

## ZAKAT: MACROECONOMIC AND MICROECONOMIC DEMANDS

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### Abstract

Zakat (alms) is a unique kind of worship because it closely relates to people as social creatures and zakat manifests as the social piety of a servant.

The zakat movement as an economic system transformation movement is based on a belief that the teachings of zakat are the main principles of economic life in Islam. Islamic economics is 'tazkiyah', which is an economic system that is clean and pure from human greed, and this value is found in the teachings of zakat. Islamic economics cannot be separated from the values of monotheism (tawhid) and the values of togetherness and brotherhood.

**Keywords:** ZAKAT, RELIGION, ECONOMY, AMIL

### A. Background

Zakat is a socio-economic pillar out of five Islamic pillars and through zakat, someone can be fully involved in the Muslim line as well as being recognized as brothers in Islam. Zakat is one of the most important Islamic laws (*shari'a*); the fact, it is clearly and explicitly stated in Al-Qur'an. The order to pay zakat is mentioned in sequence with the command to pray in Qur'an verses with the total amount is not less than 28 times. Thus it can be understood that zakat roles sync with prayer. Besides, zakat is the third pillar of Islamic pillars. Zakat is a socio-economic pillar out of the Islamic pillars, and through zakat, someone can be holistically involved in the Muslim line and recognized as brothers in Islam. According to Qaradhāwi, an infidel (*kafir*) has no right to join the Muslims line and is not entitled to obtain the bonds of the Islamic fellowship, one that makes a Muslim feels included in joy and sorrow and bound by one solid bond. Except when he repents of all polytheism with its implications and does prayers, he will be gladly accepted and paying zakat becomes a symbol of social solidarity.

Linguistically, the word zakat is a basic word (*mashdar*) which comes from *zakawa-zakā* words which have many meanings, including "*al-namā*", means grow or flourish, "*thahārah*" which means purity, "*barakah*" which means blessing, and "*aṣ-ṣalah*" which means fulfilled. According to Wahidi, the most valid meaning of zakat is "*al-namā*" which means grow and flourish; that when we say 'the plant is *zakā*', it would mean that the plant grows, and each increase is called zakat, which means flourish. If a plant grows without defect, the term zakat here means clean.

In idiomatic terms, Qaradhāwi explained that zakat, from its fiqh terms, means "a certain amount of wealth obligated by Allah to be given to those who are entitled" besides meaning "to give certain amounts of wealth by oneself". According to Muḥammad Shauqi al-Fanjary, zakat means a certain right established by Islamic laws as explained in the Qur'an and al-Sunnah, regarding its sources, *nisab* (minimum amount of obligated zakat), recipients and all laws relating to it. Furthermore, it is said that a certain amount of wealth given is called zakat because it will be increased in number, making one's wealth more meaningful and protecting his wealth from

destruction. Imam al-Syaukani explained that zakat is giving a part of the wealth that has reached his *nisab* to the poor and others without any prohibition on Islamic laws in doing so.

The relationship between the linguistic meaning of zakat and its meaning in terms, which is very real and very close, is that wealth issued by zakat will be a blessing, growth, increase, sacred and fulfilled.

This means that the meaning of zakat, which is 'grows and develops', is not only for wealth but more than that. By spending zakat, it is expected that the hearts and souls of those who carry out the obligation of zakat will be clean and zakat is only intended for certain groups.

The groups entitled to receive zakat are the needy, the poor, the administrators of zakat, the mu'allaf (people who become Muslim) whose hearts are persuaded, to (liberate) slaves, those who are in debts, those who fight for Allah and those who are in travel.

The zakat movement in an economic transformation is very important. According to Safwan, the zakat movement is a movement to transform an individualistic, materialistic, capitalistic, liberalistic economic life driven by greed, the pursuit of materialistic and contradictory pleasures into a just economic life, which guarantees growth, equity, togetherness, and prosperity, ensuring the safety of resources power, respect human dignity and can prevent various conflicts and conflicts in society. The concept of transformation implies that the zakat movement is a movement to educate humans, cleanse, and nourish human life, the movement of awareness, enlightenment, and community empowerment so that zakat can be accepted as a natural life necessity instead of formally forced.

Through the teachings of zakat, the five pillars of Islam as pillars of Islamic laws speak about the economy that contains the values of monotheism, togetherness, and brotherhood and if the third pillar of Islam is not used as the main reference in discussing Islamic economics then there are no other pillars of Islam more deserve to be used as a basis for reference in discussing the structuring of economic life.

As an economic system that refers to the teachings of zakat, Islamic economics is an economic system that prohibits usury (*riba*) because usury raises immorality and is something contrary to the teachings of zakat. One important element of economic life is to develop wealth through trading businesses that involve capital, effort, and human intelligence. This wealth development is *tazkiyah* (clean/pure) and permitted in Islam. However, some people increase their assets by solely taking benefits from capital based on the time of capital utilization without the slightest risk and this is the act of usury. Property cannot develop with this system but instead makes it easier for people who work to develop the property. Therefore al-Qur'an states that through zakat that wealth will develop and not with usury.

## **B. RESEARCH METHODS**

This is qualitative research. According to the object of this study, this type of research is included in the library research category, which is a research that notes all findings regarding zakat and the economy obtained in the literature and sources, and or other findings of zakat and the economy.

### C. DISCUSSION

Zakat has the wisdom and benefits for the *muzakki* (people who pay zakat), the wealth spent on zakat, and the community as a whole. According to Didin Hafidhuddin, the wisdom and benefits of zakat are: 1) as an embodiment of faith in Allah SWT, as gratitude for His blessings, to grow noble morals and high senses of humanity, to eliminate miserly, greedy and materialistic, achieve calm life, cleaning as well as increasing wealth.

2) Zakat is the right of *mustahik* (people who receive zakat), so it functions to help, assist, and foster them, especially the poor, towards a better and more prosperous life and to help them fulfill their needs properly. It can also help them worship Allah SWT better, avoid *kufr* (infidelity) and eliminate envy that may arise among them when they see rich people who own enough wealth.

3). the pillar of shared charity (*jama'i*) between the rich people and mujahidin whose entire time is used for fighting for Islam. Mujahidin often do not have time and opportunity to endeavor themselves and their family due to their fights for Islam.

4). Zakat as a source of funds for the construction of facilities and infrastructure owned by Muslims, such as religious, educational, health, social and economic facilities, as well as means of developing the quality of Muslim human resources.

5) To promote the proper business ethics, because paying zakat does not mean throwing away dirty wealth, but instead giving the rights of others from our property that is properly and correctly endeavored according to the provisions of Allah.

6). in the people's welfare development side, zakat is one of the income distribution instruments. Zakat is a comprehensive institution for the distribution of assets because practically, it concerns the property of every Muslim, in which one's wealth has reached *nishab*. Wealth accumulation in a person or a certain wealthy group is strictly forbidden by Allah SWT,

7). The encouragement of strong Islamic teachings for its believers to give tithe, charity, and charity shows that the teachings of Islam encourage people to be able to work and give effort so that they have assets that can fulfill the needs of themselves and their families

Furthermore, according to Khalid, zakat has the wisdom and *maqâshid al-syarâh* (the goals set aside on zakat), including these following: 1) worship Allah by giving a part of the wealth; 2) fulfill the commands of Allah and the Messenger of Allah; 3) give thanks to God for all the blessings of the treasure that God has given; 4) zakat purifies the poor from jealousy, envy and the Satan's deception in one's heart regarding the destiny and wisdom of Allah; 5) zakat will purify and protect one's wealth from various distresses and calamities; 6) as a form of care for the rich to the needy; 7) maintaining the sanctity of the community collectively; 8) zakat will increase the degree, merge various bad deeds and increase good deeds; 9) to achieve social security.

Zakat, in terms of the acquisition, will not be collected other than the property of Muslims and will not be taken from the property of non-Muslims. Unlike the general tax, a zakat is a form of

worship and one of the pillars of Islam and the payment of zakat can provide spiritual value even in the form of assets.

Zakat aims not only to collect wealth and fulfill cash (*bait al-māl* or *Bazis*), and not only to help others who are weak and who have needs and help them from falling but more than that, it also has the noble purpose, to put humans higher than wealth. Or in other words, to make humans realize that they should become masters instead of slaves of their property. Therefore, the main purpose of zakat for the giver (*muzaki*) is congruent with the recipient (*mustahik*). In this position, there is a significant difference between the obligation of zakat and the tax obligation created by humans, that the objective of the taxpayer is not mean much other than as a source of income for state finances. According to Ināyah, zakat aims to educate Muslim souls, train them to be generous and willing to sacrifice, as an expression of worship and gratitude to Allah, as well as admitting His virtues and blessings. Thus zakat helps one to be free from loving the world excessively, as well as to prioritize the afterlife by taking care of himself, purifying his wealth, fortifying himself (from the dirty property) and making his wealth more useful.

Zakat, besides functions as a cleanser and purifier of the soul, also can increase the wealth of *muzaki*, as the Messenger of Allah said (Rasulullah SAW): “When you give zakat to those who are entitled to receive it, then surely you have thrown away your evilness from it”. According to Didin Hafidhuddin, the wisdom and benefits of zakat include, as an expression of faith in Allah SWT, to help, aid and foster *mustahik*, a pillar of shared charity between rich people and mujahidin, a source of funds for the construction of facilities and infrastructure owned by the people, to promote the correct business ethics and income distribution instruments. Holding zakat will contaminate one’s wealth and it won’t be purified unless it is given to people who have the right to receive.

Zakat received by the poor will help them provide for themselves so they will improve their purchasing power, while for the rich, it will increase the demand for basic goods which in the addition, will increase these staple products. These acts are things that mostly unite the products with the economy of the rich. Apart from that, assets should not only circulate the rich.

And the transfer of wealth from the rich to the poor results in the increase of benefit of that asset. In the hands of the rich, the wealth has many benefits already, but it will be even more if the wealth is distributed to the poor because it will improve the welfare of the community's life in general.

Although zakat is the act of taking wealth from the rich to be given to the poor, there is no doubt that this is considered to be a type of wealth distribution to reduce the economic gaps in society and as an attempt, so the wealth does not only circulate or accumulate in certain groups in the government. Therefore it is clear that zakat is important in developing the country's economy to depict a strong, developed, and sustainable Islamic economy.

At the microeconomic level, zakat has economic implications on individual consumption and savings behavior as well as corporate production and investment behavior without negatively affecting work incentives. In an Islamic economy where zakat is applied, *muzakki* will channel

his income to *mustahik*. This will increase the *mustahik* income which will increase consumption and at the same time will provide a *mustahik* opportunity to save.

In the Islamic economic system, zakat is a friendly system for the business world (market-friendly). Zakat has a fixed unchanged low tariff because it is regulated directly in Islamic law. For example, zakat that is applied on a broad basis such as zakat on trade only charges 2.5 percent. The provisions on zakat rates cannot be changed by anyone so it will not interfere with investment and production incentives and may provide business certainty.

At the macroeconomic level, zakat has economic implications toward allocation efficiency, creates job vacancy, encourages economic growth, macroeconomic stability, income distribution, and reduces poverty as well as becomes a social safety net. Zakat, which distributes *muzakki* income to the *mustahik*, will increase the demand for goods and services of *mustahik*, which generally are basic needs such as food, clothing, and shelter. The higher demand for the basic needs of the people because of zakat will affect the production of goods and services produced in the economy so that it will lead to the allocation of resources towards sectors that are more socially desirable. This will increase allocation efficiency in the economy.

For a long time, zakat has been advocated as an instrument of fiscal policy in the presence of discretion owned by the government or local authorities. Zakat fund expenditure may not be balanced with the collected zakat, depending on the economic situation. When the economy is expanding, the collection of zakat funds will increase due to an increase in the zakat base. But at the same time, the number of *mustahik* will be reduced due to good economic conditions. Thus, it is possible to obtain a surplus of zakat funds. When the economy recesses the number of *muzakki* will decrease and the number of *mustahik* will increase. This may cause a deficit of zakat funds, but the deficit will be covered by the previous year's surplus. Thus, spending on zakat funds will benefit as discretionary fiscal stabilizers, with the government acting as the manager.

However, there are different views related to this. According to El-Din, the collection and expenditure of zakat funds have been determined by Islamic law and thus, they should not manipulate the gap between the two discretionally as fiscal policy. If there is a surplus of zakat, then the surplus of zakat can be distributed to other areas that need it. This will minimize the role of the stabilization of zakat. However, El-Din stated that zakat can be spent in the form of consumption and production goods, and the ratio of consumption goods to production goods can be used as a fiscal instrument. During the expansion period, this ratio would fall as more zakat was spent on manufactured goods. While in a recession, this ratio increases as zakat spent at consumer goods, so it will produce an expansionary impact on economic recovery.

The socio-economic framework of the Islamic economy encourages job creation through two channels, which are the creation of jobs with fixed wages and the creation of entrepreneurial opportunities. One of the important institutional frameworks in the Islamic economy for job creation is zakat. Islam provides a way for entrepreneurial resources to engage in activities in the real sector by providing a framework of cooperation or partnerships such as *mudaraba*

(partnership in profit), *musharaka* (joint enterprise or partnership) and *muzara'ah* (sharecropping).

Poverty reduction programs are mandatory in the Islamic economy. The impact of zakat on poverty reduction efforts is significant and runs automatically in the Islamic system. In the Quran at-Tawba verse 60, eight groups are entitled to receive zakat. The poor and the needy are the first and second groups to receive zakat. Those groups are the priority to receive zakat. This shows that overcoming the poverty problem is the main goal of zakat. These characteristics make zakat very effective as an instrument for poverty reduction because it is inherently pro-the-poor.

Islamic provisions relating to production factors, such as provisions on land ownership, the prohibition of hoarding property, application of zakat and prohibition of usury, will minimize the gap in income distribution. Islam has many instruments to encourage income redistribution, such as zakat, infaq, alms, endowments, *qardhul hasan*, to make a personal income is evenly distributed. Zakat has redistribution function through both factorial income distribution and personal distribution. The application of zakat will make the production factor owners, especially capital which is a rare and expensive factor, enter the real production sector and share the risk with the labor factor owners. Through income redistribution from *muzakki* to *mustahik* using direct transfer payments to the poor or through providing public goods needed by the poor may also give strong redistributive impacts such as health and education.

Zakat has a positive impact on overall market development through its contribution to economic growth both through the aggregate demand and the aggregate supply. The positive impact of zakat on consumption and investment will increase aggregate demand for basic needs in the economy and result in production and job creation.

The productive economy zakat concept enables us to achieve the purpose of zakat more effectively, such as achieving social justice to reduce poverty. The empowerment form for the poor who has the potential to be productive in businesses such as:

- (1) Providing business capital loans in the form of benevolent loans (*al-Qardl al-hasan*);
- (2) Building agricultural and industrial infrastructure to accommodate unemployed poor people; and
- (3) Organizing vocational education centers to educate them so that they have certain skills.

The importance of utilizing zakat for productive endeavors was discussed in an international seminar on zakat held in Amman, Jordan on 11 - 16 October 1986. The point of the recommendation was the utilization of zakat for productive endeavors after the zakat rights have been fulfilled. Besides, the utilization of zakat should not against Islamic law. In 1992 a fatwa (decision/statement) was issued regarding the use of zakat collected in scholars meeting Kuwait sponsored by the Kuwait International Zakat Institute. The result was that it is allowed to utilize zakat after fulfilling several conditions, as follows:

- (1) There is no urgent need that requires the immediate use of funds;

- (2) The utilization of zakat for productive business must be following Islamic law;
- (3) There is a security guarantee for the integrity of capital provided from zakat funds;
- (4) There is a guarantee that the capital can be withdrawn if there is an urgent need from the zakat *mustahik*;
- (5) There is a guarantee that the business is carried out seriously, professionally and reliably;
- (6) There are government decisions and considerations on *amil* institutions in the use of zakat for productive businesses and also the strict supervision so that zakat funds are given to people who have the skills, experience and can be trusted.

These above decisions contain two important elements, which are:

- (1) The permission to use zakat for productive business
- (2) Zakat utilization is carried out after it is the distribution to *mustahik* until their needs are fulfilled and in its operation, it is managed by professional and trustworthy people, strictly monitored by *amil* so it can provide optimal benefits.

The concept of zakat economic and development perspectives according to Islam is the *tazkiyah* economy which is an economy filled with zakat values with core values of cleanliness, honesty, justice, growth, development and human dignity. Because zakat is the core of the Islamic economic system, the Islamic economy will only grow and develop if zakat used as an economic life system can thrive, grow and develop as expected.

From a social perspective, zakat can develop a sense of social responsibility. The zakat is one of the efforts to implement Islamic teachings on social responsibility. In Islamic teachings, the community has the responsibility to protect weak members of the community and maintain their needs. The community is also responsible for the poor around them and obliged to provide the poor as needed. The community is encouraged to encourage people to help the needy without any terms or conditions. When this sense of social responsibility is understood, every Muslim is expected to do his obligations as a member of the community.

According to al-Ba'ly, there are two effects of zakat in achieving social balance: (1) as a warning to avoid miserliness and religious infidelity. Zakat eases bad feelings that arise between rich and poor people and improves the relationship between those who give zakat and groups that receive zakat. Zakat strengthens the soul sincerity and gives a deeper understanding of these groups. With sincerity and mutual understanding, social cooperation will occur. (2). the effect of zakat and its impact on the behavioral and soul side. The most visible effects on the side of the soul are relieving fear, anxiety and so they can do their work calmly; and encourage the confidence of on soul, feeling honored; and reduce the hatred and envy of the poor. The effect of zakat on people's behavior is to encourage their charitable and confident traits; understanding and helping each other, and always be sincere and generous.

#### D. CONCLUSION

From the aforementioned explanation, it is very clear the function and benefits of zakat can be seen from both religious and economic perspectives. This is because zakat is worship that has two aspects: religion and the economy.

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