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THE IMPORTANCE OF STATE MANAGING ZAKAT THROUGH DIGITALIZATION

The recent statistical data of the World Bank shows that the majority of people who live in poverty are found in Muslim countries. Moreover, almost all Muslim countries have huge unsettled external debts which result from compound interest, besides the corruption which prevails in almost all Muslim countries. Some scholars relate this fact to the oppression, humiliation and bad policies that had been imposed in almost all Muslim countries during colonization and have continued up to the present time. Others related this to the incompetence and the corruption on the part of their governments which led to the last Arab spring and what followed. We cannot deny the above-mentioned reasons as the catalyst for the spread of the above-mentioned problems in the Islamic world. However, we also believe that the main reason is imbued among Muslims themselves since they neglected almost all their Islamic social financial institutions, including the institution of Zakat which is meant to eliminate riba, eradicate poverty and purify Muslim society from all sorts of corruptions.

From the time of the destruction of the Ottoman Empire in the nineteenth century and the colonization which took place in the twentieth century, it has been realized that the majority of Muslim countries are forced to follow the secular system which is not in line with the teachings of Islam. For example, dealing with interest/riba in their financial institutions and resorting to external borrowing, besides introducing the secular tax replacing Zakat which is one of the pillars of Islam. Since then, Zakat financial

institution was placed under religious authority, and its payment became voluntary instead of compulsory in almost all Muslim countries. With the new era of digitalization, this can help the government to collect a huge amount of money from all types of Zakatable wealth and to redistribute it to its recipient in a just and transparent way.

Literally, Zakat means blessing, purification, increase and goodness. Zakat is the third pillar of Islam, it is obligatory upon all Muslims to give part of their wealth and assets once it reaches al-nisab the minimum assigned on annual basis or once harvested depending on the type of Zakatable wealth. It is also important to note that Zakat has to be paid from lawful wealth and assets, and Zakat cannot be calculated on prohibited or unlawful wealth, such as income from interest, stolen property, or wealth acquired or earned through unlawful means. There are two types of Zakat, Zakat al-Fitrah which has to be given during the month of Ramadan and Zakat on wealth. Zakat on wealth includes more than fourteen types of wealth that man possesses such as livestock, gold, silver currency and jewellery, commercial assets, agriculture, honey and animal products, mining and fishing, rented buildings, plants, and fixed capital in addition to Zakat on salary, wages, bonuses, grants, gift and dividend as recommended by most of the contemporary Muslim scholars, as seen in Figure (1). As mentioned above, the introduction of digital Zakat will facilitate the collection of huge amounts of funds from all Zakatable wealth, an amount which is needed to meet Zakat objectives.

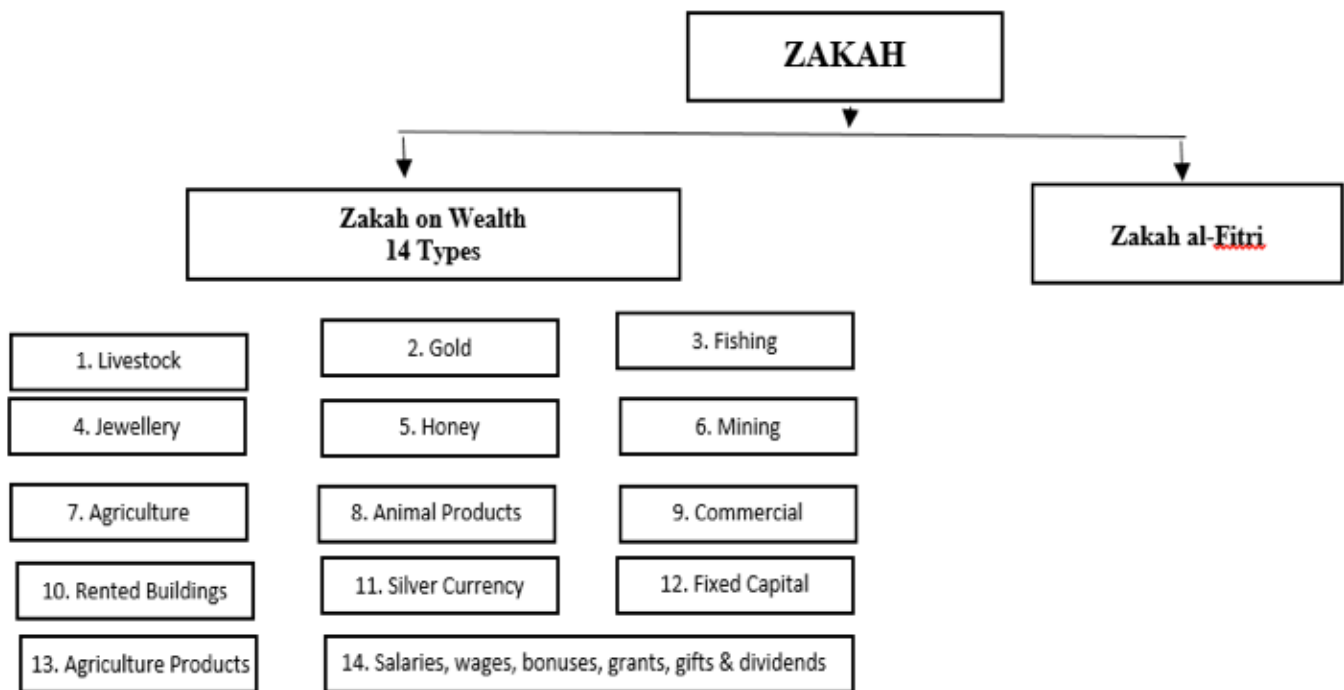


FIGURE (1): Types of zakatable wealth

The recipients of Zakat and the current taxes are not similar. Zakat recipients are specific to be given to eight categories of recipients as mentioned in the following Quranic verse and to be given on regular basis.

Zakat is for the poor, and the needy and those who are employed to administer and collect it, and the new converts, and for those who are in bondage, and in debt and service of the cause of Allah, and for the wayfarers, a duty ordained by Allah, and Allah is the All-Knowing, the Wise (Surah al-Tauba 9:60)

As mentioned above, the introduction of digital Zakat will facilitate the redistribution of Zakat to its recipients in a just and transparent way hence, achieving Zakat objectives.

IMPACTS OF ZAKAT ON INDIVIDUALS AND MUSLIM SOCIETY

The institution of Zakat is a national and in-house financial scheme to lift the spirit of human beings beyond the love of material achievement. It has many objectives which had been highlighted in both the Quran and the Hadith. Some of the objectives are highlighted in the following Quranic verse:

Of their goods (wealth), take alms, that so thou mightiest purify and sanctify them; and pray on their behalf. Verily thy prayers are a source of security for them: And Allah is One Who heareth and knoweth. Surah Al-Taubah (9:103)

As mentioned in the above Quranic verse, it increases the wealth of Zakat givers and, purifies not only their wealth but purifies all bad behavior that might arise among individuals regularly. According to some contemporary Muslim scholar, Zakat has three impacts; on Zakat givers, on Zakat recipients and Muslim society in general.

IMPACT ON ZAKAT GIVERS

The impacts of Zakat givers are various such as; Zakat purifies the soul from miserliness when paid out of submission to the command of Allah. In this case, it purifies the soul of a Muslim from greed and miserliness and hence acts as a purifier that trains the Muslims to give and spend selflessly. It also liberates their souls from the stinking love of wealth, slavery, material gains and acquisitions. Moreover, Zakat is a means of training Muslims on the virtues of generosity and a means of purification from greed. Being paid on an annual basis, this act will train Zakat givers to spend on charity. Also, Zakat circulates the wealth from the have to the have not, hence fulfilling the right of Zakat recipients in a just way. In this case, Zakat improves the ties of mutual love since it links the rich and the poor together with ties of brotherhood and love. Furthermore, Zakat brings growth to wealth even though Zakat seems to tax the principal of the wealthy, it is a cause of blessing and growth to Muslims' wealth. It is a blessing from Allah that brings prosperity, as it increases the demand for consumption this will encourage more production which directly opens for more jobs to meet

such demand hence, circulating the wealth from Zakat givers to Zakat recipients in a nice manner and which brings vitality to the business.

IMPACT ON ZAKAT RECIPIENTS

Similarly, the impact on Zakat recipients is many. For example, Zakat frees the receiver from any humiliation of needs and assists in satisfying the basic needs for a decent life. Moreover, Zakat liberates its recipients from material needs in terms of living a good and prosperous life which is Islam's objectives for all human beings. In addition, it purifies the souls of Zakat recipients from all sort of envy and hatred towards the rich as their right has been ethically transferred to them. Furthermore, it will help empower them to be an active member in the society hence, they will become Zakat giver and this is where poverty will be eliminated in Muslim countries.

IMPACT OF ZAKAT IN MUSLIM SOCIETY

The impact of Zakat on Muslim society can be seen in the achievement of the above-mentioned impacts where, a healthy and ethical society will be established in which the relationship between the rich and the poor will be based on strong bonds of care, fraternity and solidarity, hence purifying the whole Muslim society from all sort of corruptions. Moreover, Zakat giving increases and purifies the wealth of Muslims' (payers) hence, reducing the gap between the rich and the poor and eradicating poverty. Achieving this, the government will not be forced to external borrowing in eradicating the poverty, hence, directly prevent the government from borrowing with *riba*/interest.

ADMINISTRATION OF ZAKAT FROM SHARIAH PERSPECTIVE

The administration of Zakat must be handled and managed by the state/government as highlighted in the above-mentioned Surah Al-Taubah (9:103). In this verse, Allah asked his Messenger (pbuh), as the head of the state, to collect Zakat from Muslims and distribute it according to the mentioned eight Zakat recipients. This practice was followed during the time of the Prophet (pbuh) where the collection and the distribution of Zakat were directly placed under the state. The same was followed during the time of the first Caliph Abu Bakr al-Siddiq (ra'a) who said that he will fight against those who refused to pay their Zakat. This was then practiced by all the Caliphs, after Abu Bakr al-Siddiq, whom they used to appoint agents to collect the Zakat

from all eligible Muslims and from all Muslim countries and place it in the Baitul-maal to be distributed to the recipients of Zakat. Hence, the state must manage Zakat and with the recent introduction of digitalization, this will facilitate its collection from all eligible Muslim and all the types of Zakatable wealth resulting in a huge amount of Zakat fund, besides, helping in redistributing it to all its recipients in a just and transparent way.

MODUS OPERANDI AND ZAKAT ADMINISTRATION STRUCTURE

The following is the modus operandi of Zakat administration and its structure from Shariah perspective as seen in Figure (2):

- The state appoints agents to manage the Zakat, i.e. to collect and distribute the Zakat.
- The manager of Zakat, in his role as the appointed agent, collects Zakat from all eligible Muslims and their different types of wealth.
- The collected amount of Zakat will then be placed in the Baitulmal/State Treasury.
- Again, the manager of Zakat will prepare a list of the eight Zakat recipients, as mentioned in al-Quran, and distribute it accordingly to the poor, needy, manager of Zakat, reconciliation of hearts, freeing captives and debtors, in the way of Allah and to the wayfarers (travellers).

REASONS FOR THE STATE TO MANAGE ZAKAT

As highlighted above, Zakat has to be managed by the state/government in terms of its collection from all eligible Muslims and all the types of Zakatable wealth and to distribute it to its eight recipients. The reasons for the state to handle the management of Zakat are many: Some classified for the benefit of Zakat recipients while others are classified for the benefit of Zakat givers.

For example, the reasons for the state to handle the management of Zakat for the benefit of the Zakat recipients are: by receiving Zakat directly from the state and not from the rich, Muslims will preserve their dignity from any direct humiliation. Moreover, some Muslims may have no concern in paying their obligation if left to them, so in this case, the rights of the recipients of Zakat will be lost resulting in expanding their poverty. In addition, giving Zakat to its recipients will help them satisfy their basic needs and at the

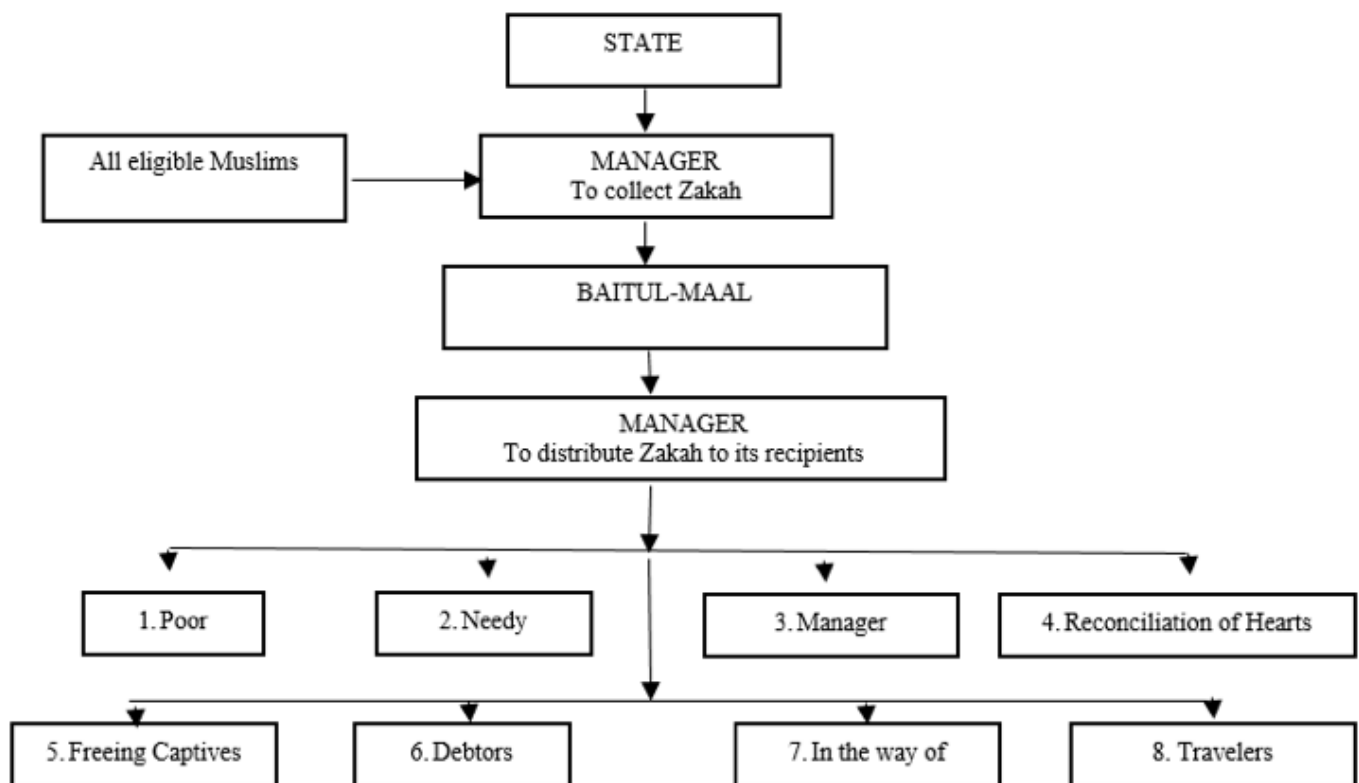


FIGURE (2): Structure of the administration of zakat

same time will motivate them to be active members in the society hence, eradicating their poverty.

Similarly, the reasons for the state to handle the management of Zakat for the benefit of Zakat givers are; it will encourage the Muslims to fulfil their obligation towards giving the compulsory Zakat through the right channels. In some cases, Muslims who own the assets do not know when to pay their due Zakat, and even sometimes they do not know if they are eligible to pay the Zakat or not. Hence, in this case, the Zakat collector will assist them to fulfil such

an obligation. Moreover, in cases some greedy Muslims dislike such payment, hence, forcing them through paying the Zakat regularly will help them to enhance their ethics and give their Zakat according to the Islamic teaching.

Likewise, the reasons of the state to manage Zakat are for the benefit of Muslim society. Not only this but the introduction of digital Zakat will help the state to collect Zakat from all eligible Muslims and all types of Zakatable wealth and to redistribute it in a just and even way to its recipients hence, creating a just a fair society to all.

