

Employment of Zakat Funds in Islam: A Jurisprudential Study

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Abstract

Zakat is mandatory contribution in Islam. It is the command (Pherman) of Allah revealed in holy interaction/discourse of Prophet Mohammad (PBUH) with Allah. Islam stands for social and economic solidarity among the followers of Islam. It seeks to provide the basic needs of the individual out of the Zakat contribution pool. For this study, the aim is to discuss the noble and holy idea of employing zakat funds. The employment of Zakat funds are permissible in certain forms and prohibited in some. This distinction is made from the perspective of Islamic jurisprudence. The study proceeded with this aim and reached the following results: (i) the employment of zakat funds is undoubtedly meant for helping the poor, disabled, destitute, and sick or orphaned individuals. (ii) Zakat has five forms in which Zakat funds are deployed/dispensed; (iii) Zakat funds take the form of investment; (iv) Zakat funds are meant to be spent in public interests; (v) Zakat funds are converted into endowments. The forms of spending (iii) and (v) are prohibited by some jurists. They contend that the permissible forms of fund-employment are: (a) providing a vocational tool (felicitation giving equipment such as tools, instruments or other things) to the needy; (b) establishing projects that benefit the poor as a privileged group/class. The study makes recommendation that Zakat controlling institutions should take care of employment of Zakat resources-pool/reservoir in providing jobs to the unemployed poor and others eligible as per Islamic philosophy and the provision of vocational tools, instruments or equipment so that the eligible poor skilled individuals are able to work more efficiently to earn their livelihood.

Keywords: Zakat; Mandatory; Employment (Permissible Forms or Prohibited Forms); Investment; Poverty; Islamic jurisprudence, Research Work.

1. Introduction

Zakat is mandatory contribution from the earnings/wealth of a Muslim individual towards a reservoir of funds created for the purpose of helping the destitute, orphans, poor and old and infirm Muslim individuals. A devout and true Muslim makes this contribution conscientiously whereas in other religions such contribution is voluntary and very few do it regularly; in the US,

it is given to Voluntary Associations (VA), now elsewhere designated as Non-Government Organisations. Zakat and collective offering Namaz have made solid unity among the Muslims and there is strong community feeling. Prophet Mohammad revealed the will or command of Allah in his discourses with Him and disseminated as tenets of Islam. He issued Pherman and stated with conviction that the Allah Almighty has imposed Zakat to serve the poor and the suffering. Prophet Mohammad (PBUH) made Zakat as one of the five pillars of Islam. Zakat is 2.5% of wealth or earning by an individual Muslim. The aim is noble smeared with heavenly sympathy to provide for the basic needs of the individual Muslim. It is indeed considered as the most important factor of bringing about and making it a way of life of a Muslim thus also a force for social and economic solidarity in Islamic community. In this contextual background, Muslim jurists continue to discuss form in which Zakat funds are given to the poor within the resource-availability and other issues involved in funds employment. Jurists differ on certain forms of assistance; they call those forms prohibited in Islam. Others interpret that all the forms of employment are permitted. In this study paper, the present researcher has chosen to participate in discussion on one of the tools for achieving Zakat objectives. The present researcher seeks most beseechingly the blessings of Almighty Allah to grant him guidance and success in the humble attempt.

Research Problem:

Zakat is noble and holy idea. It can be said to be a policy to forge unity and social solidarity among the Muslims. The result is discernible in that they offer prayer (Namaz) collectively (in Zamaat). Zakat contribution, though paltry amounts in many cases, creates tidy pool and sometimes somewhere grows to be sizable corpus or huge reservoir. This study is concerned with discussing the idea of employing zakat funds and its permissible and prohibited forms.

Research Objectives

This research aims to:

1. Explain what is meant by employing zakat funds.
2. Describe different forms in which zakat funds are employed and the legal ruling for each form regarding permissibility or prohibition.

Research Methodology:

For this study, analytical comparative approach has been chosen.

Research Plan:

The research plan is designed with the following parts

Introduction: It is akin to preamble as applied to the topic. It contains brief about the research problem as well as research objectives, and the methodology adopted to carry out the study.

- (a). First sub-topic: The concept of employment.
- (b). Second sub-topic: The ruling on employing zakat funds.

Conclusion

The chosen important references

The first topic: The concept of employment

Ibn Manzur has defined employment as: “The engagement in a task, work, job or assignment in exchange for money or goods or either of the two or mixture of the two (money & goods) as means for every day of sustenance or food. The individual he assigned something to himself means he obligated it to himself. So, in this sense, employment refers to estimation, obligation, and appointment.

As regards the term ‘employment’ and its use, early jurists confined their definition to its linguistic meaning, as we find them expressing it as the obligation to pay a specified sum of money for work done. However, the later scholars have expanded the use of the word or term ‘employment’ for several meanings that are clarified by the context and addition to the term ‘employment’. Sometimes, employment is used to mean investment, and sometimes it is added to zakat funds to mean involving those funds into projects with estimated or pre-determined return. No individual holds or is expected to own or hold the assets or property. Ownership is not given to the individual beneficiary.

Some believe that the employment of zakat funds is the transfer of funds into projects for the benefit of those entitled to them, whether they are projects with a return such as establishing factories and plants or service projects such as schools and hospitals (4).

It becomes clear that term or word ‘employment’, as contemporarily used is a word having several meanings. The intended meaning of ‘employment’ becomes clear through context and addition. Hence, the difference is clear between the meaning of investment, which indicates development and multiplication, and employment, which has several meanings and does not convey the meaning of investment except by adding a word that indicates that.

The second topic: The ruling on employing zakat funds:

Since the word "employing" can have several meanings depending on the context and socio-cultural factors. The topic for study is disposal of zakat funds. It is now necessary to describe the most important forms of employment/spending of Zakat funds along with judicial ruling declaring some forms as prohibited and others as permissible. More details follow below:

The first form of Employment: The first form of employing zakat funds takes direction towards investments in various investment fields like projects. In such cases, the capital invested and profits earned thereby channel back which, then, are spent on those who deserve it (eligible for help) – poor destitute, orphans, the sick and weak (unable to work to earn livelihood). Spending is also done to provide tools, instruments and other aids to individuals, lacking money resources, to enable them to earn their living more efficiently and easily. This form of investment does not meet agreement of all Islamic jurists; some of them state that Zakat cannot be used for investments and are prohibited as per the spirit, purpose and objective of Islam

The second form of Employment: The second form of employment use of zakat fund is done so as to ensure that it is spent in public interest, on humanitarian considerations. But some argue that Zakat can be spent on raising mosques and bridges; these, they contend, are in public interest

and “for the sake of Allah”. Whoever views the expansion of the concept “for the sake of Allah” to include public interests and charitable works, raises no question against such spending. Whoever sees the expenditure “for the sake of Allah” to interpret as limited to jihad for the sake of Allah, he considers it not permissible from his point of view as, he feels, to employ zakat funds to build mosques, bridges and on other public interests is prohibited. The argument advanced is such expenditures are not among the eight types/kinds of expenditures mentioned in the holy Qura'an.

The third form of Employment: The third form of employing zakat is by setting up “endowments”. The returns received from the endowments are then spent on those who deserve it (eligible for help or aid). The objection raised here is that the beneficiaries do not own the assets as those assets are considered endowments. This type of permitted endowment is that where zakat money is used to purchase real estate endowments. Then, the assets are kept under strict rules and the profit flowing from those endowments are made available for the benefit of those who deserve it. This form is prohibited under Islam. Zakat money cannot be transferred into endowments. The prohibition of this form was reinforced by issuing a recommendation by the fourteenth symposium on contemporary zakat issues. For example, this is what the Sharia Board of the Kuwaiti Zakat House issued as a fatwa and a number of contemporaries adopted the same and declared creation of ‘Endowments’ as illegal from Quranic point of view, and, therefore, not permissible in Islam .

Reasons for not transferring zakat funds to endowments:

First Reason: Zakat differs from endowments in several matters including the followings

A. The beneficiary gets profits from the principal of the money:

The beneficiary benefits from the profit-proceeds of the endowment money while its principal remains intact, while zakat money is an outflow from it for Allah and enables the beneficiary to benefit from the principal of the money and its profits.

B. The expenditure:

The proceeds of the endowment are spent according to the terms and conditions of the donor, while zakat is spent on the eight expenditures specified by Allah in the holy Qura'an.

Second Reason: Converting zakat funds to endowments:

Under Islam, it is the right of the poor and needy to get help in time (promptly). Flowing help from the endowments is not prompt but delayed. So, instead of taking their full share of zakat immediately, they will have to wait for several years and the benefit that comes to them is in the form of payments out of the maturity proceeds of those endowments. Based on this delay in getting benefit by the eligible beneficiaries, this form of employing zakat funds is not permissible.

The Fourth form of Employment: The Fourth form of employing Zakat funds is the help extended to those who deserve it (to those eligible on the basis of economic status like poor, or unable to work, etc.). The spending assures rather grants them ownership of the assets given. For example, giving tools or equipment helps the beneficiaries to achieve self-sufficiency with the attainment

of individual ownership. This form envisages buying him (the needy individual) a vocational tool to use and/or investing money in order to enrich him and his family with the Zakat money sought by him. This form of Zakat employment helps the needy person in meeting his immediate needs; for example, skill development (training) the poor person in basic crafts that society needs which then transforms into a dependable and permanent source of income for this needy person.

The Islamic jurisprudence passed verdict in favour of this form of Zakat funds employment. be The reason/argument advanced is that a sum of money is appropriated, similar to the amount expected to be given, to the poor and needy (deserving individuals). Most of the jurists favoured this help because the needy person is able to become enabled to work using tools, equipment or merchandise that he requires for working and earning. He is extended helping hand because he lacks the tools and machines of work, or capital, merchandise, and the like required for earning and working. Zakat funds given to him are employed by him for purchasing what is required for his vocation. This is what the third symposium on contemporary zakat issues upheld and concluded.

The Fifth form of Employment: The Fifth form of Employment is that employment of Zakat in helping those poor individuals who deserve it by investing the money in special projects. This form is followed with regard to those who deserve Zakat help and donot care for having individual ownership of the assets created out of the project investments. Rather, they have something of ownership like -

A. Instead of individual ownership, they are satisfied by having collective ownership created and sustained/shared among a group of the poor.

The mode of employment of Zakat money followed for this is done by a group of the poor by owning a factory that is purchased with Zakat funds, and thus the poor benefit from the production and profits of this factory.

B. Notional ownership

This employment of Zakat funds is done for creating Zakat institutions such as Zakat Houses, charitable societies, and Zakat Funds, where these bodies establish hospitals and schools for the benefit of those who deserve only Zakat help directly without financial compensation. These projects are of two types:

- Projects which give returns in the form of dividends or profits, such as factories,
- Service projects such as hospitals and schools.

The Zakat funds are employed in the above two types of projects. Islamic jurisprudence verdict delivered in regard to this form is that this form is similar to the previous one - employing Zakat to help those who deserve it enabling them to attain self-sufficiency with individual ownership. This form, however, is different from the first form because the beneficiary in the first form obtains ownership and collection right, while in the second form, the beneficiary gets collective or notional ownership.

This form of Zakat disbursal is tied to the issue of ownership. Those helped must get ownership to feel self-dependent. Scholars have differed on the condition of ownership. They state that

though help should give ownership also as this ownership is a condition. Agreeing to it, they contend that ownership is obtained by those individuals through forms including:

A. Collective ownership: Zakat gives individual ownership but in case of employment of Zakat in Projects, instead of those entitled to Zakat owning it individually, they own the service or investment project collectively and all of them benefit from the project and its services.

B. Legal ownership: Through the imam or whoever he delegates to direct affairs of project/infrastructure, contribution is collected from the institutions or associations on behalf of those entitled to the benefit so that the institutions or associations own and act on behalf of those entitled to it in a way that is in the interest of the beneficiaries concerned.

Considering the above discussion on ownership to the beneficiaries, the individual's ownership is not a condition in all cases. Ownership can be collective or notional in with respect to one of the zakat institutions, of course, according to the following controls. The most important of those controls are the following:

(i). It should be ensured that collective or notional ownership should serve to pass on the benefits to the beneficiaries serving their interest in achieving the Zakat sponsored basic needs.

(ii). That the benefit in collective service projects arising from zakat funds should be limited to those who are entitled to zakat.

(iii). That this collective ownership be through the guardian or his representative, such as charitable societies or official zakat institutions, taking into account the principle of legal representation and guardianship over zakat funds.

A- (iv). In case, the project is dispensed with, being sold or rendered unserviceable or redundant, it should be disposed of by sale. The sale proceeds obtained from it must return as zakat money to be spent on those who are entitled to it.

The most important results achieved in the study

- Employment in contemporary usage is a word that has several meanings, and its intended meaning becomes clear through the context and addition made to this word.

- After reviewing the forms of employment of zakat funds, the judgment on each form is summarized as follows:

(i). The first form: It is employment in the sense of investment, and it takes the ruling on investing zakat funds. Jurists say it is not permitted.

(ii). The second form: It is employing zakat by spending it on public interests such as mosques and roads, and the ruling on this form is prohibition; because it is not one of the expenditures of zakat. It is not permissible as per Islam, some jurists say.

(iii). The third form: It is employing zakat in the sense of transferring it to endowments, and the ruling on this form is prohibition. Opinion is divided but reluctantly accepted by majority.

(iv). The fourth form: It is employing zakat to achieve self-sufficiency by providing a professional tool and the like, and the ruling on this form is permissibility.

(v).The fifth form: It is employing zakat in projects for the benefit of those entitled to it through collective or legal ownership, and the ruling on this form is likely to be permissible with a number of controls.

2. Recommendations

There is a need of zakat institutions paying attention to employing zakat contributions in creating job opportunities and providing professional tools and training to the needy poor in specific skills of beneficiaries' choice to strengthen their earning capacity; so that they can be self-sufficient.

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