The Role of Zakat in Improving the Economic Status of Beneficiaries in Khyber Pakhtunkhwa

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Abstract

This paper aims to explain the relationship of Zakat with increase in income of the beneficiaries in Khyber Pakhtunkhwa, Pakistan. The universe was further narrowed down to four districts viz Kohat, Charsadda, Swat and Battagram respectively. Data was collected through interviews from different stratums of society, namely, Beneficiaries, Chairmen Zakat, and Religious Scholars, respectively. In probability sampling, sample random sampling technique was used, where the sample size stood 600 (200 in each stratum). Along with univariate analysis, for measuring the relationship between the independent and dependent variables, Chi square test was used for bivariate analysis. The research hypothesis in this study was "Greater the transparency in the system of Zakat distribution, greater the chances of earning opportunities". A highly significant (P<0.05) relationship was found between Zakat and the monthly income of the beneficiaries. This depicted that a high level of increase was observed in monthly income of the beneficiaries after they received Zakat. Additionally, these findings reveal that the effective mechanism involved in Zakat disbursement and distribution, in its turn, leads to boosting the socio-economic status of the beneficiaries and finally will end up the curse of poverty.

Keywords: Zakat, Usher, Income, Beneficiaries.

Introduction

Poverty has been an economic as well as a social concern since time immemorial. Humans tried to alleviate or at least cure the cancer of poverty according to their respective systems and settings. Hence, various religious, sociological and economic ideologies have provided their responses varying in thoughts and actions and degrees of success.

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For instance, the socialist philosophy sought common ownership of all means of production and, therefore, proposed an agenda whereby everyone was asked to contribute according to his or her ability and get what was duly needed. In capitalism, there is an over whelming emphasis on individualism, yet it also proposes a welfare state to satiate the equity demands.

Because of certain extremities, with respect to the individual and the society, imbalances have been experienced in the capitalistic and socialistic approaches. This leads us to yet another ideology that is Islam, which emphasizes the moral aspects of economic policy and keeps balance between the demands of individual and the society.

Of the three Semitic religions, Islam has put the greatest emphasis upon the plight of the poor and the destitute and, in the Holy Quran, neglect of the poor is directly associated with the "most grievous penalty". Moreover, although both Judaism and Christianity urge the believers to provide support to the poor, but this support is of voluntary nature, whereas in Islam supporting the poor assumes an obligatory character and disregard for the poor is considered a heinous act of noncompliance. *Zakat* is the main source of Islamic Economic System to alleviate poverty. The percentage of the poor who benefited from *Zakat* in one way or the other was estimated by Faiz (n.d.) to be 50% to 60%.

As the modern secular economic models and approaches of poverty reduction did not find any significant success in achieving the goal of poverty alleviation, this research was conducted to investigate the role of *Zakat* in poverty alleviation in order to discover whether the Islamic Economic System has potential to alleviate poverty or not? The concept of *Zakat* is defined as growth and increase, and cleansing or purification (Haider, 1978). "When distributing *Zakat* to the poor, give them in abundance so that they are satisfied. Repeat giving them even if one has to get a hundred camels" is the opinion of some jurists. *Imam Al-Nawawi [the renowned interpreter of Muslim Sharif a famous book of Hadith]* said, the *faqir [poor]* and the *miskeen [destitute]* should be given what could bring them out from poverty to sufficiency on permanent basis, and that is what *Imam Shafi* has argued. According to *Al-Nawawi*, "sufficiency" includes food, clothing, shelter and all what is necessary for him and his dependents as suit his conditions without extravagance or miserliness. The *Malikites* and the majority of the *Hanbalities* said that *faqir* and *miskeen* should be given what is sufficient for them and their dependents for a whole year.

The existing system of *Zakat* is composed of one Central *Zakat* Administration at the federal level, one Provincial *Zakat* Council in each province, a District *Zakat* Committee in each district, a Tehsil *Zakat* Committee in each Tehsil (or sub-division) and a Local *Zakat* Committee

(LZC) in each locality. All *Zakat* collected officially through banks and other agencies are deposited with the Central *Zakat* Administration which releases specified amounts from time to time to Provincial *Zakat* Councils. A major share of these funds is then passed on to LZC's through the District *Zakat* Committees. In this way, the actual disbursement of *Zakat* to the needy is made mainly by LZC's whereas disbursements to institutions (hospitals, religious schools and welfare organizations etc.) and *Mustahiq [Arabic term literally stands for deserving person]* students are made by the Provincial *Zakat* Council.

At present, the government collects *Zakat* at the rate of 2.5 percent only on eleven assets contained in the first schedule of the *Zakat* and *Ushr* Ordinance of 1980 [Zakat relates to wealth and ushr relates to crops]. Those assets are: (1) Saving Bank Accounts, (2) Notice Deposit Accounts and Receipts, (3) Fixed Deposit Accounts and Receipts, (4) Saving/Deposit Certificates Accounts and Receipts, (5) National Investment Trust (NIT) Units, (6) Investment Corporation of Pakistan Mutual Funds Certificates, (7) Government Securities on which the return is receivable by the holder periodically, (8) Securities including Shares and Debentures of Companies and Statutory Corporations on which return is paid, (9) Annuities, (10) Life Insurance Policies, and (11) Provident Fund Credit Balances . All other assets are part of the Second Schedule and are not subject to compulsory levy of *Zakat*. *Sahib-e-Nisab[a man who is liable to pay zakat]* is, however, expected to pay on self-assessed basis. Valuation of assets for compulsory *Zakat* is done on the first day of Ramadan (the 9th month of Islamic calendar).

Ushr is collected on compulsory basis at the rate of 5 percent of the produce from every landowner, grantee, allottee, lessee, leaseholder or landholder (except the one excluded from the definition of *Sahib-e-Nisab*). An individual farmer is exempted from *Ushr* if he is himself a *mustahiq* or if his produce is less than 948 kg of wheat or its equivalent in value. The farmer has been given the opportunity to assess his *Ushr* at his own but an LZC may also make its own assessment. An assessor has been allowed to reduce his *Ushr* liability by one-third if the land is irrigated by tube wells and by one-fourth if irrigated by other means.

The Islamic history is full of the acts which prove that when *Zakat* was collected from the *Sahibi-Nisab* and distributed amongst the helpless, orphans and poor people etc who deserved it, it lead to the alleviation of poverty in that community. The governor of *Yemen Muadh Bin Jabal*, was reproved by the second Caliph *Umar Bin al Khatab* when Muadh Bin Jabal sent him one third of the *Zakat* of the *Yemen*: "I have not sent you a tax collector, but to take from the rich and give to the poor". *Muadh* replied Umar (RA): I would not have sent you anything, had I found somebody to take it from me. In the second year, *Muadh* sent

half the *Zakat* of the *Yemen* and on the third year he sent all the *Zakat* of the *Yemen* to the caliph in Madina telling him that he did not find any poor person to accept *Zakat*. (Ibn-e-Quddama, 1985)

This kind of story was told by Umar Bin Abdul Aziz [*the famous caliph ummaiyydh dynasty*] as well. The well-known transmitter of *hadith, Imam al Bayhaqi*, narrated that *Umar bin Abdul Aziz* had enriched people to the extent that they did not find a poor man who would accept *Zakat* (Qalaji, 1985). The messenger of *Umar* to Africa (Tunisia) had confirmed the tradition that he collected *Zakat* but there was none to accept it as *Zakat*, because the poor people were made rich by *Zakat* which they received earlier. Due to the circulation of money, there was no poor person in the whole empire worthy recipients of *Zakat*. The messenger of *Umar* said "I bought slaves from the fund of *Zakat* and freed them after promising their allegiance to the Muslim". (Ibrahim, 1988)

As a practical social religion, Islam provides sound and flexible modes for distribution of *zakat,* therefore, it is permissible to pay *zakat* in the shape of edible items as per needs, customs and facility of the community (Al-Bukhari, 1953). Similarly, the Islamic scholars and jurists are of the view that *zakat* can be utilized in the assistance of those incapable to afford marriage expenses and to pay the debts of a defaulter. (Baz, 2001)

Research Methodology
The main purpose of this research was to see the relationship between *Zakat* and increase in income of the beneficiaries. The study was conducted in Khyber Pakhtunkhwa, a province of Pakistan. A sample size of 600 respondents was selected as per criteria where a sample size not less than 500 is considered appropriate for most of the studies having large population size (Sekeran, 2003). Moreover, further division is possible if the population is stratified, wherein not less than 30 respondents are considered as bench mark. In this regard, 200 male beneficiaries, 200 *Zakat* chairmen were selected from the district lists/records by draw method from the target area (i.e. Kohat, Charsadda, Battagram and Swat). Due to cultural constrains and religious injunctions, it was not appropriate to select female beneficiaries as respondents. However, it is worth mentioning that there were no chairpersons on the list of district *Zakat* committees. In addition, 200 male religious scholars were selected by purposive sampling from various religious institutions. However, the religious scholars were not selected only from the target area.

The interview schedule was used as a tool of data collection and the data was analyzed through SPSS on computer by incorporating

univariate through frequency distribution and bivariate analysis respectively. Chi square Test was used at bivariate level through which association between dependent and independent variables was determined while using the formula below. (Chaudhry, 1996)

$$\chi^2 = \sum_{i=1}^{r} \sum_{j=1}^{c} \frac{(O_{ij} - e_{ij})^2}{e_{ij}}$$

Results and Discussion
This part comprise of both univariate and bivariate analysis and discussion of the data collected from the study area from different stakeholders, namely, beneficiaries, chairmen, religious scholars respectively. Detailed description of the results is given as under.

Table-1: Age and Marital Status of the beneficiaries

Age	No. of Respondent.	Marital Status		
10-20 years	48	Married	Unmarried	widower
%	24	48	-	-
21-30	80	24	-	-
%	40	-	56	24
31-40	18	-	28	12
%	9	-	-	18
41-50	18	-	-	9
%	9	-	-	18
51 & above	36	-	-	9
%	18	-	-	36
		-	-	18

Explanation
The above table shows the age and the marital status of the respondents. Out of 200 respondents 24% were unmarried, 28% of the respondents were married and 48% of them were widower. All of the unmarried respondents were in the age group of 10-20 years; similarly, all of married respondents were in the age group of 21-30 years. Also, 48% respondents were widowers in which 9 % were in the age group of 31-40 years and 41-50 years respectively, while 18 % respondents in the age group of 51 years and above.

Table-2: Educational Status and Level of Education of Beneficiaries

Literacy status	No. of Respondent.	Level of Education				
		A	b	c	d	e

Literate	124	16	20	68	19	1
%	62	12.9	16.1	54.8	15.3	0.8
Illiterate	76	-	-	-	-	-
%	38	-	-	-	-	-
Total	200	16	20	68	19	1
%	100	12.9	16.1	54.8	15.3	0.8

Denotations
a. Primary b. Middle c. Matric d. Intermediate e. Professional
Qualification.

The above table shows the educational status and level of education of beneficiaries. Out of 200 respondents, 62% respondents were literate and 38% were illiterate. Furthermore, 12.9% were primary, 16.1% were middle, 54.8% were matric, 15.3% were intermediate and 0.8% were professional degree holders.

Table-3: Type and size of family of the beneficiaries

Type of family	No. of Respondent	No. of households having members below 12 years of age		No. of households having members above 12 years of age	
		1-5 members	6-10 members	1-5 members	6-10 members
Nuclear	125	125	-	125	-
%	62.5%	62.5%	-	62.5%	-
Joint	75	65	10	9	66
%	37.5%	32.5%	5.0%	4.5%	33.0%
Total	200	190	10	134	66
%	100%	95.0%	5.0%	67.0%	33.0%

Explanation
The above table shows family system and size of family. Regarding type of family, 62.5% respondents belonged to nuclear family system, 37.5% to joint family system. The table further shows number of household members below 12 years of age as well as above 12 years. Out of 200 respondents, 95% respondents had 1-5 children below 12 years of age and only 5% had from 6-10 children below 12 years of age. Out of 200 respondents, 67% respondents had 1-5 household members above 12 years of age and 33% had from 6-10 members above 12 years of age.

Table-4: Occupation and Monthly Income of Beneficiaries

Occupation	No. of Resp.	Monthly income			
		a	B	c	d
Farmer	25	25	-	-	-
%	12.5	12.5	-	-	-
Shopkeeper	15	15	-	-	-
%	7.5	7.5	-	-	-
Daily wager	60	60	-	-	-
%	30	30	-	-	-
Student	35	35	-	-	-
%	17.5	17.5	-	-	-
Tailor	5	5	-	-	-
%	2.5	2.5	-	-	-
Unemployed	35	5	30	-	-
%	17.5	2.5	15.0	-	-
Cycle Mechanic	5	-	4	1	-
%	2.5	-	2.0	0.5	-
Mechanic	5	-	-	5	-
%	2.5	-	-	2.5	-
Electrician	5	-	-	5	-
%	2.5	-	-	2.5	-
Rakshah Driver	10	-	-	9	1
%	5.0	-	-	4.5	0.5
Total	200	145	34	20	1
%	100	72.5	17.0	10.0	0.5

Denotation
a. Rs.1500 – 2500   b. Rs.2501 – 3500   c. Rs.3501-4500   d. Rs.4501 & above

Explanation
The above table shows occupation and monthly income of the beneficiaries. Out of 200 respondents, 12.5% were farmers, 7.5% were shopkeepers, 30% were daily wagers, 17.5% were students, 2.5% were tailors, 17.5% were unemployed, 2.5% were cycle mechanics, 2.5% were mechanics, 2.5% were electricians and 5% were Rakshah drivers.
The second part of the table shows monthly income of the beneficiaries. Out of 200 beneficiaries, the monthly income of 72.5% beneficiaries was Rs.1500-2500; the income of 17.0% of beneficiaries was Rs.2501-3500. 10 % of the beneficiaries had their monthly income Rs 3501 – 4500 and

the monthly income of 0.5% of the beneficiaries was Rs. 4501 and above.

Table-5: Showing Chairmen Response on Monthly Income of Respondents before Receiving and after Receiving *Zakat*

Income before receiving *Zakat*	No. of Resp.	Income after receiving *Zakat*					
		a	b	c	d	e	f
Rs. Zero	62	61	1	-	-	-	-
%	31	98.38	1.62	-	-	-	-
Rs.1-500	9	-	9	-	-	-	-
%	4.5	-	100	-	-	-	-
Rs.501-1000	29	-	29	-	-	-	-
%	14.5	-	14.5	-	-	-	-
Rs.1001-1500	43	-	11	32	-	-	-
%	21.5	-	25.58	74.41	-	-	-
Rs.1501-2000	19	-	-	11	8	-	-
%	9.5	-	-	57.89	42.10	-	-
Rs.2001-2500	5	-	-	-	5	-	-
%	2.5	-	-	-	100	-	-
Rs.2501 & above	33	-	-	-	1	22	10
%	16.5	-	-	-	3.03	66.66	30.30
Total	200	61	50	43	14	22	10
%	100	30.5	25.0	21.5	7.0	11.0	5.0

Denotation
a. Rs.1-1000 b. Rs.1001-2000 c. Rs.2001-3000
d. Rs.3001-4000 e. Rs.4001-5000 f. Rs.5001 & above

Explanation
The above table shows the income of beneficiaries before and after receiving *Zakat*. Out of 200 beneficiaries, the income of 31% respondents was zero before receiving *Zakat*. After receiving *Zakat,* the income of 98.38% beneficiaries increased up to Rs.1-1000 and 1.62% up to Rs.1001-2000. The income of 4.5% of beneficiaries was Rs.1-500 and increased up to Rs.1001-2000.

Similarly, the income of 14.5% of the respondents was Rs.501-1000 before receiving *Zakat* and increased up to Rs.1001-2000 after receiving *Zakat*, 21.5% of the respondent's income was Rs.1001-1500 before receiving *Zakat* while after receiving *Zakat* the income of 25.38% increased up to Rs.1001-2000 and 74.41% increased up to Rs.2001-3000 respectively. The income of 9.5% beneficiaries was Rs.1501-2000 before receiving the *Zakat* while after receiving the *Zakat* the income of 57.89%

of them increased to Rs.2001-3000 and 42.10% of them increased to Rs.3001-4000.The income of 16.5% respondents was Rs.2501 and above while among them the income of 3.03% respondents increased to Rs.3001-4000, 66.66% respondents increased to Rs.4001-5000 and 30.30% increased to Rs.5001 and above.

From the above statistics a gradual meager increase in the income of the beneficiaries can be observed due to *Zakat* distribution. The main reason for this meager increase was the lesser amount of *Zakat* which was not enough to be invested in high-income business.

Table –6: The Income of *Zakat* Beneficiaries before Receiving *Zakat* or Pre-training Income and after Receiving *Zakat* or Post-training Income.

Monthly income	What is your post-training monthly income or income after receiving *Zakat*						Total
	Rs.1-1000	Rs.1001-2000	Rs.2001-3000	Rs.3001-4000	Rs.4001-5000	Rs.5001-6000	
Rs.zero	61	1	0	0	0	0	62
	100%	2.0%	0%	0%	0%	0%	31.0%
Rs.1-500	0	9	0	0	0	0	9
	0%	18.0%	0%	0%	0%	0%	4.5%
Rs.501-1000	0	29	0	0	0	0	29
	0%	58.0%	0%	0%	0%	0%	14.5%
Rs.1001-1500	0	11	32	0	0	0	43
	0%	22.0%	74.4%	0%	0%	0%	21.5%
Rs.1501-2000	0	0	11	8	0	0	19
	0%	0%	25.6%	57.1%	0%	0%	9.5%
Rs.2001-2500	0	0	0	5	0	0	5
	0%	0%	0%	35.7%	0%	0%	2.5%
Rs.2501 & above	0	0	0	1	22	10	33
	0%	0%	0%	7.1%	100%	100%	16.5%
Total	61	50	43	14	22	10	200
	100%	100%	100%	100%	100%	100%	100%

Calculated value of X^2 = 614.399d.f = 30 Tabulated value of X^2 = 43.7
P-value = 0.0000

Explanation
The application of the chi-square test showed that the critical value i.e. $P<0.05$ is highly significant, as a result the monthly income of the beneficiaries increased after receiving *Zakat* which shows that transparent *Zakat* distribution has a vital role in increasing earnings of poor people and can alleviate their poverty .

Conclusion
Keeping in view the research hypothesis, facts/findings of the study, a significant relationship was detected between the independent variable

(*Zakat*) and dependent variable (monthly income of the respondents). This is calculated in terms of the income of *Zakat* beneficiaries before receiving *Zakat* or pre-training income and after receiving *Zakat* or post-training income. Significant statistical value of Chi square disclosed the economic situation of beneficiaries with regard to *Zakat*. This shows a satisfactory increase in the monthly income of the respondent's and encourages them to start their own small and medium scale businesses on sustainable basis which provides sound footings for the eradication of poverty from the Khyber Pakhtunkhwa in particular and from the whole country in general.

Recommendations
Based on this research study, the following recommendations are given in order to improve the role of *Zakat* in income increase of the beneficiaries.

- Income of the beneficiaries can be increased through implanting proper mechanism, funds distribution and setting priorities. This mechanism should be evolved under the umbrella of launching different SMEs in the guidance of the reputed economists. In order to make these schemes successful, a sizable amount of *Zakat* fund should be allocated. The educated and skilled persons should be given priority in these schemes.

- Adequate Rehabilitation programs are needed to be launched by the government. A specific percentage of Zakat funds should be utilized on the establishment of vocational centers and technical educational institutions for rehabilitation of poor youth after consulting religious scholars for devising mechanism. Cottage industries should be established from Zakat funds with the consultation of religious scholars and then shares should be given to the poor people. In addition, the poor people who have technical education should be employed in these small industries. Unless complete transparency and political neutrality are ensured in the system of Zakat and *Ushr*, there will be no meaningful improvement in Zakat collection. Consequently, it will not positively impact the national efforts of reducing poverty levels and enhancing national security.

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