

# The Importance of Zakat in Struggle against Circle of Poverty and Income Redistribution

Hasan Bulent Kantarci

**Abstract**—This paper examines how “Zakat” provides fair income redistribution and aids the struggle against poverty. Providing fair income redistribution and combating poverty constitutes some of the fundamental tasks performed by countries all over the world. Each country seeks a solution for these problems according to their political, economic and administrative styles through applying various economic and financial policies. The same situation can be handled via “zakat” association in Islam. Nowadays, we observe different versions of “zakat” in developed countries. Applications such as negative income tax denote merely a different form of “zakat” that is being applied almost in the same way but under changed names. However, the minimum values to donate under zakat (e.g. 85 gr. gold and 40 animals) get altered and various amounts are put into practice. It might be named as negative income tax instead of zakat, nonetheless, these applications are based on the Holy Koran and the hadith released 1400 years ago. Besides, considering the savage and slavery in the world at those times, we might easily recognize the true value of the zakat being applied for the first time then in the Islamic system. Through zakat, governments are able to transfer incomes to the poor as a means of enabling them achieve the minimum standard of living required. With regards to who benefits from the Zakat, an objective and fair criteria was used to determine who benefits from the zakat contrary to the notion that it was based on peoples’ own choices. Since the zakat is obligatory, the transfers do not get forwarded directly but via the government and get distributed, which requires vast governmental organizations. Through the application of Zakat, reduced levels of poverty can be achieved and also ensure the fair income redistribution.

**Keywords**—Cycle of poverty, Islamic finance, income redistribution, zakat.

## I. INTRODUCTION

THE act of Muslims helping each other is possible only via the act of offering because offering is probably the most effective and easiest means of helping each other. Offering is the bridge through which the rich can help the poor in the society. In the world of man, the spirit of a society rises from social welfare. Finding the cure for disasters such as rebellions, revolutions and conflicts which baffle society further advances the rise of civilization. Rightfully, there exists a large wisdom, a high benefit and a vast mercy incumbent in the act of offering and aids the prohibition of selfish interest.

The most important condition to protect the spirit of society requires the existence of no gaps between the classes of people. The elites and the common people should not be separated from each other until just before they break up.

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What provide the connection between these two classes of people are only the acts of furtherance and offering. Yet, since prohibition of the interest and the incumbency of offering are not applied, the classes get uneasy towards each other, connection gets lost and mercy vanishes. Therefore, from lower classes rise the cries of disturbance, the voices of envy, the sounds of hatred and grudge towards the higher classes instead of respect, compliance and endearment.

Likewise, from the higher classes who can help the lower classes exhibit the flames of cruelty, insults like thunderbolt instead of mercy, benefaction and rewarding. Unfortunately, while the qualities of the higher classes require modesty and compassion, they induce conceit and hubris. And although the insolvency and poverty of the lower classes necessitate kindness and mercy, sort of slavery and misery turn up instead. The world of man today is the finest example of this situation. All in all, the only way to establish the peace and the connection between these classes is to adopt the act of offering to minors, alms and endowment as high principles in society [1].

## II. THE DEFINITION OF POVERTY AND ITS CATEGORIZATION

There are many definitions for poverty. In general, poverty is described by different descriptions as not having sufficient resources to meet what people need and living below the minimum welfare level [2], [3].

Just as the definitions made for poverty differs so does the scales used in the calculation of poverty. The categorization of poverty is important in this aspect. Those who consider fighting against poverty as the basics of development should pay attention to the classification of poverty when framing their policy for development [4], [5].

Regarding the classification of the poverty, we observe that [3] describes poverty in three ways while [6], made a similar classification of poverty. Reference [3] does that description of poverty in two ways. Reference [6] classifies poverty in absolute and relative terms. According to [6], absolute poverty means the condition of not being able provide income or what one needs for essential goods to sustain life (nourishment, clothing, accommodation etc.). Relative poverty, on the other hand, stands for a condition that might be defined related to the living standards of all in a community, and or that of the living conditions of some are considered below the others.

The description made for the classification of poverty by [3] has still been accepted today. According to [3], poverty is divided into three categories. These are absolute, relative and subjective poverty.

### A. Absolute Poverty

Standards might be formed for those levels considered to be sufficient to meet the needs. The individuals below the defined standard would think of themselves as being poor and those above the level would not.

### B. Relative Poverty

Poverty could be determined by the condition of the individual comparing to other members of the group in terms of the level of providing the needs she/he reflects.

### C. Subjective Poverty

This is the description of poverty that is regarded according to whether the individual provides what she/he needs enough.

## III. THE INDICATORS OF POVERTY

There are a number of measures and indicators related to poverty and they should make the issue clearer. The indicators of poverty are as follows:

### A. The Indicators of Monetary Income and Consumption

The calculations regarding to expenditure consumptions are generally made via the cost of a food basket including sufficient basic nourishment or the consumption for a minimal calorie intake level. That is, the cost of the nourishment consumption composed of the cheapest food to survive creates a poverty border and those who could not reach that border are regarded as poor.

In this approach, the poverty border might be defined as not the individual's personal evaluation but the poverty border that is determined by the cost of basic goods and services to purchase on which experts agree have agree upon. This border also defines the basic of absolute poverty [7].

### B. The Composite Poverty Indicator

This is an approach claiming that poverty could not be evaluated by a sole criterion. In this poverty type, the data related to the income and consumption costs are supported by other socio-economic indicators mainly of health and education and formed composing a number of them [8].

### C. The Human Development Index Indicator

This is an index formed by The United Nations Development Program (UNDP) and has been applied since 1990. This indicator is a summarized measure of human development. In three dimensions of human development, the average values a country reached are;

- health and long life
- literacy and
- high life standard

These measures are composed of income, education and health indicators. Here, the socio-economic indicators are related with the economic growth and thus those indicators become available to make international comparisons through observing the developed and developing countries [9].

### D. The Human Poverty Indicator Index

Another index that UNDP developed and has been using is

the Human Poverty Index. Unlike the Human Development Index, this index focuses on the distribution of the provided development and how it reflects on the poor [10].

The indicators used to evaluate in The Human Poverty Index are as follow:

- the rate of those expecting to live less than 40 at birth,
- the rate of illiterate adults,
- the rate of those who cannot have health services,
- the rate of those who do not have clean water,
- the rate of children who are younger than five and lighter than normal,
- the rate of those who do not have a good living Standard.

## IV. THE REDISTRIBUTION OF INCOME

Some people might not be in a condition of joining the production process and gaining the sufficient income to survive in their lifetime. There might be many reasons for this. Illness, disablement and unemployment might be regarded in this frame. Therefore, the government has to provide maintenance for those people who are partly or totally not able to earn for themselves regardless of whether the cause of their condition is their fault or not. And that is possible by income redistribution [11].

In a country, the redistribution of the national income in a certain period among people, regions, production elements or production sectors is called the income redistribution [12].

### A. The Regional Income Distribution

The regional redistribution of national income reflects in what rate the people in different regions in the country take from the national income. This income redistribution is used to determine the differences between the developed and developing regions of the country. The imbalance of the income redistribution in the developed countries is generally less than in the developing countries. To comprehend the disparity among the regions is necessary to observe the rate between the income per capita in the region and the national income per capita.

### B. The Sectoral Income Distribution

The sectoral income redistribution shows the shares the various production sectors receive from the national income. It is the sectoral income distribution that should be handled to display the shares agricultural, industrial and service sectors receive from the national income, their progresses in different periods, which sectors get biased from the change in the income distribution. This distribution, when the sector concept is considered as the possession of the production tools, reflects the distribution of the national income between the public and private sectors and therefore, characteristics of the economic system in that country.

### C. The Functional Income Distribution

The functional income distribution is a concept that describes the share the various production factors taking part in the production of the national income receive from the national income, which means distributing the wage, the fee of

the labor factor in the national income, the interest, the cost of the capital factor, the rent, the cost of the national resources and the profit distribution that falls to the entrepreneurs share. Instead of this classification based on dividing the production factors into four, a binary system handling the shares (profit, interest and rent) of the wage-earners making money just via their effort and those earning estate income via the production factors they possess might be used.

#### *D. The Income Distribution Per Capita*

The income distribution per capita reflects the distribution of the national income among the individuals and consumer units (houses). Since those owners of the production factors described in the functional income distribution are people living in society, under this approach, income distribution is handled through the distribution of the factorial shares among the owners. The important thing in the income distribution per capita is not the source or the composition of the income but the amount. While the income of an individual might be just wage, the same person might possess fee, interest, rent and/or share income. In this article, the distribution type is the income per capita; therefore, from now on, the term "income distribution" should be understood as the income per capita.

That the government struggles to put the incomes in a just way is called the redistribution of income. To fulfill this aim, the government has quite a lot of tools to be able to affect the function and the size of the income distribution in its possession. The most important non-financial political tools are employment, wage and cost control. The basic financial political tools are taxing and public expenses. Apart from these, through the act of offering income redistribution policies might be managed.

#### **V. HOW ZAKAT PROVIDES A FAIR INCOME REDISTRIBUTION AND STRUGGLE WITH POVERTY?**

The act of Muslims helping each other is possible only via the offering bridge. Offering is the bridge through which the rich can help the poor in the society. In the world of man, the spirit of society rises from social welfare. Finding the cure for disasters such as rebellions, revolutions and conflicts which baffle society further advances the rise of civilization. Rightfully, there exists a large wisdom, a high benefit and a vast mercy in the incumbency of offering and prohibition of the interest [1].

Quran's principles and laws have come from pre-eternity, they shall go to post-eternity. They are not condemned to grow old and die like civilization's laws. They are always young and strong. For example, despite all its societies for good Works, all its establishments for the teaching of ethics, all its severe discipline and regulations, civilization has been unable to contest the All-Wise Quran on two of its matters, and has been defeated by them. These two matters are:

Be steadfast in performing the prayers, and give zakat, God has permitted trade and forbidden usury [13].

We shall describe them, this miraculous victory, by means of an introduction. It is like this:

As proved in Signs of Miracles, just as the source of

mankind revolutions is in one phrase, so too can one phrase be used to explain the origin of all immorality.

#### **First Phrase**

So long as I'm full, what is it to me if others die of hunger?

#### **Second Phrase**

You work so that I can eat.

The upper and lower classes in human society, that is, the rich and the poor, live at peace when in equilibrium. The basis of that equilibrium is compassion and kindness in the upper classes, and respect and obedience in the lower classes. Now, the first phrase has urged the upper classes to oppression, immorality, and mercilessness. And like the second phrase has driven the lower classes to hatred, envy, and to contend the upper classes, and has negated man's tranquility for several centuries, so too it is in this century, as a result of the struggle between capital and labor, it has been the cause of the momentous event of Europe well known by all. Thus, together with all its societies for good Works, all its establishments for the teaching of ethics, all its severe discipline and regulations, it could not reconcile these two classes of mankind, nor could it heal the two fearsome wounds in human life. The Quran, however, eradicates the first phrase with its injunction to pay zakat, and heals it. While it uproots the second phrase with its prohibition on usury and interest, and cures that. Indeed, this Quran verse stands at the door of the world and declares usury and interest to be forbidden. It reads out its decree to mankind, saying: "In order to close the door of strife close the door of usury and interest!" It forbids its students to enter it [14].

That which perpetuates these two is the prevalence of usury and interest on one hand, and the abandonment of zakat on the other. The only remedy able to cure these two awesome social diseases lies in implementing zakat as a universal principle and in forbidding usury. Zakat is a most essential support of happiness not merely for individuals and particular societies, but for all of humanity. There are two classes of men: the upper classes and the common people. It is only zakat that will induce compassion and generosity in the upper classes toward the common people, and respect and obedience in the common people toward the upper classes. In the absence of zakat, the upper classes will descend on the common people with cruelty and oppression, and the common people will rise up against the upper classes in rancor and rebellion. There will be a constant struggle, a persistent opposition between the two classes of men. It will finally result in the confrontation of capital and labor, as happened in Russia.

O people of nobility and good conscience! O people of generosity and liberality! If acts of generosity are not performed in the name of zakat, there are harmful results. The act may have no effect, for if you do not give in the name of God, you are in effect imposing an obligation, and imprisoning some wretched pauper with a sense of obligation. Then you will be deprived of his prayer, a prayer which would be best acceptable in the sight of God. In reality you are nothing but an official entrusted with the distribution of God almighty's bounties among His servants; but if you imagine

yourself to be the owner of wealth, this in an act of ingratitude for the bounties you have received. If, on the contrary, you give in the name of zakat, you will be rewarded for having given in the name of God almighty; you will have offered thanks for bounties received. The needy person too will not be compelled to fawn and cringe in front of you; his self-respect will not be injured, and his prayer on your behalf will be accepted. See how great is the difference between, on the one hand, giving as much as one would in zakat, but earning nothing but the harm of hypocrisy, fame, and the imposition of obligation; and, on the other hand, performing the same good deeds in the name of zakat, and thereby fulfilling a duty, and gaining a reward, the virtue of sincerity, and the prayers of the whom you have benefited [15].

## VI. CONCLUSION

Zakat requires the wealthy people to donate one tenth of their vegetal products in agricultural incomes and to donate one fortieth of their animal products and commercial profits to the poor. That the zakat was defined in the verses of Koran and hadith 1400 years ago and lit the way for the applications of income redistribution nowadays looks such meaningful. The criteria for being rich means having more than 40 animals and those ones are subject to donate one fourth of their wealth to the poor. Likewise, those possessing goods at the valuation of 85 grams of gold are supposed to be rich and required to donate one fourth of their possession as zakat.

We face an exemplary application on how zakat eliminates poverty considering just animal zakat. Exemplifying that 10 of animal owners having more than 40 cows or sheep donate their zakat to a poor and then the poor possesses 10 animals in the first year. In the second year, since s/he would still remain under zakat limit, and thus would be regarded as poor, s/he would be donated 10 animals again by those having more than 40 animals. Let's consider the progress would continue in the following third and fourth years, at the end of the fourth year, this poor would possess 40 animals himself/herself and consequently, for not being poor anymore, s/he would be considered as rich and therefore s/he would have to donate 1 animal to the poor.

As can be seen, applying zakat as it must be, the poor can break free from the cycle of poverty in a period of 4 years and she can be rich enough to donate zakat. Via the zakat association, poverty disappears in a short time and justice fills in the income redistribution.

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