

Assessing the Role of Zakat as a Social Safety Net and problems faced by Zakat Recipients in receiving Zakat Assistance in Pakistan

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Abstract

This paper is an attempt to explore as to what extent the present system of Zakat as a Social Safety Net is practiced in Pakistan and to assess its potential to improve the economic condition of Zakat Recipients/ Mustaheqeen. This paper revolves around the problems faced by Zakat Recipients in collection of Zakat Assistance from Local Zakat Committee. For this reason the Zakat Recipients of Latif Abad in Peshawar were selected and a total of 80 respondents were selected for the study and were interviewed. The study reveals that Zakat as a Social Safety Net is not working effectively to improve the economic condition of Mustaheqeen and they are facing so many problems in receiving Zakat assistance.

Keywords: *Zakat, Zakat Recipients, Mustaheqeen, Local Zakat Committee, Social Safety Net*

Zakat in Islam is considered to be one of the five basic pillars and is important for the welfare of the society. Its importance is determined such that it comes in importance immediately after prayers. Literal meanings of Zakat are growth, extension, purification. Zakat is an annual deduction which is a responsibility for Muslims to pay 2.5 % on the value of financial assets specified in Islam when their annual wealth of a person exceeds than a minimum level (Nisab). It is an obligation for Muslims It is given by the person who is Sahib-e- Nisab to the needy. The growth of zakat recipient (Mustahiq) is expected from the zakat assistance. Zakat funds are utilized so as to help eight categories of individuals specified by the Quran. These include poor, travelers, beggars, debtors, slaves, orphans, widows and handicapped. Zakat leads to the material welfare of the zakat payers with the hope that he will be more than compensated hereafter. Zakat is payable at different rates.

The basic aim of Zakat is to help in assessing the concentration of wealth in few hands and to certain the circulation of wealth among different groups of the society. It also helps in eradicating poverty by spending on the betterment of the needy.

Zakat system in Pakistan

Zakat system in Pakistan was introduced through an ordinance called Zakat and Ushr Ordinance in 1980 by the government of President Zia-ul-Haq. Zakat is collected on non-agricultural assets and it was started in 1980 in month of June (Ramadan 1400) and that of Ushr (collection of Zakat on agricultural products) started from season of Rabi on 1983. The Supreme Court in 1999 made the payment of Zakat to the state voluntary. After the implementation of Zakat ad Ushr in Pakistan, people have started giving their sadqat voluntarily to poor and needy including relatives, neighbors, religious schools and other charitable and welfare institutions.

A five tier organization was established which consisted of:

- One central Zakat committee at the Centre
- Provincial Zakat committee in every province
- A District Zakat committee in each district
- A sub- district Zakat committee in every Tehsil level
- A Local Zakat committee in every locality.



Zakat and Ushr Tiers in Pakistan

Social Safety Nets in Pakistan

Well-targeted anti-poverty outlays and social safety transfers are crucial ingredients of an inclusive strategy of poverty reduction. While anti-poverty public expenditures are necessary for improvement of human capabilities, falling income inequalities, and ensuring superior contribution of poor in the economic development process is necessary. Social safety transfers create such an environment in which the most defenseless segments of society are sheltered from the costs of social and political economic and structural reforms. The efficiency of such outlays can be determined by their excellence.

The following social safety net programs in particular minimize the adverse affects of poverty on the targeted population of Pakistan.

Pakistan Poverty Alleviation Fund (PPAF):

Pakistan Poverty Alleviation Fund (PPAF) is the top institute involved in the development process.

The on the whole objective of the PPAF is to enhance the value of life of the needy and marginalized people throughout the country. Its specific goals are:

- Alleviate tremendous hunger and poverty
- Attain universal primary education
- Improve motherly healthiness and encourage gender equality and empower women

Benazir Income Support Programme (BISP):

Benazir Income Support Program was founded by the Pakistan's Government in 2008 in the month of July with the main aim to provide instant aid to the poor so as to enable them in absorbing the distress of raise in the prices of fuel and food. BISP has emerged as the main social safety net of the country over the past few years. It is doing great in bringing welfare to the Pakistan by women empowerment and alleviation of poverty. It has provided an aid to more than 4.7million recipients including the victims of bomb blast and flood across the different parts of Pakistan. Rs 165 billion till March, 2013 have been disbursed to the Mustaheqeen. Recipients are expected to increase in the time to come.

Pakistan Bait-ul-Mal:

Pakistan Bait-ul-Mal(PBM) has a remarkable part towards reduction of poverty by its several services for the poorest- of- the poor. It helps a lot in providing support to needy, widows, invalid, infirm and other persons regardless of gender, caste, orphan through its constant schemes and projects. Following are its objectives; Financial assistance for

- Fighting hunger
- Medical treatment
- Education
- Sponsor and promote self-employment

Zakat

Zakat plays a very crucial role in the reduction and alleviation of poverty. Zakat funds are disbursed in the poor parts of the society by either through respective local Zakat Committee or by several institutions i.e. hospitals, educational institutes, social and vocational. According to the ministry of Religious Affairs Pakistan, Rs.3, 951.667 million has been distributed in bulk amongst the provinces till March 2013 and other administrative areas. The disbursement of Zakat funds in different areas and provinces of Pakistan are given below.

Disbursement of Zakat

S. No	Provinces/ Other Areas	Disbursed Amount (Rs. Millions)
1	Punjab	2108.009
2	Sindh	871.354
3	KPK	507.892
4	Balochistan	187.795
5	FATA	128.046
6	ICT	97.203
7	GilgitBaltistan	51.368
	Total	3951.667

Source: Ministry of Religious Affairs

Literature Review

The system of zakat (spending in the path of Allah) exists in Pakistan in one way or the other. It is one of the major tools in reducing poverty. However, so far little is known about its effectiveness as a social safety net because no serious research has been undertaken in this regard. With regards to estimates of zakat potential, some efforts have been made in the past to calculate zakat using direct as well as indirect manners. A number of studies such as Naseem (1973, 1977), Allaudin (1975), Faiz(1991,1992), Kahf(1987), Mujahid (1978), Irfan and Amjad (1984), Kruijk and Leeuwan(1985) Malik (1998), Ali(1985), Butt(1990), Ahmad and Ludlow (1990), Cheema(1985), Zaidi and de Vos(1993), Sanza N. Khan and Sara Qutub (2010) Imran AsgrafToor and Abu Nasar (2003) have been undertaken to analyse the phenomenon of poverty in Pakistan through Zakat.

Allaudin (1975) study was focused on rural poverty and he ignored urban poverty. Similarly very little analysis of regional dimension of poverty is available. Butt (1983) study was concerned with the collection and distribution of zakat. His study was limited to how zakat is collected and how it is distributed among zakat recipients.

Ali(1985)states that the complete collection of Ushr in cash payments given to the needy at Rs 50 per family monthly, benefits around 1.4 million (45 %) to the identified needy families. This study has got the same problem like the study by Fiaz (1991). There is a need, therefore, to systematically explore the extent and possibility. Kahf (1987) study was mostly based on how to effectively manage system of Zakat. Kahf estimated the zakat potential for Pakistan from the National Accounts based on three different opinions of fuqaha (jurists), for the year 1983-84. These estimates were given names as Z1, Z2, and Z3. Z1 is calculated in line with the conventional view according which considers that zakat is taken on silver, agriculture, money, livestock, stock in trade and gold. Z2 is estimated appropriate to the views of

current Muslim scholars like al-Qardavi where zakat can be subtracted from net returns of manufacturing concerns and building rents and from net savings out of salaries. Z3 is in line with the views of Ibn Uqails when the zakat base has got other fixed assets and buildings. His three estimates Z1 , Z2, and Z3 for Pakistan are 2.2, 4.9, and 6.1 percent of GDP produced in the private sector, or 1.6, 3,5 and 4,4 percent of total GDP (private and public) respectively. These estimates, however, excluded gold and silver and life insurance indemnities and policies. In absolute terms Z1 , Z2, and Z3 were Rs. 6.129 billion, 13.348 billion and Rs, 16.668 billion respectively in 1983-84. But this study are not followed due to two reasons. (1) It has been long time since he made his original calculations. Since then many things have changed which probably could not have been conceived at the time of his writing. For example, at that time one could not imagine the privatization process, which has been taking place since the first government of Nawaz Sharif. (2) Morizer Kahf made some assumptions which were either partially true or not true at all. For example, he estimated the price of camel on the basis of the price of its meat even though, in Pakistan, camel meat is not very popular. Similarly estimating the price of cattle on their meat price is not a very good assumption as most of the cattle are raised for the purpose of other than meat i.e. mostly cattle we raise are for dairy products. This is true in case of buffaloes and cows.

The study by Faiz(1991)revolved mostly around the monitoring of the social impact of the zakat system and evaluating the administrative structure. In his study evaluation of Nizam-e-Zakat and Ushr in Pakistan, Faiz presents estimates of zakat potential on the basis of information collected from Local Zakat Committees and general population. But his estimates are no more than intelligent guess as he admits himself. In fact, the whole exercise is based on the guess work of many people including Chairman of Local Zakat Committees, survey people and Faiz himself. Anyhow, he estimates zakat potential from voluntary sources for Pakistan as a whole as Rs. 2.23 billion (1986/189). Now if we add the official collection of the same year then the total zakat (excluding ushr) is Rs. 4.11 billion. Chaudhry⁹ estimated potential of ushr in Pakistan.

Shirazi(1996)investigated the Zakat and Ushr Program of Pakistan with the objectives of investigating the coverage, targeting, and contribution of Zakat Programme by using the data of 1990-91 of a regulated House hold Integrated Economic Survey. This study lacked the determination of proper socioeconomic profiles based on the poverty lines after determining them with the help of actual data.

Khan and Qutub(2010)study was focused on the political economy analysis of Benazir Income Support Programme and Zakat

programme where primary focus of study was just on the implementation of both the programmes in Pakistan. Toor and Nisar (2003) explored the role of Zakat as a Social Safety Net. The study was restricted to the disbursement and monitoring of the Zakat by the Local Zakat Committee.

Specifically one can find the following shortcomings in the existing literature:

Some of these studies have focused on rural poverty and ignore the urban sector. Very little analysis of regional dimension of poverty is available. In all the above mentioned studies, administrative and managerial aspect of Zakat Department has been give but the Opinions of Zakat Recipients regarding the given Zakat Assistance has not been explored. The role of Zakat as a social safety net in Peshawar has not been assessed and the major problems the Zakat Recipients face are not identified. This study is an attempt to address the mentioned gaps.

Research Methodology

Research Objectives

To assess the role of Zakat as a social safety net such that:

1. To judge the reaction from Zakat recipients regarding procedural issues and disbursement of Zakat assistance.
2. To know the utility of Zakat assistance by Zakat Recipients.
3. To know the problems faced by Zakat Recipients.

Hypothesis

H₁: Zakat as a social safety net helps in improving the economic condition of Zakat Recipients.

Primary Data

The universe or target area of the study was **Latif Abad** in **Peshawar**. A total of 80 respondents were selected for the study. Data was collected through *questionnaires and interviews*. A list of all mustaheqeen of local zakat committee Latif Abad was obtained constituted the sampling. Out of this form 80 respondents including 40 males and 40 females were selected convenience. The study includes a sample frame of 150 persons and for this purpose; the list of Zakat recipients was got from the LZC. The sample frame comprising of 40 females and 100 males. The lottery method was used to select 40 males from 100. For females, interview was used on census basis.

Data Analysis

The data collected through questionnaires from Zakat Recipients/ Mustahaqeen has been analyzed by using two methods i.e. the demographic analysis and descriptive analysis. The sample of 80 comprised of 50% males and 50% females is made.

Table 1,2,3,4,5 are the results of the descriptive analysis like demographics such as age, sex, marital status, education status, occupation, monthly income and living status of the Zakat Recipients. Table 6 and onwards represents the descriptive analysis of the variables under study. Table 1 shows that majority (31%) of the respondents had the age group of 25-35 years out of which 15 were males and 10 females.

Table 1. Age and sex of zakat recipients/ respondents

		Sex of respondent		Total
		Male	Female	
Age of the respondents	15-25	7	14	21
	25-35	13	12	25
	35-45	12	6	18
	45-55	7	8	15
	55-65	1	0	1
Total		40	40	80

Table 2 reveals the marital status of the respondents and it shows that most (38%) of the respondents were married with age group of 25-35 years. In this age group, 18 were married, 8 unmarried and 4 were widow.

Table 2. Marital Status of zakat recipients/ respondents

		Marital status			Total
		Married	Unmarried	Widow	
Age of the respondents	15-25	11	5	5	21
	25-35	16	6	3	25
	35-45	12	4	2	18
	45-55	6	4	5	15
	55-65	0	1	0	1
Total		45	20	15	80

Table 3 explores the education status and literacy rate of the respondents. The survey reveals that around 61% zakat recipients are uneducated. Those who are literate, majority (80%) of them are matriculate.

Table 3. Education Status of respondents (Age Wise)

		Education Status		Total
		Literate	Illiterate	
Age of the respondents	15-25	11	10	21
	25-35	7	18	25
	35-45	5	13	18
	45-55	7	8	15
	55-65	1	0	1
Total		31	49	80

Table 4 shows the occupation and monthly income of the respondents. It reveals that most of them (48%) have monthly income within Rs. 5001-6000. The table further shows that 50% are housewives, 13% are labors, 26% shop keepers, 11% have no jobs.

Table 4. Occupation and Monthly Income of respondents

		Monthly income			Total
		5000-6000	6001-8000	8001-10000	
Occupation	Labor	9	0	1	10
	Shopkeeper	8	11	2	21
	No Job	7	2	0	9
	housewife	14	23	3	40
Total		38	36	6	80

Table 5 explains the living status of respondents. It shows that majority (95%) of the respondents live in joint family and has got 7-10 family members in 63% cases.

Table 5: Living Status of respondents

		No of family members			Total
		1-3	4-6	7-10	
Living status	Nuclear family	1	0	3	4
	Joint family	9	20	47	76
Total		10	20	50	80

Table 6 shows the amount the recipients receive as zakat assistance per year and for what purpose they utilize that money. The survey reveals that zakat is mostly used up (63%) on purchasing food items though few (19%) of other families use it on health and others (12%) on wedding. The remaining (6%) recipients use the zakat assistance for other purposes.

Table 6. Amount of Zakat Assistance received (per year) and the purpose

		Purpose				Total
		Health	Food	Wedding	Others	
Amount	1000-5000	9	14	8	2	33
received	5000-10000	10	26	8	3	47
Total		19	40	16	5	80

Table 7 reveals that 94% of the respondents are not satisfied from zakat assistance by the Local Zakat Committee.

Table 7. Satisfaction level of respondents from zakat assistance

Response	No. Of Respondents
Yes	5
No	75
Total	80

Table 8 explores the amount of zakat received during one year by the recipients and the number of time/s they went to Local Zakat Committee. It shows that majority (60%) received Rs. 5000-10000 per year and majority (69%) went twice to Local Zakat Committee.

Table 8. Amount of zakat assistance received during one year and no. of visits to zakat committee

		No. of visits			Total
		Once	Twice	Thrice	
Amount	1000-5000	13	18	2	33
Received	5000-10000	7	37	3	47
Total		20	55	5	80

Table 9 reveals that majority (56%) of respondents received Zakat assistance from Allied Bank and all received through cheque. 88% of respondents use this assistance for general expenditure and remaining (12%) receive for marriage assistance.

Table 9. Bank from which zakat assistance is received and purpose

		Purpose		Total
		Marriage Assistance	General expenditures	
Bank	National bank	2	8	10
	Allied bank	4	41	45
	MCB	3	12	15
	others	1	9	10
Total		10	70	80

Table 10 explains that majority (94%) of the respondents faced difficulty in opening bank account in the respective banks for receiving zakat assistance.

Table 10: Difficulty faced in opening bank account

Response	No. of Respondents
Yes	5
No	75
Total	80

Table 11 explains the difficulty the respondents face. Majority (53%) of them paid bribes to the official to enlist them as Mustahiq.

Table 11. Bribes paid to enroll as Mustahiq?

Response	Frequency
Yes	38
No	42
Total	80

Table 12 reveals that most (66%) of the respondents faced difficulty while encashment of their cheques in the banks for receiving zakat assistance. The remaining (34%) replied the question in No.

Table 12. Difficulty faced while encashing the cheque?

Response	Frequency
Yes	53
No	27
Total	80

Table 13 is the most important question asked from the zakat recipients that whether zakat assistance has helped them in improving their economic condition or not. 95% of the respondents were of the view that zakat has not reduced their poverty while only 5% were of the view that zakat assistance has improved their economic condition up to some extent.

Table 13: Response regarding zakat assistance in improving the economic condition

Response	Frequency
Yes	0
No	76
To some extent	4
Total	80

Table 14 sheds light on the question from respondents regarding the minimum amount that should be given to them by the Local Zakat Committee so as to improve their economic condition. Majority (63%) responded that minimum amount should be given Rs. 15000/- so that they can fulfill their basic necessities of life.

Table 14: The minimum amount that can improve economic condition

Amount	Frequency
8000	5
10000	10
12000	15
15000	50
Total	80

Table 15 reveals that whether respondents get Zakat Assistance on time or not. It shows that 91% of the respondents don't get zakat assistance on time and there is a delay in the disbursement of Zakat to the recipients.

Table 15: Do you get zakat assistance on time?

Response	Frequency
Yes	74
No	6
Total	80

Conclusion

After a detailed study I have drawn a conclusion that Zakat as a Social Safety Net is not helping a lot to advance the economic condition of the needy (Mushtaheqeen). Pakistan is working day and night to improve the economic condition of its people and has launched various programs but unfortunately people are still not able to get the basic necessities of life. Zakat recipients are not satisfied from the Zakat assistance given to them. Zakat can potentially play an important role but demands serious effects on the part of the government.

The purpose of the field survey was to judge the reaction of the Zakat recipients regarding disbursement and issues related to that. Zakat Recipients face so many difficulties in receiving zakat assistance due to the following reasons:

- Severe delays have been observed in disbursement of the Zakat funds to the Mushtaheqeen. The subsistence allowance, in few cases, is extremely uneven and not paid to the beneficiaries for up to 6 months.

- It has also been observed that most of the banks don't prefer to keep the deposits of Zakat Recipients/ Mustaheqeen.
- Women face difficulties by going to the banks because the banks are far from their homes.
- Most of the Zakat Recipients are illiterate and they don't have updated ID cards which is a hindrance in receiving zakat assistance and opening bank account.
- Majority of the Zakat Recipients pay bribes to the officials to enlist them as Mustahiq which means that there is not proper check and balance on the Zakat department by the government.
- Zakat Recipients have to make many visits to Local Zakat Committee for receiving Zakat assistance.
- Above all, Zakat Recipients are not satisfied from the zakat as a Social Safety Net as it has not helped them in improving their economic condition.

Verification of Hypothesis

It is verified from the findings that Zakat Department in Pakistan is not working effectively and efficiently due to which Zakat as a Social Safety Net is not helping in improving the economic condition of Zakat Recipients. Hence the hypothesis presented is verified.

Recommendations

After thorough study, the following suggestions are presented so as to improve the work of Zakat institutes in Peshawar (Latif Abad):

- Proper system on the check and balance on the disbursement of Zakat funds should be implemented and monitored by the Government. There should be done complete methodical review of Zakat as a Social Safety Net by the honest representatives of the government.
- Those officials who ask for bribes from Zakat recipients should be given strict punishment by the government.
- For women, Local Zakat Committee should do an arrangement in such a way that zakat assistance be given to them at their homes.
- Serious delays should be minimized so that recipients get the money on time.
- Government should raise the disbursement of zakat in all the provinces and areas of Pakistan so as to raise the economic condition of poor.
- Local Zakat Committee should made NIC for these poor by NADRA so as to minimize the difficulties faced by Mustaheqeen-e-Zakat.

- A complaint department should be made by Local Zakat Committee so as to resolve the problems faced by Zakat Recipients.
- The field staff employed for the purpose should exercise extreme care in carrying out tour of their area and to investigate and physically check up the record of Local Zakat committees and report discrepancies and short falls detected from time to time during the course of physical verification of funds provided to Mustahiqeen-e-Zakat.
- It is further suggested that disbursement of Zakat funds should be made in the presence of at least three notables of the respective local Zakat committee areas and the list of Mustahiqeen-e-Zakat should be displayed in the local Mosques in union councils for the information of public to satisfy any objection if made in this matter.
- Those representatives who are involved in the malpractice should be immediately removed from the institutes so as to bring efficiency in the disbursement system of Zakat funds.

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