The Role of Zakat in Social Protection in Islamic Developing Countries: A Contributing Instrument

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Social protection has become an essential agenda in the world countries, either in developed or developing ones. It implements in varied ways and correlates with the 2030 Sustainable Development Goals (SDGs) targets, especially on poverty reduction agenda. Meanwhile, in Islamic developing countries, there is a religious-based concept, so-called zakat, which is conceptually similar with and functionally underpin social protection programs. This paper attests its similarity through a comparative study with Australian social protection concepts. Furthermore, the paper elaborates the potencies of zakat contribution on social protection particularly on addressing the poor and the vulnerable as social protection programs do. In general, the zakat system offers a huge potential of the fund for social protection, but a kind of mismanagement or such inefficiency in zakat institution, as well as political reluctance, can challenge it. This paper recommends a combination or integration between zakat system and the existing social protection system for the better social protection program and on amplifying the effect of these contributing instruments to the needy.

Keywords: Zakat; Social Protection; Islamic Developing Countries

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INTRODUCTION

In recent decades, social protection has extensively emerged in many countries in the world, especially in the developing countries (Barrientos et al. 2013, p. 54; Jawad 2014, p. 16). Social security systems have also become a common commitment of countries and further being essential agenda in the 2030 Sustainable Development Goals (SDGs). There are at least five goals and targets of SDGs which are directly or indirectly refer to social protection. However, the latest report of the International Labor Organization (ILO) depicts that the trend of social protection in the world is not automatically benefited a majority of the population globally. About 55 per cent of the global population (around 4 billion people) are left unprotected, and only 45 per cent are adequately served by at least one social protection benefit (ILO 2017, p. 7). In the same tendency, even though countries have made any kinds of social programs to alleviate penury, poverty rates remain high which is reported in 2013 approximately about 10.7 per cent of the world's population live in poor condition (World Bank 2016, p. 35).

Those challenges are faced variedly and contextually by countries in many regions in the world despite there are some similarities in the program pattern. They provide and create any suitable programs refer to their own capacities and local cultures as well as local values. Brazil and South Africa, for instance, provide an idealistic context in which to examine social assistance growth. Both are middle-income countries with tenacious and high inequality, rooted racial disparities and high poverty rate (Barrientos et al. 2013, p. 55). While the Arab countries provide very similar types of social protection programs to other and face many similar challenges as can be faced by Brazil, South Africa, India and China (Jawad 2014, p. 43), meanwhile, in some Islamic developing countries, there are specific concepts to support social protection program, such as zakat system. Moreover, for some academics and researchers, this religious-based institution is essential instruments for poverty alleviation as well as social protection per se (Syeikh and Ismail 2017, p. 8; Abdullah et al., p. 324; Azaki 2015, p. 42). Through a series of research, they prove that zakat can reduce poverty and play significant roles as social safety net effectively.

Is it true that the zakat system can apply and operate optimally for social protection? This paper attempts to answer this question through: (1) examining the zakat concepts and comparing it with the ‘genuine’ concept of social protection, (2) measuring the contribution of zakat to social protection, and (3) considering the best way for optimizing social protection. Pondering the merits of zakat and the diverse contexts of countries, this paper argues that the zakat system is potentially contributive to social protection but not easily implemented in the current heterogeneous communities.

LITERATURE REVIEW

Social protection can be defined differently according to the various perspectives and objectives. Academics and practitioners, for example, have their own approaches to explain this concept. International organizations such as the Overseas Development Institute (ODI), World Bank, ILO, and Asian Development Bank (ADB) have their definitions as well, adjust to their interests, roles, and objectives. ODI defines social protection as ‘the public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society’. World Bank prefers to define ‘a collection of measures to improve or protect human capital, ranging from labour market interventions, publicly mandated unemployment or old-age insurance to targeted income support.’ ILO defines ‘the provision of benefits to households and individuals through public or collective arrangements to protect against low or declining living standards.’ While ADB defines ‘the set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people’s exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption/loss of income’ (Devereux and Sabates-Wheeler 2004, p. 3). These definitions have various emphasis on aspects of social protection. However, social protection is mostly defined as,

All public and private initiatives that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks and enhance the social status and rights of the marginalized; with the overall objective of reducing the economic and social vulnerability of poor, vulnerable and marginalized groups. (Devereux and Sabates-Wheeler 2004, p. iii).

This definition is more general and covers broader aspects. Extracting this definition, it is understandable that the actor of social protection can be the state or private sector, the action is providing income or consumption transfers, the object of the initiative is the poor, the objectives are protecting the vulnerable, and lift social status and rights of the marginalized. While the broader goals are alleviating poor and vulnerable people as well as marginalized groups.

Meanwhile, zakat is an Arabic word which literally means ‘purity’ and ‘cleanliness’. Per definition, it refers to ‘an act of giving away part of one’s wealth to the poor—a contribution paid once a year on savings of at least 2.5%. In doing so, one purifies one’s wealth and soul’ (Ali and Hatta 2014, p. 61). Furthermore, zakat is not just values for personal well-being but also has an important role to play in economic restructuring
Practically, the zakat payer (muzakki) can give an amount of money directly to the poor they meet individually, or the contribution is collectively gathered by a special committee (amil zakat) and distributed more manageable to the poor or vulnerable people, either in cash or kinds of development programs. For instance, in Indonesia, some zakat institutions such as Dompet Dhuafa and Rumah Zakat have developed various poverty reduction programs on education, health, and economic empowerment. They built any schools, hospitals, and businesses for the poor people (Halimatusya’diyah 2015, p. 80).

Referring to those definitions and explanations, it is vividly undeniable to categorize zakat as part of, or a kind of, social protection instruments. All elements of social protection, as contained in the definition, are available in the zakat system (table 1).

<table>
<thead>
<tr>
<th>Elements</th>
<th>Social Protection</th>
<th>Zakat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actor(s)</td>
<td>public or private initiatives</td>
<td>commonly private initiative (in some Islamic countries is public/government)</td>
</tr>
<tr>
<td>Action(s)</td>
<td>provide income or consumption</td>
<td>collect at least 2.5% of all Muslim’s wealth once a year, and distribute it</td>
</tr>
<tr>
<td>Target(s)</td>
<td>to the poor</td>
<td>people in eight poor/vulnerable groups (zakat recipient) – including poor people</td>
</tr>
<tr>
<td>Objective</td>
<td>to protect the vulnerable against livelihood risks and enhance the social status and rights of the marginalized</td>
<td>personally, purifies one’s wealth and soul, and socially help the poor and vulnerable people, and also restructuring the economy</td>
</tr>
</tbody>
</table>

In words, zakat actors are commonly private sectors, i.e. a Muslim personally, Muslim organization or mosque management, or even in some Islamic countries like Iran, Yemen, and Palestine, zakat is operated by the government (World Bank 2002, p. 52). The action in zakat is collecting an amount of money from all Muslim who eligible to pay zakat (muzakki, zakat payer) and distributing it to the targeted groups (mustahiq, zakat recipients). They are the destitute (masakeen), the needy or poor (jiyaar), the alms collectors (amil Zakat), one in the path of God (jii sabillallah), people burdened with debt (gharim), the wayfarers (ilm sabail), people in bondage or slavery (rigahl), those who have inclined towards Islam (mu’allaif). Meanwhile, the objectives of zakat are, personally, to purifies one’s wealth and soul, and socially, to help the poor and vulnerable people, as well as restructuring economy. Thus, all zakat elements are in line with social protection.


Another issue is the relation of zakat, social protection and food security. Research conducted by Mahmud et al. (2014) is an example. The purpose of this research is to assess the impact of zakat fund on the food expenditure of the households. Another purpose of this study is to assess the impact of zakat fund on the agricultural production of the households and to assess the opinion of the zakat recipients on food security status under zakat program in Bangladesh. Differently, Rahman (2015) aims to compare and contrast alternative pension plans in the marketplace and their status as zakatable wealth or property. He states that there is no prior research work in the extant literature examining zakatability of alternative retirement plans offered in the US marketplace. This paper fills this void and provides a comprehensive survey and analysis of all available retirement plans and their treatment concerning zakat. Besides that, other studies with the theme of zakat related to social protection can be seen in the research conducted by Kashif et al. (2018).

**RESEARCH METHOD**

This research using descriptive analysis. Research related to zakat and its relation as social protection with cases in developing countries uses a qualitative descriptive approach. Some important references regarding zakat, and other Islamic social instruments, are used. Furthermore, research looks at the issue of social security, especially in Australia compared to the concept of social security in Islam. The purpose of this study is to uncover facts, phenomena, variables and circumstances that occur when the research is ongoing and present them as they are. Descriptive qualitative research interprets and tells the data concerned with the situation that is happening, attitudes and views that occur in the community, the contradiction of two or more circumstances, the relationship between variables, differences between facts, the influence of a condition, etc.

**RESULT AND DISCUSSION**

**Addressing Poverty And Vulnerability**

The primary purpose of most social protection programs is reducing poverty and vulnerability. A recent release on global poverty reports that approximately about 767 million people or 10.7 per cent of the world’s population in 2013, live in poor condition (World Bank 2016, p. 35). The vulnerability is in line with this poverty figure. Addressing these problems, countries have
different approaches and programs. Some of them are success to demonstrate the positive effects of social transfers (such as pensions and cash transfers) on poverty reduction (Barrientos & Nino-Zarazua, 2011 in Browne 2015, p. 21). However, there is also evidence that social protection gives negative effects on poverty indicators (Hagen-Zanker et al., 2011 in Browne 2015, p. 21). Thus, different approaches provide different results and levels of contribution.

To measure contribution, as an example, Australia could be taken as a benchmark on how applying social protection system for poverty reduction and vulnerability –which is funded by various sources. Australia is a country with a high portion of the national budget for social protection programs with the plentiful emphasis on targeting assistance to low-income groups or the poor and vulnerable people. In 2000-2001, for instance, Australia allocated expenses for social security system about $55 billion, or 37 per cent of Commonwealth outlays and eight per cent of its GDP (Whiteford and Angenent 2001, p. 2). This budget which was funded by general taxation revenue supported payments to those not expected to work (lone parents, career, and retired people), unable to work (people with disabilities and sick) or unable to find work (the unemployed people). Another budget are delivered to the pensions for war veterans and their family, the occupational superannuation, the health care system, the compensation for work injuries and deaths, the compensation for road accident injuries and deaths, the life and contingency insurance, the paid sick leave, also other cash and in-kind welfare benefits and services, such as subsidized childcare, public housing and transport, and social protection in Australia charges for utilities such as electricity, water, and gas. (Whiteford and Angenent 2001, pp.7-8). Here is a brief explanation of the Australian social protection (table 2 in appendix).

Table 2 shows that all kinds of social protection programs are directed towards poverty reduction and vulnerability. Unemployed people on the recipient list are the poor people. While vulnerable people consist of lone parents, retired people, disabled people, war veterans, retired employees, injured employees, injured road users, patients, insurance members, sick employees, pensioners, aged and disabled people. It is also clear that the sources of fund for fueling the programs are from government or tax-financed, and from the non-government or contributory based fund, such as patient contribution and commercial insurers. Unfortunately, there is no precise-undebatable data on the decline of the poverty rate in Australia as a parameter of reaching the success. This is because of no consensus in research on estimated trends in poverty and inequality in Australia due to problems with available data and various approaches to measurement (Stanton 1973, p. 31). However, in general, Australia have contributed to global poverty reduction even though recently run in slowdown trend (World Bank 2016, p. 26)

Then, how is the contribution of zakat to social protection programs? Essentially, zakat is a fundamental part of Islamic economic system rooted on the Islamic teachings and aimed at the economic well-being of the Muslim communities, universal brotherhood and equitable distribution of income (Chapra 1992, p. 226). Zakat is also a powerful tool for poverty alleviation that it functions as well as formal social security system (Shirazi 2006, p. 19). Importantly, it is focused on the targeted group who are in poverty and vulnerability, such as the destitute (masakeen), the needy or poor (juqaraa), and people burdened with debt (gharim).

However, in reality, its contribution to social protection depends on the political will and the shape of the state. In the Islamic-based countries, such as Yemen, Iran, Pakistan, and many Middle East countries, zakat is a prominent source to support any social protection programs, as well as their national budget. Zakat, which is collected and managed officially by the government, becomes a potential source of national income. It is significant in number potentially. Shaikh (2017) studies and estimates potential zakat which is collectible in 17 members of Organization of Islamic Cooperation (OIC) countries. He discovers that zakat to GDP ratio exceeds Poverty Gap Index to GDP ratio, except in three countries with poverty line at $1.25 per day. The aggregate resources combined with the potential zakat in 17 OIC countries will be sufficient to fund resources to alleviate poverty in all collective 17 OIC countries (Shaikh 2017, p. 2).

While in the non-Islamic-based countries with heterogeneous society, zakat fund from Muslim citizen becomes a supporting element to national development and acts as ‘Informal Social Protection’. Different from Formal Social Protection (FSP) which is guided by social and economic principles, Informal Social Protection (ISP) is guided by cultural and religious principles, as well as family and community values (Calder and Tanchareun 2014, p. 6). In this context, zakat is collected by a private organization or personally operated, and complementarily support national social protection programs to some extent. According to Indonesian experience, where zakat is not part of the national budget source, zakat potencies is not optimally supportive to social protection programs operated by the government, although significant in potential number. Indonesian National Zakat Agency (BAZNAS) recently reports that national zakat potency in Indonesia 2016 is IDR 286 trillion, while the amount that can be collected until 2016 is only IDR 5.1 trillion or around 1.8 per cent of total zakat potency (Republikka, 2016). The contribution of zakat for poverty alleviation or social protection is insignificant. According to Rusydiana & Alparisi (2016), one of the main problems is about the inefficiency of zakat institution. In general, the main factor inefficiency of Zakat Institution from 2007 to 2014 due to the distribution of zakat funds to ashnaf is
still less optimal, so it has not been able to resolve the problem of poverty.

In Search of Adequate Social Protection

Considering the essence of the ‘genuine’ social protection and the ‘alternative’ zakat system, it is meaningfully needed to search the adequate combination. Both have pluses and minuses to being complementarily engaged. The social protection program has advantages, such as more manageable due to the inclusive characteristic. Every country with diverse backgrounds can copy and apply for a similar program from others. For instance, the Arab countries provide very similar types of social protection programs as can be found in South Africa, India, China, and Brazil (Jawad 2014, p. 7), even though they have myriad differences either in social, economic, or cultural values. However, social protection needs a huge of the national budget to be allocated or contributory fund to be gathered, whereas the national budget for social interests is limited. Taxes and others source income are also finite.

On the contrary, the zakat system offers a vast potential of the fund, especially in the Muslim majority countries. Different from taxes which has a specific condition, zakat is an obligation for all Muslim, from baby to old people, and driven by religious motivation. Unlike taxes which are commonly avoided, zakat is more obeyed due to internal motivation from inside of every Muslim. It is understandable if, for example, national zakat potency in Indonesia reaches IDR 286 trillion in 2016. Indonesian Muslim is almost 87 per cent of the total population.

Nevertheless, there is some drawback of zakat system. Mismanagement and low level of coordination either between Government and the Muslim societies or among zakat agencies, made this zakat potency cannot maximally reach (Halimatusya’diyah 2015, p. 96). Another constraint is that theoretically the zakat recipient has been determined or purposive target, that is the eight group of people (asnaf zakat). There are raising debates over the distribution of zakat fund. Some people disagree to allocate it to others than eight-group, such as for public manufacture or joint venture capital with non-Muslim people, but some people agree to expand the value of zakat benefits by using zakat fund to build hospitals, schools, et cetera.

Thus, to make excellent social protection in a country (especially Islamic developing countries), there is a chance to combine both or to include one to another. The advantages on one side will cope with the weaknesses on the other. The lack of management in the zakat system can be solved by the professionalization of zakat (either in collection or distribution) as has been implemented in the social protection programs. In vice versa, the limited budget for social protection can be boosted by optimizing zakat potencies, through economic system synchronization or even socialization with religious approaches. As an example, best practices from four Muslim countries (Bangladesh, Indonesia, Pakistan, and Turkey) can be evidence of integration between systems. Zulkhibri studies the relevance of the Conditional Cash Transfers (CCT) in the developing economy and concludes that the concept of CCT is in line with the underlying principle of Islam to poverty eradication via cash distribution approach. He states that zakat can be used as part of the CCT program under the category of fi sabillah (one in the path of God). Zakat is a form of social security, not merely charity, and that it has an objective to build socio-economic justice through the distribution of wealth (Zulkhibri 2016, p. 1523-1524).

CONCLUSION

The rising trend of social protection program in various countries has encouraged myriad efforts to optimize its goals to alleviate poverty and vulnerability. Some countries enhance social protection programs by maximizing their potencies. In some Islamic developing countries, there is zakat system which is eligible qualified to be seen as social protection instrument, or furthermore, the contributing instrument.

This paper believes that the zakat system has huge potencies to contribute to social protection program, either in massification on collecting the fund or in distribution to the targeted groups, the poor and vulnerable people. Considering sociopolitical constraints in the implementation, the zakat system can be collaboratively included in the existing social protection program by synchronization or integration. This synergy will strengthen the achievement of the goals.

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Republika 2017, ‘Baznas: potensi zakat di Indonesia sangat besar’ (Baznas: zakat potencies in Indonesia are very high), 29 November 2017, viewed 1 April 2018.


### Table 2. Social protection in Australia

<table>
<thead>
<tr>
<th>No</th>
<th>Social protection in Australia</th>
<th>Sources of fund</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>social security system</td>
<td>general taxation revenue</td>
<td>lone parents, unemployed, retired, and disabled people</td>
</tr>
<tr>
<td>2</td>
<td>pensions for war veterans</td>
<td>general revenue</td>
<td>war veterans and their dependents</td>
</tr>
<tr>
<td>3</td>
<td>occupational super-annuation</td>
<td>employers &amp; employees, and tax concessions</td>
<td>retired employees</td>
</tr>
<tr>
<td>4</td>
<td>the health care system</td>
<td>partly from the tax levy, general revenue, and patient contributions</td>
<td>patients</td>
</tr>
<tr>
<td>5</td>
<td>work injuries and deaths compensation</td>
<td>risk-related premiums, &amp; compensation funds</td>
<td>injured employees</td>
</tr>
<tr>
<td>6</td>
<td>road accident injuries &amp; deaths compensation</td>
<td>flat-rate levies on vehicle owners paid to commercial insurers</td>
<td>injured road users</td>
</tr>
<tr>
<td>7</td>
<td>life and contingency insurance</td>
<td>commercial insurers, and tax concessions</td>
<td>insurance members</td>
</tr>
<tr>
<td>8</td>
<td>paid sick leave</td>
<td>Employers</td>
<td>sick employees</td>
</tr>
<tr>
<td>9</td>
<td>other cash and in-kind welfare benefit/ service</td>
<td>additional funds from Commonwealth Government</td>
<td>students, aged and disabled people, pensioners</td>
</tr>
</tbody>
</table>

Source: extracted from Whiteford and Angenent 2001, pp.7-8