

A THEORETICAL DISCUSSION OF ZAKAT FOR INCOME GENERATION AND ITS *FIQH* ISSUES

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ABSTRACT

The use of zakat for income generation is a mechanism where zakat wealth is distributed in a way that helps eligible recipients to generate their income, so that they could be permanently independent after a specific period of time. The idea of such a mechanism, although considerably discussed by many contemporary scholars, is not totally new as it has also been briefly mentioned by some classical jurists. This article thus discusses the concept and proposed mechanism of income generation through zakat underlined by a number of modern scholars together with its related issues of fiqh. This is due to the fact that the zakat as a religious obligation must accordingly adhere to the principles underlined by Shari`ah beside any other economic objective which it strives to achieve.

Keywords: *zakat distribution, income generation, fiqh al-zakāh*

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INTRODUCTION

Zakat, which is one of the five tenets of Islam, has been instituted for the purpose of a person's purification of wealth and soul. In economic and social contexts, zakat is also intended as a means of achieving *al-'adl* or what is now often referred to as social justice.

Poverty and destitution are among the social problems which zakat aims to eradicate.¹ The poor and the needy are entitled to the proceeds of zakat while the rich on the other hand should contribute toward the fund. However, the borderline between the two is indeed vague and unclear. Some see the ability to earn as a state of being classed as rich, whereas some people who are able to earn can still be categorized as poor.

Although the Prophet says that the rich and able bodied are not entitled to the zakat revenue, scholars are divided regarding the matter. Some of them hold that an able bodied person could be given zakat provided that he is genuinely in need, whereas the others prefer to exclude them from the list of recipients.

Zakat distribution in the form of income generation programs has been introduced alongside the other established distributions of living allowance, medical aid, shelter aid and the like.² The introduction of the program which is considered as a gradual shift from consumptive to productive distribution of zakat is mainly due to Muslims' awareness of the need to transform zakat from merely personal piety to an Islamic socio economic system. As such, zakat is hoped to play a more significant role in improving the socio economic condition of Muslim communities. The conceptual framework of the program which involves direct and indirect distribution of zakat and its related issues of *fiqh*, however, have never been extensively dealt with in any specific writing. Therefore, this article will clarify the concept of income generation in poverty alleviation and how zakat could be used as a source of finance for such a program. It will also trace the juristic explanation for the problems in relation to its implementation as well as seek appropriate solutions so that the overall objective of the rehabilitation of the poor could be realized.

¹ Patmawati Ibrahim (2008), "Pembangunan Ekonomi Melalui Agihan Zakat: Tinjauan Empirikal", *Jurnal Syariah*, 16 (2), p. 232.

² According to Patmawati (2008), zakat distribution can be categorized into 6 groups. Please refer *ibid*, p. 229.

INCOME GENERATION: AN OVERVIEW

The improvement of standards of living and increase in the capacity of people to produce goods and services that is to generate income are among the main objectives in developments. Income generation generally means gaining or increasing income. Originally it was a term used by economists to explain the intricacies of a nation's economy. However it is now widely used to cover a wide range of productive activities by people in the economy.³

From the poverty eradication and development context, Income Generation Programs (IGPs) refer to the deliberate intervention from the interveners (government or non-government) to assist the initiative of poor people, for example, by helping them to improve the existing skills or join together to increase their economic and political power. The supporting agencies are called interveners and the activities and skills which the beneficiaries are involved in are referred to as Income Generating Activities (IGAs).⁴

Income generation interventions can be divided into two broad categories: those that directly provide local employment to the poor, mostly with no or low skill requirements, and those that seek to initiate a process by which the poor are able to ultimately engage themselves in income generating activities.⁵ The rationale behind these interventions is that the poor need assistance to catch up and benefit more from development, as on many occasions massive developments do not necessarily bring equal opportunities to the group of the

³ UNESCO (1993), *Income Generating Programmes*. Bangkok: UNESCO, p. 3.

⁴ Hurley, D. (1990), *Income Generation Schemes for the Urban Poor*. Oxford: Oxfam, p. iv.

⁵ The distinction between the two is that the former are helped directly, whereas the latter are helped indirectly. In the first initiative, the poor are helped through provision of direct employment. The benefits are instantaneous, but usually short term in nature. For example, the labour intensive infrastructure development projects which are designed to benefit local communities by providing them with substantial job opportunities. In the latter the poor are assisted indirectly and the impacts are felt only after a lapse of some time. Many projects initiated in third world countries by this nature involve motivation and training for income generation through crop production, livestock rearing as well as for other purposes. Saleh, S. A. (1999), *The Challenges of Poverty Alleviation in IDB Member Countries*. Jeddah: IDB, p. 41; for the example refer World Bank (2000), *World Development Report 2000/2001, Attacking Poverty*. New York: Oxford University Press, p. 156.

poor.⁶ As the IGP is a support mechanism to ensure an equal share of distribution in general development, it is therefore merely a tool in development.

The main objective of the program is to help poor people generate income and induce self sufficiency so that they will be entirely independent after the program ends. This is however not the only desirable goal for an income generation program. There are many other objectives could be achieved which are, among others, building of unexploitative and just economic relations,⁷ creating work satisfaction and the enhancement of the participants assertiveness, self confidence and skill as well as mutual support and organization.⁸

According to Ritchie, providing support for income generation activities (IGAs) typically involves dealing with any combination of the following:⁹

- Inadequate social and/or economic infrastructure and services to support increased opportunities for IGAs by Community members.

⁶ Orbeta, Jr and Sanchez C. (1996), "Micro Intervention for Poverty Alleviation: The Philippine Case", Discussion Papers Series, n. 96-13. Philippine: Philippine Institute for Development Studies, p. 1.

⁷ Poor people in many cases are reported to be excluded from development. The development strategies usually favor the rich and middle income community. Due to their powerlessness, they are subjected to the exploitative measures of middlemen and creditors. Income generation schemes such as micro credit programmes give them opportunity to acquire capital with the minimum charge. Apart from that, income generation by cooperative strategy could help the poor participants to acquire resources such as raw material at a lower cost compared to middle men's prices. Hurley, D. (1990), *op.cit*, pp. 38, 116.

⁸ Poverty is related to many factor such as powerlessness, lack of skills and lower confidence levels. Poor women, moreover, face double the disadvantage in accessing resources and a voice- they are poor and they are women. Studies from many countries show that the agricultural extension agents focus on male farmers, even though women are often the primary cultivator because their husbands work off the farm. See Narayan, Depa, et.al (2000), *Voices of the Poor: Crying out for Change*. New York: Oxford University Press, p. 62. In this regard, income generation programs could be designed in such a way as to enhance the participants' skills and confidence levels. In Bangladesh, for example, Grameen Bank through its income generation program has successfully empowered poor people, especially women, and enhanced their economic and social capability. See Todd, H. (1996), *Women at the Center*. United States: Westview Press.

⁹ Ritchie, Anne (2006), "Grant for Income Generation," *Agricultural and Rural Development Notes*, issue 20, Nov 2006. Washington: World Bank.

- Lack of financial institutions that are willing and able to provide access to financial services for poor people.
- Saturation of local markets for the products of existing economic activities and lack of knowledge and facilities that would enable producers to expand their market of the product.
- Lack of knowledge of new technology or opportunities in non-traditional economic activities and aversion to risk when probable outcomes of such opportunities have not yet been demonstrated to the potential clientele.
- Shortage of capital to start new or to expand the existing economic activities.

In response to the above problems, intervener agencies usually offer more than one solution or services which are offered in a package. Such a package, according to Hurly, usually comprises provision of small capital through grants or loans, training or advice in skills or small business management and other support services such as marketing and provision of temporary trained personnel.¹⁰ All the services can be grouped into several areas as about to be discussed in the next section.

The Areas of Income Generation Programs

As a program that induces the independence among the participants and beneficiaries, the support initiatives from the intervener categorically fall into several areas namely: advisory services, direct services, training and financing.

(1) Advisory and Training

The provision of advice to the participants and beneficiaries is very important during the implementation of the program. Training and advisory are two means of knowledge transfer from the intervener to the poor to ensure that they can benefit from the intervention. In general, the advisory service is less structured compared to the training service. This service however should not make the participant totally dependant on the advisor as they should take more responsibility on the decision making.

¹⁰ Hurley, D. (1990), *op.cit*, p. vi.

The provision of an advisory service could be channeled through responsive centers or extension officers. The responsive centre is a passive approach in which a center only responds when a client or a participant seeks advice whenever they have a problem. This approach is however suitable only if the advice centre is well known and takes the trouble to market its services through various networks.

Extension officers who can meet directly with a target group, can be a very effective channel of advice and information. This is particularly important when clients are less able to leave their workplace or home to attend courses. For example, in many cultures it is difficult for women to leave their homes because of cultural pressure or childcare needs. In these cases the only way of offering advice to them in a culturally acceptable manner is by sending female extension officers to talk to them in their own homes.¹¹ Though this approach is very effective as the advice can be highly specific to the particular problems of an individual, it is expensive to promote as only a few people could be reached by each salaried officer.

Besides an advisory service, training is also a useful strategy to develop beneficiaries' skills especially those which involve more complicated skills. It is however only effective if the training suits with technology and the markets in which the trainees are working. There are different types of training, among others:

a. Vocational Training

Vocational training usually refers to the technical courses offered by vocational technical institutions (VTIs). Traditional VTIs focus on the technical skills which have high demand in the wage employment market. This scenario however has changed due to the emerging emphasis on the self employment sector and unemployment problems especially in developing countries. The shift in focus has helped precipitate the "crisis of vocational training" and help identify a reorientation to self employment as a possible response.¹² Standard vocational training often excludes the poor due to

¹¹ *Ibid*, p. 113.

¹² The vocational training crisis has two interrelated aspects: the crisis of cost and the crisis of relevance. Vocational training is expensive. For this expense to be justified the training provided must be seen to be relevant to the changing needs of changing economies and responsive to the non-traditional clientele. Those who are seeking self employment training are increasingly being defined as one of the new target groups of VTIs. A growing number of VTIs are seeking renewed relevance through self employment re orientation. See Grierson, J. P. and Iain McKenzie (1996), "Introduction" in Grierson, J. P. and Iain McKenzie (eds.), *Training for*

their operating location which is beyond the reach of the poor, expensive fees and inflexible schedule to enable them to earn their living.

In response to the above problems, there are several VTIs which deal specifically with the poor offering courses that suit the needs of the poor in flexible times, so that they can simultaneously complete the course and work for their daily earnings.¹³ It is also reported that Faith Based NGOs actively runs training centers in rural areas which provide low or no fees courses. These VTIs, indeed have greater potential for directly impacting on poverty reduction than that of the state or private VTIs.¹⁴

b. Apprenticeship

Apprenticeship is one of the oldest ways of transferring employment related skills which is carried out at the place of work and clearly related to the needs and realities of the market. At the beginning stages of traditional apprenticeships, the master or the employer watches over the apprentice closely and intervenes at all crucial stages. As the apprentice becomes progressively more skilled the direct intervention from the master will be reduced and the apprentice is assumed to be more responsible to his/her work. Working independently is not encouraged until the apprentice's performance is likely to be error free due to the nature of job which typically has an economic dimension.

With the increasing awareness of the effectiveness of apprenticeship strategies, VTIs are starting to offer integrated courses where the apprentice is not merely receiving the transfer of skills through on-the-job training

Self Employment Through Vocational Training Institutions. Geneva: International Labour Office, p. 15.

¹³ The VTIs which are organized by welfare organizations such as UCEP in Bangladesh and The Calcutta Social Project in India have flexible timetables and courses as they serve poor active young people. Refer to "Calcutta Social Project", <http://www.calcuttasocialproject.com/income.htm#VT1> and "Underprivileged Children's Education Programme (UCEP)", <http://www.sdc.org.bd/en/Home/Education/UCEP>, accessed on 4 February 2009.

¹⁴ In Tanzania, most vocational training is delivered by church trade schools or private training centers. Many church based centers are located in rural areas and attract the poor people by providing two-year courses in manual trades with relatively low fees. Palmer, Robert et.al (2007), *Educating out of Poverty? A Synthesis Report on Ghana, India, Kenya, Rwanda, Tanzania and South Africa*. Edinburgh: Center of African Studies, University of Edinburgh, pp. 65-67.

but also other business and academic knowledge. This is an important preparation especially for those who want to be self employed.¹⁵

c. Basic Skill and Business Training

In many circumstances, basic skills training may be an essential first step before income generating activities can be developed. Acquisition of or improvement in basic skills such as reading, writing and basic calculation can be particularly important for poor people, as their educational level is often lower than that of the average man and this factor contributes to the low level of confidence of many of them which further impedes their economic activities. In bilingual societies, where government business and commerce is carried out in an official language, they may be at a particular disadvantage if they have not acquired a fluency in that language.

Apart from basic skills, some degree of business training will always be helpful especially during the implementation stage of IGPs. The degree of training may range from simple accounting to more complex systems of business projection. It may also include marketing aspects and strategies on how to deal with legal requirements such as hygiene regulations or licensing. Rather than attempting to cover a comprehensive range of skills initially, it is preferable that a series of training units are offered so that participants can gradually build up their business capability as their needs develop.¹⁶

(2) Direct Services

Small farmers and poor producers often have problems in sustaining their earning due to the problems faced in their daily economic activities. Poor producers tend to have problems with product marketing especially when they produce something which is not for local consumption as they have to rely heavily on the middle men. Increasing concentration in the supply chain

¹⁵ Many VTIs have collaborated with the informal sector in offering entrepreneurship training which is combined with traditional apprenticeships. For example Kenyan VTIs have collaboratively worked with local small enterprises (*Jua Kali*) to offer a joint training scheme where the apprentice will attend a formal course at an institute followed by the industrial work experience. See Ferej, A. (1996), "The Use of Traditional Apprenticeships in Training For Self Employment by Vocational Training Institutions in Kenya", in Grierson, J. P. and Iain McKenzie (eds.), *Training For Self Employment Through Vocational Training Institutions*. Geneva: International Labour Office, p. 105.

¹⁶ Hurley, D. (1990), *op.cit*, p. 119.

and high competitive markets could also weaken their negotiating power over the buyer, thus inhibiting them from getting reasonable prices. In this case, alternative marketing organizations set up by agencies can make a great difference by paying a fair price to the producers as compared to the traditional middle man.¹⁷

For example Sarba Shanti Ayog (SASHA), a non-profit organization based in Calcutta, provides a whole range of marketing related support to producers of handcrafted goods. They draw on a pool of people with commercial and design experience and organize marketing channels for the producer's goods. A major part of the work is providing professional advice and necessary assistance for the producers to meet both local and international demand. Since 1978, SASHA has been able to ensure a significant impact on producer groups by maintaining their competitiveness and their quality of product and in the mean time speeding up the payments to alleviate cash flow problems.¹⁸

Other business aspects such as purchasing also need intervention if the small producers have problems with raw materials. The poor producers also frequently face purchasing problems as they have to purchase the production input with the higher price from the retailers. An intervener agency could help to solve this problem either through the provision of credit or organizing collective and bulk buying, so that they are entitled to commercial discount.

(3) Financing

Small productive financing for the poor in the form of grant or credit has been gradually proven to be effective and could increase their earning. It can support initiatives, which help to break the absolute as well as the relative poverty circle. The availability of financial assistance offers an opportunity as well as a challenge to families to change their routine practices and hope for a better future.

The financing provided for the poor is very important as they usually have limited access to the capital to expand their economic activities. This is due to a number of factors including limited assets to be pledged,¹⁹ government and

¹⁷ *Ibid*, p. 114; Responsible Purchasing Initiative (2006), "Buying Matters", *Report for Fairtrade Organisations*, February 2006, p. 3.

¹⁸ "Sasha Enterprise Development Foundation", <http://www.sashaworld.com/edf.htm>, accessed on 5 February 2009.

¹⁹ In most situations, Public and Private Financial Institutions need valuable assets as collateral to secure loan provisions which are seldom to be fulfilled by the poor borrower. Furthermore, complex procedures and bureaucratic problems are also

institutional failure²⁰ and the poor attitude towards risks.²¹ Thus in many cases the poor turn to easier access credit such as borrowing from family members and private money lenders. This however will only have little or even no positive impact as the money lent by families is a relatively small amount and money lenders tend to charge extremely high interest rates.²²

Income generation programs could offer financing to the poor either in the form of loans or grants. Without pressure to repay, grants may encourage misuse or poor use of funds, the development of dependent attitudes and the stifling of initiative. Grants are most appropriate in circumstances involving substantial loan amounts that the repayment would be impossible. This is often why large grants are given to groups to establish production units which require expensive machinery and other inputs.²³ Apart from that, grants could also be given to the poor who are too vulnerable to take on the risk of a loan. This provision however needs to be carefully monitored and should be in many cases combined with training mechanisms, so that the fund will be responsibly used for the productive purposes.²⁴

Credit where it is genuinely seen as requiring repayment has the great advantage of forcing the participants to take responsibility for the funds and to consider the economic viability of the productive investment. Thus credit is almost always a more appropriate form of assistance to income generation activities than a non repayable grant or subsidy.²⁵

among factors hindering the poor from credit facilities. See Ritchie Anne (2006), *op.cit*, p. 6.

²⁰ Many credit schemes introduced by governments in particular failed to serve the poor communities. This is due to many problems such as corruption, incapable officials and inefficient state enterprise. Rural credit programs for example that were initiated to help poor farmers were proven ineffective and failed to reach their target. Snow, Douglas R., Buss, Terry F. (2001), "Development and the Role of Micro Credit", *Policy Studies Journal*, vol. 29, Issue 2, pp. 296-298.

²¹ Based on a study conducted in Bangladesh which found that the frequent reason why the poor were still remaining out of credit was due to personal risk aversion. 49 percent of the respondents felt that they would not be able to make repayments, therefore, excluding themselves from the credit program membership. Hashemi, S. M. (1997), "Those Left Behind: A Note on Targeting The Hardcore Poor", in Wood G. D. and Sharif I. A. (eds.), *Who Needs Credit; Poverty and Finance in Bangladesh*. London: Zed Books, pp. 254-255; Hurley, D. (1990), *op.cit*, p. 123.

²² Narayan, Depa, et.al (2000), *op.cit*, p. 167.

²³ Ritchie, Anne (2006), *op.cit*, p. 3; Hurley, D. (1990), *op.cit*, p. 126.

²⁴ Ritchie, Anne (2006), *op.cit*, p. 4.

²⁵ Hurley, D. (1990), *op.cit*, p. 126.

THE IDEA OF ZAKAT FOR INCOME GENERATION FROM MODERN ISLAMIC WRITINGS

The concept of income generation through zakat has never been extensively discussed in any specific writing. There are, however, a number of Muslims economists and Islamic jurists who propose that zakat should be disbursed in such a way that empowers the recipients and builds their capability to generate income. They are among others Habib Ahmed, Afzalur Rahman, Monzer Kahf and al-Qaraḍāwī. Ahmed, for example, suggests that zakat institutions should be able to provide the necessary inputs such as human, physical and financial capital in order to reduce the poverty of the able bodied group. According to him, specific programs have to be designed to provide support for skill development, provision of physical capital such as taxis and sewing machines, and financial capital to start a business so that the poor can be fully employed and earn a living.²⁶

Rahman similarly argues that zakat should be utilized in providing means of livelihood to the poor and the needy according to their professional skills, individual aptitude and varying needs of different geographical units. He also stresses that zakat funds should be used to provide necessary technical equipment and machinery to artisans and craftsmen. In the meantime, he proposes that cottage industries should be set up in rural areas where poor villagers who have plenty of free time to be busy with subsidiary occupations for extra income. He believes that direct cash disbursement will not be effective in bringing about any better change to the eligible recipients.²⁷

In discussions of the above matter, writers usually distinguish between productive and unproductive recipients, where the former refers to able bodied persons and the latter to the incapacitated, such as the disabled and the elderly.²⁸ Ahmed in this regard says:

²⁶ Ahmed, Habib (2004), *Role of Zakah and Awqaf in Poverty Alleviation*. Jeddah: IDB, p. 64.

²⁷ Rahman, Afzalur (1986), *Economic Doctrines of Islam*. Lahore: Islamic Publication, p. 260.

²⁸ See the pattern of usage of the words “productive” and “unproductive” in Ahmed, Habib (2004), *op.cit*; Shahatah, Shawki Ismail (1989), “Limitation on the Use of Zakah Fund in Financing the Socio-Economic Infrastructure of Society”, in Imtiaz, I. A., et.al (eds.), *Management of Zakah in Modern Muslim Society*. Jeddah: IDB, p. 70; Kahf, Monzer (2003), *Sustainable Development in the Muslim Countries*. Jeddah: IDB, p. 56.

“The productive households are poor because they cannot use the full potential of their resources due to some constraints. These constraints are related to the limited human, physical and financial capital needed for an economic activity that provides the household a decent income. Thus, the institutions of zakāh and awqāf should be able to provide the necessary inputs like human, physical and financial capital in order to reduce the poverty for the productive group. Specific programs have to be designed to provide support for education and skill development, provision of physical capital (like a taxi, sewing machine, etc), and making financial capital available to start a business so that the poor can be productively employed and earn a living. For the unproductive members of the society such as elderly, sick, widows, handicapped, etc., the institutions of zakāh and awqāf should be able to provide them with periodic stipends to afford consumption of the basic needs.”²⁹

From the above statement, it can be deduced that a productive recipient is one who has potential to earn their living independently despite their limitations. Thus, according to Ahmed, members of this group must be helped based on their need to enhance their capabilities so that they can earn their living independently. This, however, must be properly managed; a specific program has to be designed to provide necessary supports such as education, skill developments and financial capital. Differing from the productive, unproductive recipients such as elderly, sick, widows and disabled must be helped by periodic stipends with zakat funds disbursed from time to time to fulfil their basic needs.

The distribution of zakat funds for helping recipients to yield income is also sometimes classified as productive in nature as the zakat provision could help recipients to produce something to generate their income and will not end in itself. Abdullah, for example, uses the term productive fund to refer to the use of zakat for capital support of the economically weak entrepreneur.³⁰ On the other hand, in the case of distribution where the recipients will spend the zakat on food and basic necessities, the disbursement is usually seen as for

²⁹ Ahmed, Habib (2004), *op.cit.*

³⁰ The distribution of zakat as capital provision for the poor to generate income is also referred to as productive distribution or funds for productive purposes. Abdullah, Taufik (1991), “Zakat Collection and Distribution in Indonesia”, Ariff, Mohammed (ed.), *The Islamic Voluntary Sector in Southeast Asia*. Singapore: ASEAS, p. 72.

consumption in purpose.³¹ In this article the word “productive” will hence, be used interchangeably to refer to both able-bodied recipients and income generation programs.

The view which favours productive aid is basically drawn from the idea that working and seeking a livelihood is considered an obligation (*farḍ*) for every Muslim. The exhortation to work is clearly understood from God’s words;

“Then when prayer is ended, you may disperse through the land, and seek the bounty of Allah...”

(Sūrah al-Jumu`ah, 62:10).

The Prophet had also made it very clear by saying:

*“He who seeks lawful livelihood, making effort for his family and being kind with his neighbour, will meet with God with such a bright face like a full moon”.*³²

Al-Qaraḍāwī in this regard bases his argument on the Prophet’s saying:

*“For any of you, taking some rope on your back and bringing a bunch of wood and selling it in order for Allah to preserve, with its value, the dignity of one’s face is better than asking whether one is given to or denied”.*³³

Based on the above verse and *ḥadīth*, it could be clearly understood that Muslims are urged to gain income through working where it is far better than living under a humiliating grant. Hence zakat could only be granted in the situation where a person was really in need after full attempts to seek a livelihood has been undertaken.³⁴

The disbursement of zakat for income generation has also been viewed as a strategic measure to solve the serious problems of poverty and unemployment in the majority of Muslim countries.³⁵ Kahf, for example, believes that the use

³¹ *Ibid*, pp. 74, 72; Imtiazī, I. A. (2000), “Introduction”, in Imtiazī, I.A. et.al (eds.), *Management of Zakah in Modern Muslim Society*. Jeddah: IDB, p. 15.

³² Al-Muttaqī al-Hindī, `Alā` al-Dīn (n.d), *Kanz al-`Ummāl*, Kitāb al-Buyū`, al-Bāb al-Awwal fī al-Kasb, al-Faṣl al-Awwal fī Faḍā`il al-Kasb al-Ḥalāl.

³³ Al-Qaraḍāwī, Yūsuf (1999), *Fiqh az-Zakah*, Kahf, Monzer (trans.). London: Dar al-Taḳwa, p. 556; For the *ḥadīth* please refer al-Bukhārī, Muḥammad ibn Ismā`īl (1400H), *Jāmi` al-Ṣaḥīḥ*, vol. 1. Cairo: Maktabah al-Salafīyah, p. 457.

³⁴ For the conditions which prevent a capable person from receiving zakat please refer al-Qaraḍāwī (1999), *op.cit*, p. 353.

³⁵ Muslim countries such as Syria, Indonesia and Bangladesh have extreme problems

of zakat funds for income generation programs can reduce the poverty problem besides fostering sustainable economies in these countries.³⁶ Rahman is also of the view that the utilization of zakat funds for income generating activities, such as setting up small and cottage industries and providing necessary training for poor communities, will improve income and reduce the poverty rate.³⁷

The traditional practice of zakat distribution in the form of cash payment will basically not help the recipients, especially in the long term.³⁸ Zakat beneficiaries are more likely to spend most of the distributed wealth for the consumption as according to Qureshi, these groups have high propensity to consume where there will be nothing spare for them to generate income.³⁹ Rahman also reminds that such a disbursement may also create a permanent class of dependants with no motivation to work.⁴⁰ Hence, the traditional practice of giving zakat in the form of monthly dole or in daily necessities should be limited to those who have no power of sustenance, as such a distribution, according to Ahmed, will only manage to fulfil the basic necessities without significantly changing the living standard of the recipient. He also further mentions that any attempt to treat productive recipients like an unproductive one will only result in the poverty persisting continuously.⁴¹

It can be concluded from the discussion above that the distribution of zakat for generating income is one of the mechanisms agreed upon by the majority of Muslim scholars, although such a distribution has never been detailed in any specific writings regarding zakat. Hence, this research suggests that an income generation program through zakat refers to a program where zakat proceeds are distributed in a way that assists eligible beneficiaries through developing

of poverty and unemployment. For details of the discussion about poverty and employment in Muslim countries refer to Hossein, Amzad (2002), "A Comparative Study on European Union and Selected Muslim Countries: The Search for Integrating Muslim Countries for a Common Economy", *Pakistan Journal of Applied Science*, 2(8), pp. 789-795; Iqbal, Munawar (2002), "Introduction", in Iqbal, Munawar (ed.), *Islamic Institution and the Eliminations of Poverty*. Leicester: IDB, pp. 22-23.

³⁶ Kahf, Monzer (2003), *op.cit*, p. 72.

³⁷ Rahman, Afzalur (1986), *op.cit*, p. 260.

³⁸ Ahmad bases on his study shows that cash subsidy do not help recipients in the long run. See Ahmed, Habib (2004), *op.cit*, p. 112. See also Rahman, Afzalur (1986), *op.cit*.

³⁹ Qureshi, D. M. (1989), "Comments on Shahatah" in Imtiaz, I. A., et.al (eds.), *Management of Zakah in Modern Muslim Society*. Jeddah: IDB, p. 75.

⁴⁰ Rahman, Afzalur (1986), *op.cit*, p. 251.

⁴¹ Ahmed, Habib (2004), *op.cit*, p. 64.

their skills to improve their living conditions. Through this program, zakat funds can finance the economic activities of the eligible recipients based on their skills and capabilities. Zakat administration, on the other hand, should play an important role in monitoring the activities of the involved recipients besides providing them with necessary skills, so that they can optimize the zakat funds channelled to them and avoid unnecessary misspending.

Consistent with Hurley's definition of the conventional income generation program as an economic intervention,⁴² perhaps it can be inferred that income generation through zakat is a deliberate intervention by the zakat administration to help zakat beneficiaries improve their standards of living. In this regard, the zakat agency will be an intervener, while the eligible recipient's situation will be intervened in through income generating activities according to their personal skills and capabilities. The area of the programs is basically similar to the conventional income generation program involving financial distribution, training and any other related services. The mechanisms for its implementation along with other related areas will be further elaborated in the following section.

PROPOSED MECHANISMS FOR THE IMPLEMENTATION OF INCOME GENERATION PROGRAMS THROUGH ZAKAT

The poor and the needy are the first two categories of people deserving of zakat mentioned in Surah al-Tawbah (9:60), which according to al-Qaraḍāwī, highlights the fact that the primary aim of zakat is to eliminate poverty and destitution from society.⁴³ The group of the poor and needy should then be divided into two categories; i.e. those who are unproductive and permanently disabled and those who are able and still productive. The former, such as the disabled, elderly and orphans, should be helped to fulfil their basic needs while the latter should be encouraged to earn independently with little help from zakat. Siddiqi in this regard, however, reminds that the provision of productive distribution in the form of capital or other income generating assets will only be availed after the basic needs are met.⁴⁴

⁴² For the definition of Income Generating Programs (IGPs) please refer Hurley, D. (1990), *op.cit.*, p. iv.

⁴³ Al-Qaraḍāwī (1999), *op.cit.*, p. 343.

⁴⁴ Siddiqi, Muhammad Nejatullah (1986), "The Guarantee of a Minimum Level of Living in an Islamic State" in Iqbal, Munawar (ed.), *Distributive Justice and Need Fulfillment in an Islamic Economy*. Leicester: The Islamic Foundation, p. 270.

The selected eligible recipients could then be given support in the form of capital, knowledge and appropriate skills through a proper program so that they could successfully generate income according to their professions. Within the framework of income generation as clarified in the previous section, zakat could contribute in the following areas:

(1) Zakat Financing for Income Generation

The most important aspect of the implementation of income generation programs through zakat is the method of issuing zakat funds. Zakat funds can be disbursed in the form of a grant or loan to finance the economic activities of the eligible recipients. There is no objection from any scholar pertaining to zakat provision as a grant for income generation, as it is akin to the normal distribution where there is no obliged repayment for the recipients.⁴⁵ Differing from a grant, a zakat loan is a debatable issue among scholars, although it is more effective as compared to the grant.⁴⁶ This is due to the inexistence of personal complete ownership being conferred when zakat is disbursed in the form of a loan which is pertinent to the zakat distribution to be lawful. In this case the recipients are not free to spend the distributed wealth as they will inevitably have to repay the loaned amount, although, according to some scholars, there is no clear ruling indicating that the recipient must return the distributed wealth.⁴⁷

In order to reduce the tendency of grant misspending, especially for consumption purposes, the beneficiaries can be given appropriate tools or equipment based on their skills and profession instead of cash, as there is a tendency for the recipient to spend on inappropriate goods either due to their ignorance or bad habits.⁴⁸ The decision of the distribution is hence subject to the discretion of zakat officials as, according to al-Qaraḍāwī, they are the ones who should know the real needs of the individual recipients after taking into consideration the interests of the whole Muslim community.⁴⁹ Elaborating the

⁴⁵ Ahmad, Ziauddin (1989), "Comments on Mannan", in Imtiazī, I. A., *et.al* (eds.), *Management of Zakah in Modern Muslim Society*. Jeddah: IDB, p. 52; Organization of the Islamic Conference (1987), *Majallah Majma' al-Fiqh al-Islāmī al-Dawr al-Thālitha lī Mu'tamar Majma' al-Fiqh al-Islamīy*, vol. 1, no. 3. Muassasah al-Ṭibā'ah wa Ṣaffa wa al-Nashr, pp. 389-390.

⁴⁶ Ritchie, Anne (2006), *op.cit*, p. 4.

⁴⁷ Zayas, Farisha G. de (2003), *The Law and Institution of Zakat*. Kuala Lumpur: The Other Press, p. 357. The issue will be further discussed in the later section.

⁴⁸ Ahmad, Ziauddin (1989), *op.cit*, p. 52.

⁴⁹ Al-Qaraḍāwī (1999), *op.cit*, p. 368.

situation, Mannan gives the example that the provision of education to a poor family is preferable to a cash endowment, as the family will most probably spend the money on other things, while the educational spending will remain at a minimum.⁵⁰

Although they have the right to do so, the principle of transfer of ownership (*al-tamlīk*) that dictates the recipients' full right to spend the wealth must first be fully observed. This is due to the fact that, as mentioned by Qureshi, zakat administration is designed merely to synchronize the zakat collection and distribution. Accordingly the zakat officials should act in the best interests of the beneficiaries, hence any proposition to use the fund for productive purposes should be with the agreement of the respective recipient.⁵¹

As the income generation programs need more direct intervention from experts and professionals, zakat authorities should work together with other institutions such as Islamic Micro Financial Institutions (IMFI) which have expertise in organizing such programs. Ahmed and Obaidullah, for example, propose that zakat should compliment the Islamic Micro Financial Institutions by providing zakat to the beneficiaries to take care of their basic needs. In this case, zakat agencies will provide foods, clothing and any other daily necessities for the program participants while the IMFI will only supply the capital needed for generating income. Since both institutions have similar targets, such collaboration will reduce the need for diverting funds given by IMFI meant for productive to consumptive use, which will consequently reduce the success rate of the programs.⁵²

(2) Training and Advisory

Training and skill development are important in income generating programs through zakat for improving participants' capability, competency and success potential. Zakat fund, in this case, could be used to cover the expenditure of the training and courses provided. By having enough skills, the zakat recipients could use the distributed fund effectively and hence reduce the default and

⁵⁰ Mannan, M. A. (1989), "Effect of Zakah Assessment and Collection on the Distribution of Income in Contemporary Muslim Countries", in Imtiaz, I.A. *et.al* (eds.), *Management of Zakah in Modern Muslim Society*. Jeddah: IDB, p. 41.

⁵¹ Qureshi, D. M. (1989), *op.cit*, p. 75.

⁵² Ahmed, Habib (2002), "Financing Microenterprises: An Analytical Study of Islamic Microfinance Institutions," *Islamic Economic Studies*, vol. 4, no. 2, p. 38; Obaidullah, Mohammed (2008), *Islamic Microfinance Development: Challenges and Initiatives*. Jeddah: IDB, p. 46.

fund diversion risk, as such risks are directly related to the skill level of the individual.⁵³ The default risk increases when a person is given funds for a skill that they do not acquire. For example, prospective beneficiaries may apply for funds for a cottage industry like basket weaving. If the beneficiary does not know how to weave, the probability of the fund being misused increases.⁵⁴

The training provided is not only limited to the technical and conventional skill training. The instillation of religious awareness could also encourage them to use their fund effectively, as Ahmed in this regard indicates that such a course has had a positive impact on the performance of the recipients. Based on his study of Islamic Micro Finance Institutions in Bangladesh, he found that the Islamic concept of brotherhood along with the religious duty of debt repayment, as imparted through educational content in the Social Development Program, can help clear instalments and strengthen the group relationship.⁵⁵

Since the training will require a range of facilities from buildings to specific equipment, funding from zakat will also be necessary. In this case zakat funds must always be spent in a way that only eligible recipients could receive the benefit. To reduce the “free rider effect” where the non beneficiaries could also unnecessarily benefit from the wealth, Mannan suggests that the non recipients must be charged accordingly and the revenue should be returned to the designated recipients.⁵⁶ In this instance the free training must only be given to the eligible zakat beneficiaries and any facilities provided from zakat funds must not be utilized by non beneficiaries without any reasonable charge. Another approach to avoid such misspending is to ensure that the expenditure must be from other sources, either from government or other voluntary contributions such as *ṣadaqa* or *waqf*.⁵⁷

(3) Other Direct Services

Besides the above mentioned initiatives, zakat institutions could offer other direct services in order to get more people employed. Pertaining to this matter, Zayas suggests that zakat institutions could be an intermediary between employers and potential employees where respective jobseekers and potential employers could be matched. To this effect, each zakat centre should remain

⁵³ Ahmed Habib (2002), *op.cit*, p. 51.

⁵⁴ *Ibid*.

⁵⁵ *Ibid*, p. 57.

⁵⁶ Mannan, M. A. (1989), *op.cit*, p. 44.

⁵⁷ The issue will be further discussed in the next sub section, see Organization of the Islamic Conference (1987), *op.cit*, pp. 389-390.

in close contact with all prospective employers within its jurisdiction with the main zakat centre acting as an agent coordinating the supply and demand of employment throughout the country.⁵⁸ This service is provided as a support to further enhance the effectiveness of the zakat mechanism for poverty eradication. Zayas however proposes that such a service should be rendered free of charge.⁵⁹

In sum, as to eradicate poverty in Muslims community, zakat fund can be disbursed not merely for helping recipients to fulfil their basic need but also facilitating them to generate income. Such an initiative is however must be offered through a proper and integrated program where zakat recipients must also be provided with proper training and other related supports beside capital aid through grant or loan. Zakat agency in this regard must play an important role to monitor and closely manage the program so that it can be successfully empower recipients to be permanently independent. This will consequently enhance the effectiveness of the zakat management as an economic tool for the income redistribution and poverty eradication.

FIQH ISSUES ON INCOME GENERATION PROGRAMS THROUGH ZAKAT FROM CLASSICAL PERSPECTIVE

The disbursement of zakat in relation to its use for income generation has indeed been briefly discussed by classical jurists. Classical jurists refer to the jurists of the mainstream schools of law after the formation of the school of law (*madhhab*) in Islam which took place after the third century of *hijrah*.⁶⁰ During this period zakat was elaborated in a great length, and the issues related to the productive distribution were discussed considerably. In some instances jurists do not merely elaborate the particular issue within the boundaries of their school of law but also in comparison to other views from different schools. Ḥanafīs jurists, such as al-Sarakhshi and Ibn Humām for example, in conveying their views about the issue of giving zakat to able bodied recipients also report some other views from other school of laws which contradict theirs.⁶¹

⁵⁸ Zayas, Farishta G. de (2003), *op.cit*, p. 359.

⁵⁹ *Ibid*.

⁶⁰ Schact, Joseph (1964), *An Introduction to Islamic Law*. Oxford: Clarendon Press, p. 63.

⁶¹ Al-Sarakhshī, Shams al-Dīn (n.d), *al-Mabsūt*, vol. 3. Beirut: Dār al-Ma'rifah, p. 14; Ibn Humām, Kamāl al-Dīn Muḥammad 'Abd al-Waḥīd (1970), *Sharḥ Fath al-Qadīr*, vol. 2. Egypt: Maktabah wa Maṭba'ah Muṣṭafā al-Halabi, p. 283.

As far as the income generation programs are concerned, the discussion is limited to the general view of productive disbursement that is related to the main issue. Among the important issues to be discussed is the provision of zakat for the able bodied recipients where jurists were generally not in consensus. Another issue to be clarified is the principle of ownership (*al-tamlīk*) where the zakat payment is only legally recognized when the principles outlined are satisfactorily fulfilled. In these cases the opinions of classical jurists - al-Shīrāzī, al-Nawawī, al-Kāsānī, Ibn ‘Ābidīn, Ibn Qudāmah and al-Buḥūfī among others - will come under scrutiny. Although some scholars such as Meron and Chehata have further divided this period into two, namely classical and post classical (the former to describe the period of the fourth and sixth centuries *hijrah* while the latter describes the seventh to the thirteenth),⁶² this will not be the case in this study, as the jurists from both periods have similar methods of writing especially on this particular subject.

The legal stance towards the whole area of income generation through zakat is then further explained by contemporary jurists in the form of individual opinion and collective decision. It is worth noting that pertaining to income generation programs the direct transfer of ownership in some instances will not be clearly observed such as in the case of zakat provision for skill training and building related facilities. These are among areas where modern jurists are also not in agreement. Thus, these issues will be discussed from both perspectives; the general overview will be clarified in the classical part, while the latter will discuss from the modern perspective how contemporary jurists have further elaborated and practised the idea in more detail.

The Issues of The Power of Sustenance, Sufficiency and Productive Disbursement

As zakat is a relief mechanism for those who are less fortunate and indigent, the eligibility of the strong bodied is questionable. The power of sustenance of potential recipients will basically affect how the zakat proceeds should be distributed. Since the endeavor to earn is obligatory upon every Muslim, the eligibility of those who are capable of earning a livelihood is not in consensus among jurists. The majority of scholars opine that zakat must not be expended under the category of poor and needy to a rich person or a person capable of

⁶² Meron, Y. (1969), “The Development of Legal Thought in Hanafi Texts”, *Studia Islamica*, no.30, p. 73; Ahmad Hidayat Buang (2000), *Studies in the Islamic Law of Contracts: The Prohibition of Gharar*. Kuala Lumpur: International Law Book Services, p. 64.

working whose income would be adequate for personal and family needs.⁶³ This opinion is actually based on the Prophet's saying:

“Alms are unlawful (both) for him who is materially self sufficient and for him who is mentally and physically fit (and able to find work)”.⁶⁴

Further explanation can be derived from a hadīth narrated by ‘Ubaydullāh ibn ‘Adī ibn al-Khiyār that two men told him that they went to the Prophet and asked for some zakat. The Prophet looked at them thoroughly and found them strong and said:

“If you wish, I will give it to you, but the rich and the strong who can earn a living have no share in it”.⁶⁵

According to al-Shāfi‘ī, zakat should not be extended to the able bodied if they can suffice themselves with their occupation.⁶⁶ The Shāfi‘īs, in this regard applied means testing, in which a person is considered rich when he can meet the expenses of his lifestyle, including food, clothing and shelter to which he and his dependants are accustomed to from his lawful property distributed over the average lifetime or from his lawful earnings. Such a person is said to possess a “sufficiency” (*kifāyah*).⁶⁷ According to al-Shāfi‘ī, the rich could either be considered rich from having ample wealth where their loss in earnings does not affect their wealthy state or rich due to their stable earnings. In this case, those who have stable income should not be given the proceeds since they are considered rich, thus excluding them from being zakat beneficiaries.⁶⁸

The later Shāfi‘ī's disciples such as al-Shīrāzī and al-Nawawī considered that an able bodied person who does not have a stable income due to unemployment or loss of trade should be given zakat as it could help them rebound and enrich

⁶³ Al-Nawawī, Abī Zakariyā Muhy al-Dīn (n.d), *Kitāb al-Majmū’*, vol. 6. Jeddah: Maktabah al-Irshād, p. 171; al-Shāfi‘ī, Muḥamad ibn Idrīs (n.d), *Kitāb al-Umm*, vol. 3. Beirut: Dār al-Kitāb al-‘Ilmiyyah, p. 189; al-Bāji, Sulayman ibn Khalaf (1332H), *Kitāb al-Muntaqā Sharḥ Muwaṭṭā’*, vol. 2. Egypt: Maṭba‘ah al-Sa‘ādah, p. 155.

⁶⁴ Al-Tirmīdhī, Muḥammad ibn ‘Isā ibn Sawra (n.d), *Sunan al-Tirmīdhī*. Riyadh: Maktabah al-Ma‘ārif li al-Nashr wa al-Tawzī’, p. 164.

⁶⁵ Al-Nasā‘ī, Abū ‘Abd al-Rahmān Aḥmad ibn Shu‘ayb (2001), *Kitāb al-Sunan al-Kubrā*, vol. 3. Beirut: Muassasah al-Risālah, p. 79; al-Nawawī (n.d), *op.cit*, p. 170.

⁶⁶ Al-Shāfi‘ī (n.d), *op.cit*, p. 189.

⁶⁷ Al-Nawawī (n.d), *op.cit*, p. 172.

⁶⁸ Al-Shāfi‘ī (n.d), *op.cit*.

themselves again. They assert that the disbursement of zakat to the able bodied should be in a productive form so that they could be entirely released from poverty. Al-Nawawī in his commentary on the Shīrāzī's work, explains how zakat should be used to help the unemployed beneficiaries. He says:

*“A craftsman would be given an amount sufficient to buy tools and equipment that allow him to work and gain his sustenance. This certainly differs according to time, country and ability of the individual concerned. Some of our colleagues give examples that a person who sells vegetables might be given five or ten dirhams, while a person whose profession is selling jewels might be granted ten thousand dirham...”*⁶⁹

In this regard, the amount of zakat fund given to the respective receiver should be substantial enough to remove them from the poverty which is referred to by al-Nawawī as the ability to suffice themselves permanently (*mā taḥṣilu bihī al-kifāya ‘alā al-dawām*).⁷⁰ Therefore, no limit has been specified for individual disbursements as such an amount should suffice for a whole lifetime.⁷¹

Despite the affirmative view of giving zakat to the unemployed needy, those who are voluntarily jobless while an appropriate job exists should be excluded. This includes those who are neglecting employment due to being preoccupied by the *‘ibādah*.⁷² In this case a special exemption is given to students for whom employment may deviate them from their basic role of gaining knowledge. Al-Ghazālī, conversely stresses that they should keep only one of the most correct copies of the book and give up another similar one to suffice their needs before any zakat proceeds should be distributed to them.⁷³

The Hanbalīs and Mālikīs have a similar definition of wealth and sufficiency as that of the Shāfi’īs, hence according to them having a stable income prohibits a person from the zakat bounty.⁷⁴ They however, look to sufficiency for a year,

⁶⁹ Al-Nawawī (n.d), *op.cit*, p. 169.

⁷⁰ *Ibid*, p. 175.

⁷¹ Al-Ramlī, Sham al-Dīn Muḥammad ibn Aḥmad (n.d), *Nihāyah al-Muhtāj ilā Sharḥ al-Minhāj fī al-Fiqh ‘alā Madhhab al-Imām al-Shāfi’ī*, vol. 6. Cairo: Maṭba’ah al-Halabī, p. 159.

⁷² Al-Nawawī (n.d), *op.cit*, p. 172; al-Ghazālī, Abū Ḥāmid ibn Muḥammad (1966), “Iḥyā’ ‘Ulūm al-Dīn”, *The Mystery of Almsgiving*, Faris, Sabih A. (trans.). Beirut: Centennial Publications, p. 54.

⁷³ Al-Ghazālī (1966), *op.cit*, p. 57.

⁷⁴ Al-Dusūqī, Muḥammad ibn ‘Arafah (n.d), *Ḥāshiyah al-Dusūqī ‘alā Sharḥ al-*

where any zakat distribution may only suffice an individual's need for a period of one year.⁷⁵ Based on these opinions, the distribution seems to be more based on consumption in nature as they do not specifically explain how zakat should be distributed especially to those who are productive and capable people.

Unlike the Shāfi'īs, the Ḥanafīs apply property tests based on the ownership of *niṣāb* to determine wealth. They consider wealth as owning a *niṣāb* value of property above an individual's need, either the property is subject to zakat or not. That is the reason why zakat is only taxable upon those who have more than a *niṣāb* value or equivalent of five *awsuq* (measurement of volume) of grain, five camels or *awāqi* of silver (200 *dirhāms*). On the other hand, having less than that is considered poor and hence eligible to receive zakat.⁷⁶ Rationalising the *niṣāb* as a poverty line, al-Dihlawī observes that the *raison d'être* is that, in the time of the Prophet, five *awsuq* was sufficient to last a family of three for a year.⁷⁷

Since there is no means test applied by Ḥanafīs, the sustenance ability is not taken into consideration. Commenting on the Prophet's refusal to give to the strong and healthy, the Ḥanafīs opine that the hadith does not prohibit zakat to be given to the able bodied. The only concern shown in the hadith is pertaining to the prohibition of asking. This is why the Prophet, according to them, replies that he could give to them if they wanted before reminding them that they have no share in it.⁷⁸ It also signifies that the zakat collector is encouraged to keep reminding the potential recipients about their eligibility especially when their real circumstances are not really evident.⁷⁹

As having the amount of *niṣāb* is considered sufficient or rich, any distribution of zakat to each individual must therefore be less than *niṣāb* value.⁸⁰ The Ḥanafīs recommend that the poor should receive enough zakat to relieve them of the need to beg for one day. They disapprove of giving property to a poor person that is equivalent to or more than *niṣāb* value since the ownership of property above that level may obligate the owner to pay instead of receive

Kabīr, vol. 1. Egypt: Dār Iḥyā' al-Kutub al-'Ilmiyyah, p. 494.

⁷⁵ *Ibid.*

⁷⁶ Al-Sarakhsī (n.d), *op.cit.*, p. 4; Ibn Humām (1970), *op.cit.*, p. 266.

⁷⁷ Al-Dihlawī, Shāh Wali Allāh (2005), *Hujjat Allāh al-Bāligha*, vol. 2. Beirut: Dār al-Jīl, p. 66; Abu Saud, Mahmoud (1988), *Contemporary Zakat*. Ohio: Zakah Research Foundation, p. 75.

⁷⁸ Al-Sarakhsī (n.d), *op.cit.*, p. 14; Ibn Humām (1970), *op.cit.*, p. 28.

⁷⁹ Al-Shawkānī, Muhammad ibn 'Alī (n.d), *Nayl al-Awṭār bi Sharh Muntaqā al-Akḥbār*, vol. 4. Egypt: Maktabah al-Halabi, p. 180.

⁸⁰ Ibn Humām (1970), *op.cit.*, p. 303.

zakat.⁸¹ This is consistent with their view of not allowing the same individual to be both a payer and recipient at the same time.⁸²

Similar with the Shāfi'īs, there is an exception given to students where zakat could be given regardless of their wealth.⁸³ In the case of the poor debtor, the proceeds given may exceed 200 *dirhāms* provided that the extra amount must be less than a value of *niṣāb*.⁸⁴

The difference in the tests used to determine wealth is indicative of the fundamentally different notions of the function of zakat as an instrument to transfer wealth. Consistent with their understanding of zakat, the Shāfi'īs believe that the productive poor are to be given enough of a sum to generate income, so that they could be permanently independent. By contrast the Ḥanafīs recommend that a poor person regardless of his state of power of sustenance should receive enough zakat to relieve him from his consumption needs for a specific period of time. Hence any additional fund could be given periodically from time to time.

The Issue of Conference of Ownership (*al-Tamlīk*)

The process of ownership transfer will be an issue in the distribution for the income generation programs in the sense that it may not involve merely the direct transfer of tangible goods, but also the transfer of services that might not be easily observed. For example, the recipient may receive the benefit from zakat distribution in the form of training courses related to their profession instead of direct disbursement of goods or money.

The process of handing over the zakat (*al-tamlīk*) has been substantially discussed by majority of classical jurist. *Al-Tamlīk* means the transfer of individual ownership rights of the zakat from payer or his representatives to the recipients which is validated by the Lawmaker except where there is a constraint.⁸⁵ In a normal situation, the zakat is transmitted to the beneficiaries in person, so that they possess full right and ownership over it. Consequently

⁸¹ *Ibid*, pp. 303-306; Ibn 'Ābidīn, Muhammad Amīn (1994), *Radd al-Mukhtār 'alā al-Durr al-Mukhtār Sharḥ Tanwīr al-Abṣār*, vol. 3. Beirut: Dār al-Kutub al-'Ilmiyyah, p. 303.

⁸² Ibn Humām (1970), *op.cit*, p. 283.

⁸³ *Ibid*, p. 285; Ibn 'Ābidīn (1994), *op.cit*, p. 285.

⁸⁴ Ibn Humām (1970), *op.cit*, p. 282.

⁸⁵ Ibn Nujaym, Zayn al-'Ābidīn ibn Ibrāhīm (1993), *Al-Ashbāh wa al-Nazāir 'alā Madhhab Abī Ḥanīfah al-Nu'mān*. Beirut: Dār al-Kutub al-'Ilmiyyah, p. 346.

the beneficiaries can dispose of the zakat as they wish without any outside interference.

The concept of ownership transfer can be deduced from the word “*itā*’ (give) in a number of verses such as:

“And be steadfast in prayer; practice regular charity; and bow down your heads with those who bow down (in worship)”.

(Sūrah al-Baqarah, 2:43)

And,

“And be steadfast in prayer and regular in charity: And whatever good ye send forth for your souls before you, ye shall find it with Allah: for Allah sees Well all that ye do”.

(Sūrah al-Baqarah, 2:110)

Apart from that, the majority of jurists agree that the condition of ownership transfer could also be understood from the verse (9:60) which limits zakat to only eight designated recipients. This can be inferred from the usage of “*lām al-tamlīk*” as it is considered as a preposition to signify the transfer of right.

“Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah; and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom”.

(Sūrah al-Tawbah, 9:60)⁸⁶

As compared to the other jurists, Ḥanafīs are the strictest regarding the issue of ownership where they hold that perfect ownership must be observed all the time and extended to all of the designated recipients. Perfect ownership is considered an essential element (*rukṅ*) to ascertain the validity of zakat distribution⁸⁷ where it is only satisfactorily observed when the following conditions are fulfilled:

⁸⁶ Ibn ‘Ābidīn (1994), *op.cit*, p. 171; al-Kāsānī, ‘Alaw al-Dīn Abī Bakr ibn Mas’ūd (1986), *Badā’i Sanā’i fi Tartīb al-Sharā’i*, vol. 2. Beirut: Dār al-Kutub al-‘Ilmiyyah, p. 39; al-Buḥūfī, Maṣṣūr ibn Yūnus ibn Idrīs (1997), *Kashāf al-Qinā’ ‘an Matni al-Iqnā’*, vol. 2. Beirut: ‘Ālim al-Kutub, p. 282.

⁸⁷ According to al-Kāsānī, the zakat is a kind of worship where it must be performed for the sake of God. In this regard, the act of worship is only completed when the owner gives the wealth directly to the recipient where the rights of the former have totally come to an end. He further asserts that the ownership that is granted is

- Full entitlement must be granted with perfect personal freedom to utilize the wealth without any restriction. Thus the disbursement such as building a mosque, providing food for the poor, paying debt of the deceased and freeing slaves are excluded. The Ḥanafīs however approve as a subterfuge, any expenditure made by the recipients for the above purposes provided the right has been initially conferred.⁸⁸
- Only tangible wealth can be distributed for the sake of zakat. Hence, paying zakat in the form of intangible benefits, such as giving the right to reside in a house, is invalid as Ḥanafīs do not consider such a benefit as a wealth.⁸⁹
- The recipients must be legally sensible (*ʿāqil*) and have capacity to possess the wealth (*ahl al-tamalluk*). As a result, the insane, underage, deceased and slaves are not eligible for the zakat proceeds.⁹⁰
- There should be no involvement from the previous owner of the wealth. The transfer from father to his children or from a husband to his wife is invalid as the former might still have power on the wealth utilization.⁹¹

In the classical situation, it might not be any problem to a perfect transfer of ownership to be observed all the time. This however might not be the case in the modern condition when zakat revenues are used to provide training and skill development for eligible recipients. In this situation, the recipients will not receive any tangible assets but will receive the intangible form of knowledge and expertise instead.

It is however worth noting that the classical scholars have also discussed about the situation where the perfect *al-tamlīk* might not necessary prevail. Referring to the distribution verse (9:60), instead of the usage of the preposition “*lī*”, the other half of the recipients have been mentioned using the preposition “*fī*”. The different preposition used for the second group namely slaves, debtors, those in the way of God and wayfarers signifies the difference in how the zakat should be distributed to them.

The Hanbalīs and the Shāfiʿīs divide the recipients into two, with the former comprising the first four groups where physical wealth must be handed

considered to be from God as the previous owner merely acts as a representative of God. See al-Kāsānī (1986), *op.cit.*, p. 39.

⁸⁸ Ibn ʿĀbidīn (1994), *op.cit.*, p. 171; al-Kāsānī (1986), *op.cit.*

⁸⁹ Ibn ʿĀbidīn (1994), *op.cit.*, p. 172; al-Kāsānī (1986), *op.cit.*

⁹⁰ Ibn ʿĀbidīn (1994), *op.cit.*, p. 171; al-Kāsānī (1986), *op.cit.*

⁹¹ *Ibid*, p. 40.

over personally. The “*lām*” prefix of the first four groups connotes an absolute transfer of ownership since it involves personal recipients who can own the wealth.⁹² *Mālikīs* in this regard, however include the wayfarer in the first four groups.⁹³ The distribution of zakat differs for the latter four groups of recipients where the “*fi*” *al-zarfiyyah* denotes that the ownership is restricted for specific purposes only.⁹⁴ In this case, the wealth is not actually for their personal consumption but to be paid to someone else, thus the recipients merely act as a keeper for the real owner (*aḥzan murā’an*).⁹⁵ For example, the wealth given to the debtor is actually not meant for him but to pay the lender which in turn will indirectly benefit the debtor. The jurists further assert that should there be any excess after settling the debt, the recipient should then return it to the collector. A similar condition applies to the other groups such as the slaves as they must return the money if the objective of the disbursement failed to be achieved.⁹⁶

Beside the special language preposition which is consequently limiting the absolute right of recipients over the distributed wealth to usufruct, the power of zakat officer (‘*āmil*) is another limiting factor that must be considered. The ‘*āmil*s are understood to represent the recipients of zakat, whose best interests they are duty bound to safeguard. Their role in the management of zakat is best supported by the verse which obligates the payment of zakat such as:

“Take sadaqa from their wealth to purify and cleanse them”.

(Sūrah al-Tawbah, 9:103)

The verse is addressed to the Prophet as head of state, to the extent that when Abu Bakar succeeded him as caliph, he continued using state authority to manage zakat. As for the Sunnah, the appointment of Mu’ādh as a zakat collector in Yemen is evidence that the state is the authority to take and distribute zakat.⁹⁷

⁹² Al-Buḥūfī (1997), *op.cit*, p. 103; al-Shirbīnī, Muḥammad ibn Aḥmad (1996), *al-Iqnā’ fi Ḥall Alfāz Abī Shujā’*, vol. 3. Beirut: Dār al-Kutub al-‘Ilmiyyah, p. 79; al-Shirbīnī, Shams al-Dīn Muḥammad ibn al-Khāṭib (1997), *Mughni al-Muḥtāj ilā Ma’rifah Mānī Alfāz al-Minhāj*, vol. 3. Beirut: Dār al-Ma’rifah, p. 140.

⁹³ Al-Dusūqī, Muḥammad ibn ‘Arafah (n.d), *op.cit*, pp. 495-497.

⁹⁴ Al-Buḥūfī (1997), *op.cit*, p. 282; al-Shirbīnī (1997), *op.cit*, p. 140; al-Nawawī, Abū Zakariyya Muḥy al-Dīn ibn Sharif (n.d), *Rawda al-Ṭālibīn*, vol. 2. Beirut: Dār al-Kutub al-‘Ilmiyyah, p. 178.

⁹⁵ Ibn Qudāmah, ‘Abd Allah ibn Aḥmad ibn Muḥammad (n.d), *Al-Mughnī*, vol. 4. Riyadh: Dār ‘Alam al-Kutub, p. 130.

⁹⁶ Al-Buḥūfī (1997), *op.cit*, p. 282; al-Shirbīnī (1997), *op.cit*, p. 140.

⁹⁷ Al-‘Asqālānī, Ibn Ḥajar (2001), *Fathḥ al-Bārī*, vol. 3. Riyadh: Maktabah Malik Fahd, p. 421.

While this much is agreed upon, there is disagreement among the scholars as to whether the individual payer is still allowed to distribute themselves. Apart from that, the distinction of wealth between apparent (*ẓāhir*) and non apparent (*bāṭin*) property also has led to the divergence of views among them.

The management of zakat especially for apparent wealth such as agricultural crops and livestock must be in the hands of the just ruler.⁹⁸ Hanbalīs and Shāfi'īs prefer to give only apparent assets while the ruler is not obligated to disburse non apparent assets. This however does not preclude the right of the ruler upon the non apparent wealth as the Mālikīs go furthest in their deference of the ruler when both wealth must be handed over to the ruler with the payment of zakat on livestock must be with the presence of them.⁹⁹

The ruler and their collectors play a vital role between the payer and the recipients as they are considered, on one side as representing recipients and representing payers on the other.¹⁰⁰ Hence, payment to the collector alone is considered satisfactory.¹⁰¹ They also have the right to determine the best way to pay the zakat based on current local need. In this case, Mu'adh as the zakat collector in Yemen is reported to have preferred cloth or garment in exchange for food grain for their convenience.¹⁰²

Apart from that, the ruler also has the right to use their discretion to manage the bounty for the interest of potential recipients.¹⁰³ According to the Hanbalīs, the ruler could exchange the zakat wealth for any other form of required necessities provided the interest of the recipient is well preserved. For example, zakat could be used to pay house rental fees for the poor if they do not have shelter.¹⁰⁴ The Shāfi'īs on other occasions have given the right to the ruler or zakat officer to determine the amount that should be given to individual recipients as the officer is the person who knows the individual's needs best. As the Shāfi'īs prefer to give recipients something that can suffice

⁹⁸ Al-Nawawī (n.d), *op.cit.*, p. 67; Ibn Qudāmah (n.d), *op.cit.*, p. 92.

⁹⁹ Al-Dusūqī (n.d), *op.cit.*, pp. 503-504.; Ibn Qudāmah, 'Abd Allāh ibn Aḥmad ibn Muḥammad (1997), *al-Kāfi*, vol. 2. Dār Hijr, p. 186.

¹⁰⁰ Ibn Qudāmah (n.d), *op.cit.*, p. 91.

¹⁰¹ If the distribution is carried out by the individual payer, the share of the collector should be excluded. However as opposed to the payment made to the collector, some jurists view that the bounty must be distributed to all groups of recipients before the obligation is discharged. Al-Shirbīnī (1997), *op.cit.*, p. 154.

¹⁰² Yaḥyā ibn Ādam (1928), *Kitāb al-Kharāj*. Cairo: Maktabah al-Salafīyyah, p. 115.

¹⁰³ Abū 'Ubayd al-Qāsim ibn Sallām (2003), *The Book of Revenue*, the translation of Kitāb al-Amwāl, Nyazee, I. A. (trans.). UK: Garnet, p. 529.

¹⁰⁴ Al-Buḥūfī (1997), *op.cit.*, p. 95.

them permanently, zakat officers have the right to determine any property which is suitable for them. In this situation, Al-Ramlī asserts further that they can force the recipients to buy, for example, real estate which will give them perpetual income and to prevent them from disposing of it.¹⁰⁵

In conclusion, zakat for income generation has been indirectly discussed by classical jurists. Through their affirmative views towards giving zakat for unemployed able bodied recipients, it is clearly understood that the initiative is legally accepted in Islam. The poor and needy of straitened means must be helped by zakat funds according to their profession for the purposes of rehabilitation. Aside from this, the scholars have also elaborated the concept of *al-tamlīk*, which is an important element in zakat disbursement. This issue is indirectly related to the income generation programs, where zakat institutions should give special attention due to the fact that, in some instances, the perfect transfer of ownership might not be easily observed. Although the classical jurist has clarified certain situations where such a perfect *al-tamlīk* may not necessarily exist, the exception is only given to the second four recipients; namely slaves, debtors, those in the way of God and wayfarers. The question of whether the recipients in the group of poor and needy could be given intangible benefit without perfect *al-tamlīk* is still unanswered and in need of further clarification by modern scholars. In addition, classical jurists have also briefly touched on the role of zakat officials and to what extent they have rights over the freedom of zakat recipients to usufruct of the distributed wealth.

CONTEMPORARY RESOLUTIONS ON ZAKAT FOR INCOME GENERATING PROGRAMS

Contemporary jurists generally agree with the initiative to use zakat for productive purposes especially in the provision of capital or tools to recipients so that they can earn their living based on their professional skills. This, however, is subject to the availability of the zakat fund, as it is generally argued that living expenses must be the priority, thus any productive grant should only be disbursed after this has been satisfactorily fulfilled.¹⁰⁶

It is worth remembering, however, that there is no conclusive discussion by classical jurists concerning indirect disbursement of the zakat, since, according to some jurists, the collective *al-tamlīk* is only granted to the second four groups of recipients. This issue is basically related to areas of income

¹⁰⁵ Al-Ramlī (n.d), *op.cit*, p. 159.

¹⁰⁶ Organization of the Islamic Conference (1987), *op.cit*, p. 378.

generation such as providing training, building training facilities and granting loans where the perfect personal ownership of the poor recipients might not be fully observed. All of these issues will continue to be debated by contemporary jurists either through personal opinion or collective resolution.

It is interesting to note that in the process of solving a problem related to zakat law, modern jurists mainly use ecclesiastical expedients of *takhayyur* and *talfiq* which means selecting and mixing the opinion of one school with the other. When a solution cannot be found within one particular school, the jurist will consult the opinion of another school.¹⁰⁷ Al-Qaraḍāwī, however, has advocated the use of free reasoning (*ijtihād*) as a final apparatus in legal methodology. Many issues pertaining to the law of zakat, according to al-Qaraḍāwī, need to be answered in accordance with current social and economic circumstances. The measures and terms mentioned in the texts on zakat such as *sā'*, *wasq*, *dīnār* and *dirham*, for example, require new definition and translation, therefore it is erroneous to suggest that all problems faced by Muslims in the current time will find their answers in the classical literatures.¹⁰⁸ This idea is shared by other scholars such as Zarqa' and Zayas who opine that the methodology of *ijtihād* should be more actively practiced to solve current zakat problems instead of solely relying on traditional resources.¹⁰⁹

Unlike the discussion of classical jurists, the modern discussion pertaining to the income generation programs is more centred on its main issues. Majority of modern jurists also perceive that zakat is not merely personal piety but also as an economic tool to solve socio-economic problems. Based on the current landscape and circumstances, modern scholars have come up with personal and collective resolutions in the light of the fundamental concepts, formerly underlined by classical jurists. As far as the income generation programs through zakat are concerned, the discussion can be centred around the following headings:

(1) Grant and Capital Aid

The practice of giving zakat to help the recipient to generate income is positively supported by all modern jurists. The scholars who uphold the idea are, among

¹⁰⁷ For details, see Anderson, J. N. D. (1976), *Law Reform in the Muslim World*. London: Athlone Press, p. 2.

¹⁰⁸ Al-Qaraḍāwī (1999), *op.cit*, p. xxii.

¹⁰⁹ Zayas, Farishta G. de (2003), *op.cit*, p. xxvi; Organization of the Islamic Conference (1987), *op.cit*, pp. 401-404.

others, al-Qaraḏāwī, Zayas, Badawi and Uthmani.¹¹⁰ Al-Qaraḏāwī is perhaps the most extensive in discussing the idea of productive disbursement, which he considers a solution to the unemployment problem. Unemployment can be divided into two, i.e. *baṭālah jabariyyah* (inescapable unemployment) and *baṭālah ikhtiāriyyah* (voluntary unemployment), where, according to al-Qaraḏāwī, only the former could be helped through zakat. For him, the zakat proceeds could be spent to establish a productive initiative to keep unemployed recipients busy so that they could generate income from the capital provided.¹¹¹

In clarifying this issue, he refers to the views of both Shāfi'īs and Ḥanafīs, which, according to him, are not mutually exclusive in the sense that each of them may be the best when applied in the proper instance. He prefers to give the disabled and other unproductive recipients sufficient living expenses for one year, provided that it is repeated every year as this will help them more in comparison to any productive disbursement.¹¹² As a general guideline, al-Qaraḏāwī then outlines characteristics to be fulfilled before an able-bodied person can receive the zakat bounty:

- Unavailability of lawful employment according to *Sharī'ah*
- Existing employment that does not suffice him and his family
- The available employment is beyond the person's ability or unsuitable with his social status, or physical or spiritual ability.¹¹³

Despite the affirmative view towards providing students with necessary help from the zakat, al-Qaraḏāwī however rejects the expenditure of zakat for those who are totally devoted to worship such as praying or fasting without having income or resources of their own, considering them to be voluntarily unemployed. This is due to the fact that Islam, according to him, does not recognise asceticism and monasticism.¹¹⁴

Zayas, a female Pakistani scholar, also briefly touches on the idea of productive disbursement in her study of zakat. According to Zayas, the lawful beneficiaries of zakat could be classified into regular and temporary beneficiaries. The former, which includes helpless incurables such as the sick and disabled, should receive a regular allowance for a decent but modest

¹¹⁰ Organization of the Islamic Conference (1987), *op.cit.*, p. 388; Zayas, Farishta G. de (2003), *op.cit.*, p. 355.

¹¹¹ Al-Qaraḏāwī, Yūsuf (2001), *Duwar al-Zakāh fī I'lāj al-Mushkilāt al-Iqtiṣādiyya wa Shurūt Najāḥihā*. Cairo: Dār al-Shurūq, pp. 10-13.

¹¹² Al-Qaraḏāwī (1999), *op.cit.*, p. 360.

¹¹³ *Ibid*, p. 352.

¹¹⁴ *Ibid*, p. 353.

standard of life, while the latter, among whom are other poor of straitened means and other able bodied recipients, should be helped through rehabilitation or temporary aid until such time as they are in a position to adequately earn their own living. As Zayas seems to be more inclined towards Ḥanafīs, she limits that the disbursement given to each individual, at any one time, must not be of an amount equal to or greater than the *niṣāb* established for the kind involved.¹¹⁵

Realizing a maximum amount of distribution will perhaps limit the potential of zakat, Zayas further explains how the fund should be apportioned:

*“Within the limits of this rule, the abiding principle determining the exact amount to be given in any particular case is that the aim of zakat is to rehabilitate the beneficiary and not merely to maintain his/her existence within the confines of poverty. Accordingly the nature and extent of zakat assistance must always and necessarily depend both on the prevailing cost of living and on the special circumstances and requirements of each individual beneficiary. Even in the case of deserving persons with family dependents for those livelihoods they are legally or morally responsible, each person-man, woman and/or child-must be considered individually as a lawful beneficiary of zakat”.*¹¹⁶

It is hence clear, according to Zayas, that the zakat could still effectively help rehabilitate recipients even when the amount of wealth disbursed is less than *niṣāb* value. This, however, is only possible provided each individual in a family be considered according to their circumstances and helped accordingly, so that the main wage earner will be able to fully utilize the zakat fund apportioned to him for productive purposes.

In conclusion, as with classical jurists, the distribution of the zakat in either the form of tools or money is legally acceptable by contemporary scholars.¹¹⁷ While classically, the idea of productive disbursement was only promoted by the majority of Shāfiʿīs, the majority of modern scholars, regardless of their school of thought, are inclined to find it a useful instrument for combating

¹¹⁵ Zayas, Farishta G. de (2003), *op.cit*, p. 350.

¹¹⁶ *Ibid*.

¹¹⁷ Practically, several zakat institutions in Malaysia had distributed certain amount to help the recipients to generate their income. For details, please refer Mohd Abd Wahab Fatoni Mohd Balwi & Adibah Hasanah Abd Halim (2008), “Mobilisasi Zakat Dalam Pewujudan Usahawan Asnaf: Satu Tinjauan”, *Jurnal Syariah*, 16 (Special Edition), pp. 580-581.

unemployment. From the economic point of view, however, the effectiveness of the disbursement is still questionable, especially when the amount of distributed wealth is below the *niṣāb* value as has been determined by the Ḥanafis. Hence, the suggestion for the separate evaluation of each eligible recipient could solve the underlying problem of capital.

(2) Provision for Training and Indirect Disbursement

As mentioned in the previous section, it is obvious that providing the recipients with necessary training is an important element for ensuring the effectiveness of any income generation programs. In this regard, the zakat could be partly used to fund the training provided solely by the zakat institution or another independent professional body. Different to the forms of direct disbursement such as providing money or tools to eligible recipients, the provision of training involves the disbursement of zakat money for intangible necessities, which means the principles of perfect ownership are not fully observed.

Similar to the classical jurists, *al-tamlīk* is still the issue that mostly preoccupies modern jurists, according to Tag el Din.¹¹⁸ This is the reason why new mechanisms of disbursement are hardly ever put into practice, thus thwarting the idea of using zakat as an effective economic tool. Abu Saud explains the root of the problem from the modern perspective when he writes:

*“The confusion arises from separating the utility of a commodity itself, which is practically impossible. One cannot enjoy the utility of dwelling without living in the house. To “have” the utility does not necessarily mean the ownership of the original. However, in perishable commodities where enjoyment of the utility cannot be fulfilled unless the original is consumed, the question of possessing the commodity becomes futile. Once one is allowed to eat a loaf, the ownership disappears with the eaten loaf. If coin of money is made available to a person so that he may “use” it, or derive a utility from it, its ownership disappears the moment the coin is spent. In other words, in these cases, the availability of any commodity whose utility cannot be enjoyed without consuming the same commodity - such availability inevitably conduces to possession”.*¹¹⁹

¹¹⁸ Tag el Din, Sif el Din. I (1986), “Allocative and Stabilizing Functions of Zakat in An Islamic Economy”, *Journal of Islamic Banking and Finance*, vol. 3 (4), p. 15.

¹¹⁹ Abu Saud, Mahmoud (1988), *op.cit*, p. 184.

Based on this argument, Abu Saud is of the opinion that to feed the poor and the needy by considering the value of the food as part of the due zakat is permissible, which is in contrast to the majority of classical opinion.¹²⁰

The issue of ownership is also clarified by Zayas for whom there is no indication whatsoever that the actual transfer of ownership of the thing given as zakat is necessary in each and every case for the act of zakat to be lawful. The most important is that the beneficiaries could benefit from the use of zakat funds according to their needs. This is why Zayas affirms the use of zakat funds for the renting, construction or equipping of special institutes for the education and rehabilitation of eligible beneficiaries.¹²¹ From the above discussion, therefore, it could be deduced that the provision of training from zakat is lawful and that ownership is observed only once the recipients receive the benefit of the training provided. In this situation, the recipients will not necessarily receive tangible forms of assets but might also receive other valuable intangible assets instead according to their needs observed by zakat officials.

The issue of establishing training centres or any other facilities through zakat however receives a mixed response from contemporary jurists. Due to initiatives that involve investment in long-term fixed assets, some scholars are still ambivalent about offering affirmative responses. Apart from the issue of ownership where the building is not personally owned, there is a tendency to unnecessarily delay zakat disbursement due to the fact that such expenditure may span several years before the eligible recipient will receive the benefit from it. For example, the building of training centres may take more than a year to be accomplished.

Regarding this issue, al-Qaraḍāwī argues that it is lawful to establish collective initiatives such as building factories or jointly owned projects. According to him, this could be beneficial to the recipient as it could be professionally managed, alongside the fact that working in a group is more effective than working individually. He also suggests that assets should be retained under the supervision of zakat officials, so the poor would benefit from it in the form of shared and perpetual returns. This mechanism, which is similar to the *waqf* system, ensures that assets are not be sold or liquidated by the recipients and will continually produce income or profit.¹²² As far as the disbursement time is concerned, al-Qaraḍāwī believes that only unnecessary delay without any logical reason is prohibited, whereas for a well designed

¹²⁰ *Ibid.*

¹²¹ Zayas, Farishta G. de (2003), *op.cit*, p. 302.

¹²² Organization of the Islamic Conference (1987), *op.cit*, p. 386.

investment or project, this would not be the case as it is pertinent to create a better return in the interest of eligible recipients.¹²³

Zarqa and al-Mawdūdī are among other scholars who support this view. According to Zarqa, zakat proceeds could be fully utilized for any purpose that could benefit the designated recipients. The fund, therefore, could be personally or collectively owned. In a situation where the beneficiaries need basic daily necessities, zakat must be distributed in the form of money or food that can be personally owned (*al-tamlīk al-fardī*). On the other hand, if the zakat fund is in excess and there is need for investment for the interest of recipients, the zakat institutions could act as such by observing collective ownership (*al-tamlīk al-jamā'ī*) instead.¹²⁴ Al-Mawdūdī, in this regard opines that the zakat fund is not necessarily given to the individual but also to the institution, provided that such institutions are established for the betterment of the eligible recipients. Similarly, if zakat could be given to independent bodies, zakat institutions themselves could establish and run their own centres for the rehabilitation of the poor and the like.¹²⁵

Uthmānī and al-Zuḥaylī have differing views from the above mentioned scholars. Although they principally agree that zakat proceeds could be disbursed for productive purposes, the perfect *al-tamlīk* must be fully observed in all situations, especially for the first four groups of recipients. Uthmani therefore, proposes that expenditures for training or building facilities where perfect personal ownership cannot be observed should be financed from other sources such as *ṣadaqa* or *waqf*.¹²⁶ Differing from Uthmānī, al-Zuḥaylī argues that the zakat fund could still be used for such purposes provided that the allocation comes from the second four groups of recipients, such as from the portion of *fī sabīl li-llāh*. This is due to the basic principle of *al-tamlīk* which is, according to Hanbalīs and Shāfi'īs, that the perfect transfer of ownership is exempted from these groups.¹²⁷

Besides the opinions of independent scholars, there are few collective resolutions regarding the productive disbursement of zakat. The International Board of Zakah (ISBOZ) of the Zakah House of Kuwait, for example, rules that it is permissible to operate rehabilitation centres that aim towards providing apprentice training for certain jobs like sewing, embroidery, carpentry, etc., as

¹²³ *Ibid*, p. 387.

¹²⁴ *Ibid*, p. 404.

¹²⁵ Al-Mawdūdī, Abū al-A'lā (1985), *Fatāwā al-Zakāh*. Jeddah: King Abdul Aziz University, p. 55.

¹²⁶ Organization of the Islamic Conference (1987), *op.cit*, pp. 389-390.

¹²⁷ *Ibid*, p. 407.

long as the beneficiaries are the poor and needy. Zakat funds can be used to establish such centres and to buy the necessary equipment. Furthermore, zakat can be used for the poor students of these centres in the form of purchasing equipment or stipends. ISBOZ also discuss the principle of *al-tamlīk* with special reference to the use of zakat for investment and any productive project. Accordingly, such initiatives satisfy the *al-tamlīk* if the following 3 conditions are met:

- i. The beneficiaries of the investment are only those entitled to zakat. Non-beneficiaries may be admitted for fees that compensate the price of the services where these fees are used to benefit the deserving beneficiaries.
- ii. The principle or equity of the projects must remain in the ownership of those entitled to zakat but may be managed by either the government or another non-governmental agency.
- iii. If the project is sold or liquidated, the proceeds are considered zakat money and must be used as such.¹²⁸

OIC Fiqh Academy also permits the investment or any productive use of zakat proceeds provided the basic and immediate needs of deserving beneficiaries are satisfied. The first priority is to satisfy the immediate basic human needs of everybody who can be reached, and once hunger and nakedness are eliminated, then remaining zakat resources can be used for funding projects that benefit the deserving beneficiaries.¹²⁹

(3) Utilizing Zakat as Loan

Giving zakat as a loan for income generation is still a debatable issue, yet it has a great potential to help more recipients without the problem of funds being exhausted. This issue has never been discussed before, as the general understanding is that zakat should be given with no strings attached. Hence, any obligation to return the proceeds is not only a new invention in *fiqh*, which has no support in the Quran or Sunnah, but also infringes the *tamlīk* principle.

In classical discussion, insolvents who find themselves unable to repay their debt should be given zakat, irrespective of their prior wealth.¹³⁰ The Ḥanafīs in

¹²⁸ International Shariah Board of Zakah, *Fatāwā wa Tawsiya*. Kuwait: The Zakah House, pp. 52-53 as cited in Ahmed, Habib (2004), *op.cit*, p. 38.

¹²⁹ OIC Fiqh Academy (1998), *Islamic Fiqh Academy Resolution*, no.15, dated 1 Safar 1407H. Jeddah: The Islamic Fiqh Academy.

¹³⁰ Al-Nawawī (n.d), *op.cit*, p. 192; al-Shāfi'ī (n.d), *op.cit*, p. 213; al-Bāji (1332H), *op.cit*, p. 154.

this situation, however, maintain that this group is limited to those who do not own *niṣāb* above what is needed to pay their debts.¹³¹

Debtors can be divided into two categories, namely those whose debts are for personal reasons and those whose debts are caused by social and political responsibility. For debts due to personal reasons, the debt must be as a result of expenses such as medical bills, marriage or from accrued liability towards others.¹³² Mujāhid is reported to have said in this respect:

*“Three kinds of debtor are: a person whose wealth is destroyed by flood, a person whose wealth is destroyed by fire, and a person with many dependents and no means to borrow to support his family”.*¹³³

Another group of debtors are people who undertake activities in the public interest, such as overseeing the resolution of disputes between groups or individuals, often by paying compensation or ransom from their own assets. Such debts may also result from taking on projects of public benefit like building orphanages, mosques or schools.¹³⁴

Unlike the debt for consumer expenditure, any debt resulting from commercial activities cannot be granted zakat funds. It is clearly stated that a debt as a result of commonly practiced trade is not entitled to zakat. In addition, only debt which causes harm to the borrower could be paid off by the debtor share.¹³⁵

Although loan provision from zakat has been widely offered,¹³⁶ modern scholars are still not in full agreement. Zayas, for example, rejects the use of zakat for loans as it is considered only a momentary relief and also a burden upon the needy. She states:

“A loan necessarily implies only momentary relief from the spectre of want and necessarily places a further burden upon the

¹³¹ Ibn ‘Ābidīn (1994), *op.cit.*, p. 289.

¹³² Al-Qaraḍāwī (1999), *op.cit.*, p. 397.

¹³³ Ibn Abī Shaybā, Abū Bakr ‘Abd Allāh ibn Muḥammad ibn Ibrāhīm (2004), *Muṣannaḥ*, vol. 4. Riyadh: Maktabah al-Rushd, p. 337.

¹³⁴ Al-Qaraḍāwī (1999), *op.cit.*, p. 402.

¹³⁵ Al-Bāji (1332H), *op.cit.*, p. 154.

¹³⁶ Zakat has been widely disbursed in the form of loan especially in Indonesia since early 1980-s. for further discussion, please refer to Abdullah, Taufik (1991), “Zakat Collection and Distribution in Indonesia”, Ariff, Mohammed (ed.), *The Islamic Voluntary Sector in Southeast Asia*. Singapore: ASEAS.

*shoulders of the needy person. For this reason, the inauspicious conception of zakat as loanable wealth, which finds no support whatsoever in any of the Quranic Principles relating to law of zakat or in any of the Prophet's rulings, would constitute a very serious impediment in the way of rehabilitation of needy Muslims and would merely serve to defeat the noble and supremely important aim and purpose of the institution of zakat".*¹³⁷

Other contemporary jurists however maintain that zakat could be lent as an interest-free loan (*al-qarḍ al-ḥasan*) based on an analogy between people in debt and borrowers. According to Abū Zahra, loans may be granted from the zakat fund for eligible beneficiaries since fair debts are paid off from the zakat fund (in the case of insolvents).¹³⁸ This is also the view of al-Qaraḍāwī and al-Mawdūdī. Al-Qaraḍāwī opines that utilizing zakat as a loan is in line with the broad objective of zakat. Thus, persons who need a loan can be given zakat under the title of those in debt. This would not only relieve them from the debt but also contribute practically to the elimination of interest which is one of the objectives of Islamic Economics.¹³⁹

Differing from Abū Zahra and al-Qaraḍāwī, al-Mawdūdī's affirmative view is based on the principle of *istiḥsān* which is, according to him, the act of granting loans from zakat is deemed good or juristically preferred. According to al-Mawdūdī, using analogy (*qiyās*) to justify the issue is practically inaccurate as zakat and loans do not have common objectives; the former is to provide permanent financing while the latter merely temporary finance. Furthermore, he suggests that a special unit should be formed to administer *al-qarḍ al-ḥasan* through zakat, as the nature of its administration is similar to banking institutions while the ordinary zakat distribution is akin to the public exchequer (*khazīnah*).¹⁴⁰

CONCLUSION

Income generation intervention is a tool in poverty eradication which empowers the poor and needy to become more economically independent. As the income generation may involve a wide range of economic activities, the

¹³⁷ Zayas, Farisha G. de (2003), *op.cit*, p. 357.

¹³⁸ Abu Zahra, Mohamed (1951), "Liwa al-Islam", no. 2, vol. 4, April 1951, p. 841 as cited in Shahatah, Shawki Ismail (1989), *op.cit*, p. 64.

¹³⁹ Al-Qaraḍāwī (1999), *op.cit*, p. 405.

¹⁴⁰ Al-Mawdūdī (1985), *op.cit*, p. 57.

support initiatives may fall into several areas, namely, advisory service, direct services, training and financing.

The zakat distribution for income generation is a new mechanism suggested by many Islamic economists which is later positively responded by numbers of contemporary Islamic scholars. Although the discussion of productive disbursement was already started by the classical jurists, in the broader sense, the discussion seems to centre on where the issues of power of sustenance and the transfer of ownership are dominantly elaborated. In pertaining to the use of zakat to generate income, only few scholars from Shāfi'īs such as al-Shīrāzī and al-Nawawī have promoted such an idea. This is due to the fact that the majority of scholars are of the view that zakat, as a personal piety, must be personally handed over promptly in a tangible form of asset.

Unlike classical jurists, modern scholars perceive that the transfer of ownership is not merely that involving tangible assets. In the case of intangible assets, it is considered that the transfer of ownership is observed when the utility of zakat wealth is enjoyed by the recipients. Hence, providing zakat for the financing of training and education for the poor recipient is indeed lawful. Apart from this, they also pay more attention to the final objective of zakat, which is to improve the living standards of the eligible recipient. Thus any investment of zakat wealth is acceptable provided it is done in the interest of the recipient. This needs a greater commitment from zakat institutions where they have power to determine the most effective ways of managing zakat proceeds.

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