistan, Islamabad (1994)  
(Quoted by Hossain, 2012)

Hossain (2012) further asserted that poverty is still a severe issue in Pakistan. Zakat & Ushr effects on reduction of poverty, in the country utilizing the data of 'Household Income & Expenditure Survey' for the year 1987-88 are at disaggregated level clarifying that levels of poverty are higher compared to reported levels in case of no zakat. Zakat in Pakistan caused decline in poverty level by 2.41% overall (1.83% in rural & 3.93% in urban areas). Though 2.41% poverty decline because of zakat in, % age seems a little, but the absolute household zakat benefited number is quite large. For instance, number of households rose over the 'poverty line' through zakat during 1987-88 is above sixty thousand in Pakistan, a quite significant number although in relation to total poor household number not so significant.

### A Case Study – Zakat for Education in Abbottabad District of Pakistan

As Yusoff (2008) and other researchers expressed that poor economic situations cause the social problem like begging and Islam fights against these through education & training. Zakat contributes to economy as well as the social & moral well-beings of the community. Morally, in the community zakat promotes wealth sharing & alleviates avarice, whereas socially assists to alleviate poverty. Zakat socially covers the areas of social insurance & social security which enables to participate responsibly, the poor stratum of the community in economic activities and making the poor a responsible & useful component of the society and also making them to feel their importance as a segment of the community.

Zakat addresses several moral, social & economic problems. Some of them are:

#### 1. Illiteracy

The poor cannot arrange proper education of their children, resort to child labor leading to falling prey of mischief monger which causes problems for society.

#### 2. Moral Bankruptcy

is because of poverty as the poor cannot arrange proper education so uneducated & the poor community not capable of maintaining the strong morality footing. Moral values, which inculcate sympathy, mutual respect & cooperation among society members but the illiterate (uneducated) people, cannot exhibit such great human standards & noble traditions.

These problems can be addressed & such curses can also be eliminated if education is imparted to the poor stratum of the society especially technical education which enables the poor for earning for their needs. Zakat committee of Abbottabad district on the proposal of some of its members launched a program of supporting education by paying fee for very poor but talented students in several vocational, technical & engineering institution/colleges. During interview, members of 'District Zakat Committee' Abbottabad told that Zakat Committee out of zakat funds has awarded scholarships to talented students. Year-wise detail of payment of scholarships is listed as:

**Table-2:- Showing Total Zakat Paid as Scholarships to students in COMSATS**

S.No	Year	Scholarships Amount Pakistani Rupees	Number of Scholarships	Average Per person
1	2009-2010	8,50,000	77	
2	2010-2011	22,00,000	200	
3	2011-2012	19,39,000	249	
4	2012-2013	12,10,000	110	
Total		6199000	486	

Source:- Interview Abdul Qayyum Tanoli Member District Zakat Committee Abbottabad

\*NOB = Number Of Beneficiaries

**Table-3:- Showing Total Zakat Paid as Scholarships to students of 19 Institutes During Years 2010 to 2013**

S.No	Name of Vocational/technical Institute	2010-11		2011-12		2012-13	
		Amount	N.O. B	Amount	N.O. B	Amount	N.O. B *
1	PICT Abbottabad	748000	44	1724000	124	782000	46
2	COMSAT (CIIT) Abbottabad	2200000	200	1939000	249	121000	110
3	FIMS Abbottabad	196000	25	798000	94	660000	55
4	Ideal TVC Nammal Abbottabad	770000	70	880000	80		
5	GTVC Nawansher Abbottabad	385000	35	868000	78	550000	50
6	C B Technology Abbottabad	440000	40	-	-	-	-
7	Light House Society for Blind	330000	30	-	-	-	-
8	Aiza TVC Abbottabad	308000	28	510000	30	765000	45
9	Jinnah I. I. Technology Havelian	660000	60	275000	25	561000	33
10	Pakiza TVC Havelian Abbottabad	275000	25	-	-	330000	30
11	GTVC Women Abbottabad	159488	19	396000	30		
12	Idara Tadreesul Qur'an	-	-	760000	70	510000	30
13	GTVC Havelian	-	-	550000	50	-	-
14	NIMS Abbottabad	-	-	216000	30	-	-
15	Global Institute Abbottabad	-	-	473000	43	-	-
16	Sarhad Institute Abbottabad	-	-	440000	40	-	-
17	Sundus Welfare Society Kotwali			275000	25	-	-
18	Sky Line V Trg Center Mirpur			330000	30	-	-
19	Abdullah College of technology			550000	50	-	-

Source:- Record of District Zakat Committee Abbottabad - collected personally

This practice of scholarship granting conducting strictly on the basis of need & merit in Abbottabad district only as planned & organized endeavor out of country's 136 districts. Besides affording for education (technical diploma or certificate) expenses, every student was awarded a honorarium of five thousand (5000/-) rupees on successful education (course) completion

For determining & estimating the benefits extended to scholarship awardees or beneficiaries & their families, interviews of awardees & their families were conducted. For this 70 respondents were interviewed and information/data collected is reflected in tables given below.

**Table-4:- Showing Job Statue of Zakat Scholarships Awardees**

Interviewee	Number	Present Status
Candidate	35	On Job in Pakistan
Candidate	05	Job not according to education/Underemployed
Family of candidates	30	Working Out of Pakistan

Source:- personal interviews by researcher

**Table-5:- Showing Job and Income Statue of Zakat Scholarships Awardees**

Number of Awardees	Nature of Job	Income
30	Abroad/Foreign	Hand Some Earning
20	In Government Job	Satisfactory
15	Job in Banks	Good
05	Private job not well paid	Not Satisfactory
70	-	-

Source:- Personal interviews by researcher

While interviewing 48 scholarships winners (or their relatives/families) disclosed that in the absence of this philanthropic grant (scholarship) it was impossible for them (their children) to acquire this education because of poverty. Almost all 60 respondents asserted that without this education/training it was impossible for them to gain such job. They reported that now they were almost 50 % more well off as compared to the situation without this education.

## Discussion and Conclusion

From the analysis of above literature and data collected from field study, it is clear that: HRD has many dimensions i.e. Physical (Health), Intellectual (Education – knowledge, skills and ability), Emotional (motivation), Political (Taking part in democratic process) Moral & Spiritual and Social Development.

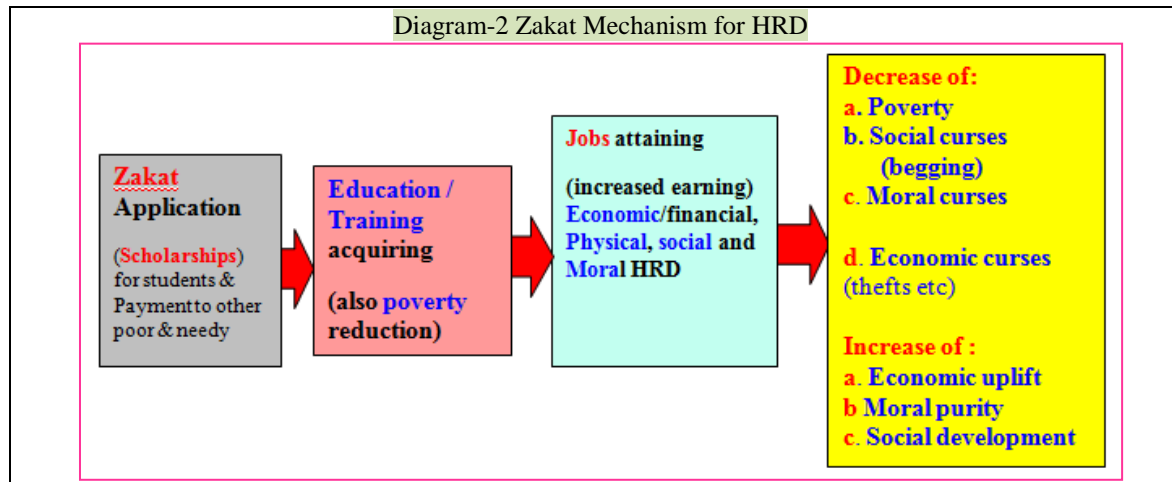
Zakat is a very powerful social element of Islam which is helpful in developing Intellectual (Education – knowledge, skills and ability) Moral and Social side of human resource development (HRD) by extending its benefits toward education by helping needy students in the form of scholarships. While education is very strong instrument for economic, social and moral uplift of society but when the society suffering from poverty cannot sustain education expenditure.

It is because of lack of resources then philanthropic sources like zakat which is a very powerful social institution of Islam can strongly assist in education supporting the society economically, morally, and socially and ultimately eliminating social, moral curses and economic weakness. Personnel working in District Zakat Committee Abbottabad did it very successfully as revealed from data given above. It is illustrated in the diagram below.

## Suggestions

Therefore, it is suggested that all the zakat committees of all the districts of Pakistan should follow this example of spending zakat for education as well as health and other welfare deeds. All Islamic countries should also make such plans and arrangements.





Source: Authors developed

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