



## ***Zakat and Waqf as an Instrument for Poverty Eradication and Alternative Financing in Nigerian Economy***

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### **Abstract**

The main objective of *Zakat* (Alms giving) is to alleviate poverty in the community, the system is specifically designed to take care of the needs of the poor and the needy from the community or Ummah. In this paper, a close look at this vital role of *Zakat* is made, indicating that the present economic hardship in the Country could be easily solved through the institution of *Zakat*. It was practiced during the time of the Prophet (S.A.W.) and his Companions, and subsequently in the period of Umar ibn Abdul-Aziz. Therefore, the system of *Zakat* is strongly recommended to be used for poverty alleviation in Nigeria. *Waqf* too can go in tandem with the role of *Zakat* as per as economic and financial issues mentioned above. This paper therefore attempts to point out the economic impacts of waqf for society in the context of the present economy. In the last part, the paper also brings about several necessary prerequisites for the revitalization of waqf institution in the current days and how it can be used in solving myriads of social, economic and financial problems bedeviling the entire Nigerian nation.

**Keywords:** *Zakat* and *Waqf*, Poverty Eradication, Financing, and Economy.

## **INTRODUCTION**

*Zakat* is one of the five pillars of Islam. Muslims are obliged by the Shari`ah to take a portion of their wealth and give to the poor as charity. This is called *Zakat*. It is designed to take care of the basic economic needs of the poor people and alleviate the problem of poverty in society. Our society today is pervaded with poverty, hunger and unemployment. The Government has failed in discharging its responsibilities of providing basic employment for its citizens, many wealthy Muslims have refused to take out *Zakat* from their wealth appropriately, and consequently these have created a wide gap between rich and poor people in society. Therefore, there is ardent need to look at the institution of *Zakat* very carefully and bring out its stipulated objectives and determine whether would be worthwhile implement them for the benefit of the community.

*Waqf* has been a unique institution introduced by Islam. According to standard opinion of Muslim scholars, there has been no *waqf* in Arabia earlier than Islam, both with inside the shape of homes or lands. Muslim jurists traced the organization to the time of Prophet (peace is upon him). Although the Glorious Qur'an does now no longer immediately outline *waqf* or make any precise connection with it, however, it encourages Muslim to do charity. Allah has promised more than one rewards for folks that generously spend wealth in His path (al-Baqarah 2: 245).

### **Conceptualization of *Zakat***

The word "*Zakat*" is derived from the verb "*zaka*" meaning to grow and to increase. When said about person, it means to improve or to become better. *Zakat* also means blessing or cleanliness and is used in the Qur'an as such:

"It is He who sent amongst the unlettered an Apostle from among themselves, to rehearse to them His Signs, to sanctify them, and to instruct them in Scripture and wisdom... (62:2).

**Al-Qardāwī (1984:54) says;**

"The original meaning of *zakat* is increase and growth; it can also be used for plants. For instance, we say the plant "*zaka*" i.e has grown, and it can be used to express growth in anything". Another definition is betterment and righteousness. You may say of a man: "*zaka*" that is, he had good character or you may say that a judge "*zaka*" the witness, meaning he showed that they were of a higher level in their testimony.

*Zakat* in the *Shari'ah* refers to the determined share of wealth prescribed by Allah to be doled out from the wealthy and distributed among the categories of those entitled to receive it. According to Al-Nawawis' report from al-Wahidi. "This share of wealth is called *Zakat* because it increases the funds from which it is taken and protects them being lost or destroyed" (Dogarawa, 2009).

### Different approaches and Programmes of Poverty Eradication:

The Federal Republic of Nigeria has over the years come up with series of programmes aimed at uplifting the standards of living of its citizens and alleviating poverty among the general populace. These programmes include Operation Feed the Nation, Green Revolution, Poverty Alleviation, Youth Empowerment as well as Poverty Eradication schemes. Unfortunately these schemes and programmes have all failed due largely to lack of focus, faithful commitment and sense of responsibility on the part of the implementers Isa,M.(2010). This additionally what Tomlison (2002) rightly found that ' It is within the ultimate 20 years, Nigeria has had thirty-seven poverty programmes applied with the pleasant of intentions via way of means of Federal government. Virtually, these kinds of programmes have failed. This has added to the sensible want to observe different techniques of poverty eradication in our societies. The best sensible approach is the Islamic machine of *Zakat*.

### Objectives of Zakat in Islam

The object of Islamic law is to protect religion, life, mind, progeny and property of individuals in society. The institution of *Zakāh* guarantees these basic needs. This responsibility is placed on the State and Islam makes it mandatory upon the State to ensure the well-being of every individual citizen.

The fundamental objectives of *Zakat* as indicated in the Qur'an is cleansing the heart of a believer from conceit, selfishness and cruelty, for him to be able to seek the good pleasure of the Lord in bringing about sanity, effluence and prosperity in his wealth through sympathy and solidarity with the poor and the down trodden. The other purpose is related to the life of the community where the weak and the indigent also live and if their needs are not taken care of they will die of starvation or else engage in criminal activities like thuggery or armed robbery.

Since the emergence of Islam, the Muslims have voluntarily given out in their wealth for the gain of others within the shape of *waqf*. Throughout the records of Islamic civilization, it's miles apparent that the scope, effect, significance and viability of *waqf* has been a long way more than every other voluntary establishments in Islam consisting of *sadaqah*, *hibah*, *wasiyah*, *qard*, and *nadhr*.

### Poverty Eradication and Alternative Financing Through Zakat

In the past 1400 years ago, Islam has put in place some institutions to fight the spread of poverty in the society. *Zakat* is prominent of such institutions. According to Ahmed (2004) these traditional Islamic institutions were able to solve the problems of poverty and provide much needed social services to the poor in the past. Given the pervasiveness of poverty in the countries, it is important to investigate how these institutions can be used in contemporary times to alleviate poverty in Muslim societies and in Nigeria in general.

Allah (SWT) has made it compulsory on the wealthy and rich people to dole out certain percentage (2.5) of their wealth to the poor annually. It does not only enhance economic and social development but also promotes unity, solidarity and harmony. According to Ghafur (2001), *Zakat* is not just an act of charity but a compulsory duty of every wealthy Muslim. It is the right of the poor in the wealth of the rich. It is as crucial as *salah* (the five – time obligatory prayer).

Islam switch payment, from the rich to the negative for the motive of redistribution of wealth and earnings within the society has been taking a crucial precept in constructing the Ummah. Furthermore, redistribution idea is likewise set up that the Qur'an and the Prophet act (Sunnah) do have overwhelming evidences which imply that Islamic machine do now not recognize and like any form of interest of wealth or earnings in a few hands. Hossain (2012) opined that *Zakat* has a number of great impacts on the society.

**First**, it's miles for the welfare of the unprivileged humans of the society.

**Second**, it's miles the blessing of Allah (SWT) for the giver in addition to for the receiver, because it improves the whole financial system of the nation.

**Third**, it establishes a society on a humanitarian ground.

**Fourth**, it eliminates the financial trouble for the terrible and needy and decreases the inequality amongst exclusive companies of humans from the society.

**Fifth**, it satisfies the recipient's desires and alleviates his monetary in addition to intellectual sufferings. Thus, it creates love and brotherhood among the wealthy and terrible, minimizes social tensions and bridges the space among the terrible and wealthy. In this manner *Zakat* develops social and financial protection to the network and brings its all individuals nearer together. In fact, its rewards are boundless.

## Conceptualization of Waqf

In the Arabic language, the word “*waqf*” (pl. *awqaf*) actually approach to hold, confine, prohibit, detain, prevent, or restrain. Legally, it approach “to shield something, via way of means of stopping it from turning into the belongings of a 3rd person” (Mohammad, Iman, & Omar, 2005: 10). Hassan (2010: 267) characterised *waqf* as “a perpetual charity which means retaining sure belongings and keeping it for the restricted gain of sure philanthropic purposes.” Kahf (1998: 4) described *waqf* from Shari’ah angle as “retaining a maal (an asset) and stopping its intake for the motive of again and again extracting its usufruct for the gain of a goal representing righteousness or philanthropy.”

## Poverty Eradication and Alternative Financing Through Waqf

Historically, there are apparent evidences that waqf were prolonged used as one of the notable equipment for alleviating poverty maximum of the society. Apart from non-secular capabilities as building mosque, waqf has executed a extensive feature withinside the socio-financial area. During the Ottomon Empire, waqf come to be the number one contributor to the financing of education, health and welfare of the general public. In another incident, Prophet S.A.W known as for the purchase of a nicely and have become it into waqf to as a method to a water shortage hassle faced with the useful resource of the usage of the public.

However, over the years, the feature of waqf withinside the socio-financial area has reduced significantly. The majority of the general public are of the opinion that waqf ought to be used quality for non-secular capabilities as an instance the building of mosques and non-secular schools. This is quite unfortunate as waqf has superb functionality to be one of the crucial contributors to the development of the socio financial of the society, specially withinside the poverty remedy area.

## The Economic Dimensions of Waqf Institution

Historically, *waqf* has played a precious function in economic aspect and always has potentialities to do so. *Waqf* could be regarded as a fundamental economic institution for purpose of generating economic activities whilst at the same time ensuring that the benefits will accrue to certain parts of the society (Alhabshi, 1991).

The dynamism of the *waqf* institution and its mechanism hence could bring about essential contributions to the economic development in the present times. Furthermore, the contributions of *waqf* for economic development can be explained, among others, as follows.

### 1. Enhancing Economic Progress

In general, the nicely controlled waqf residences might decorate monetary development within side the country. Nik Hassan (2008) reminded that it was attested with inside the past, mainly for the duration of the Ottoman Empire, that *waqf* and financial system turned into pretty related in a fantastic direction. As the *waqf* organization turned into flourishing, the country’s financial system turned into additionally advancing. The larger the dimensions of waqf residences, the larger the dimensions of personal area involvement and the greater development the financial system. There is a fantastic correlation among energetic personal area’s participation withinside the financial system with countrywide monetary development.

More interestingly, for the reason that *waqf* gives public items and therefore fulfils the society’s wishes adequately, it solves the hassle of below deliver of public items, so regularly found in traditional economies. Given the huge involvement of personal area, the supply of waqf for public functions is so considerable or even creates an extra deliver of public items in preference to their shortage in Islamic financial system.

Giving *waqf* as part of spending withinside the manner of God additionally stimulates the flow of wealth with inside the society as envisaged through the Glorious Qur’an (al-Hashr 59:7). The motivation to do *waqf* given through the Prophet and the promised lifelong and afterlife rewards have advocated Muslim human beings to do that noble charity. This motion should efficaciously keep away from hoarding and idle wealth within side the financial system making it maintains circulated and efficient which sooner or later ends in monetary development.

### 2. Reducing government expenditure and participation in the economy

Essentially, waqf isn’t always part of authorities earnings or expenditure, as a substitute it’s miles a charity given voluntarily with the aid of using well-to-do Muslim humans with inside the society to serve public pursuits and decorate their welfare. Having financed with the aid of using *waqf* fund, the authorities consequently can keep a amazing quantity of its finances and expenditure which first of all deliberate for public pursuits. This finances then may be correctly channeled to different vital improvement activities. It is on this feel that waqf organization can update the authorities’s burden and obligation and decrease its participation with inside the economy (Nik Hassan, 2008: 12). The extra the waqf fund gathered for sure improvement initiatives useful to the society, the lesser the authorities’s component can be for the ones specific initiatives.

### 3. Preventing deficit financing and decreasing rate of interest

Government borrowing via deficit financing essentially may be averted with the aid of using energetic society's dedication to social financial requirements. Deficit financing generally has a horrific economic effect at the authorities. In the existing risky global financial condition, the general public zone have to lessen its public borrowings to save you viable crises withinside the future. The preceding economic crises affecting East Asian nations gave a treasured lesson that large borrowings with the aid of using the general public in addition to non-public sectors, mainly from outside sources, added approximately excessively poor consequences at the region (Nik Hassan, 2008: 12).

As such, Cizacka (1998: 44) asserted that *waqf* gadget can drastically make contributions to large discount in authorities expenditure. This in flip results in a discount within side the finances deficit, which decreases the want for authorities borrowing and curbs the 'crowding-out effect.' Eventually, this additionally brings approximately a discount within side the fee of hobby which constitutes a fundamental obstacle for non-public funding and growth.

### 4. Restoring distribution of income and wealth

*Waqf* group additionally performs critical position to obtain a simply distribution of wealth and profits withinside the economy. Nik Hassan (2008: 13) taken into consideration that via voluntary contributions of the wealthy for the general public purpose, *waqf* could have a fine implication at the redistribution of wealth. This form of voluntary technique has a far higher end result than the redistribution via taxes and authorities switch expenditure because the tool of taxes has an extra prices implication for its implementation. Due to a loss of right tax formulation, the prices of amassing taxes may also create pointless burdens to the authorities. Likewise, withinside the transfer of government expenditure, it involves an outstanding rate. On the contrary, withinside the form of *waqf*, the prices of collection may be very cheap and, in most cases, it even involves no rate at all.

As *waqf* made via the rich people offers gain to the society in general and the horrible in particular, this feature serves to alleviate the effects of income and wealth inequality. Different from the short-term impact of government budgetary policies, the employer of *waqf* need to remove the tendency closer to attention of wealth among society (Siddiqi, 1996).

### 5. Eradicating poverty

Poverty and profits inequality have usually been a number of the maximum essential and enduring issues that the societies face. There are methods to deal with the poverty issues, beginning from preventive to healing measures. An critical manner to relieve poverty as taken into consideration with the aid of using Sadeq (2002) is charity, which has been gambling a position and might doubtlessly be an powerful method to conquer those acute issues. Charity has many forms; however a long lasting shape of charity is one which has the feature of perpetuity. The group of *waqf* is this sort of perpetual charity withinside the Islamic system.

Through *waqf*, long-term assets that generate profits flows can be created and preserved. These assets glaringly help the process of producing and introduction of wealth. *Waqf* can play an important function in poverty comfort with the useful resource of the use of mainly centered at the bad as important recipients of its benefits.

### Recommendations and Suggestions

The paper seeks to investigate the socioeconomic consequences of Zakat, an omnibus device of Islamic monetary coverage on the idea of injunctions from the Glorious Qur'an and the Sunnah, conceptual and empirical studies. Using the heuristic approach, the paper investigates and analyzes the allocative, stabilization and distributional features of Zakat on person livelihood and of the economic system as a whole.

**Firstly**, an vital attention in each traditional and Islamic macroeconomics is how assets are efficaciously allocated. The paper observed that Zakat promotes intake in particular amongst the ones people (needy and poor) with better marginal propensity to devour MPC, even as it complementarily stimulates boom in investments, all of which upward thrust average productiveness and wellness of the society.

**Secondly**, because the economic system grows and prosper, the venture of preserving monetary balance emerges. The paper discovers that on the idea of broader Islamic monetary standards, absence of *riba* and earnings and loss sharing and the organization of Zakat in particular, Zakat should function an powerful monetary stabilization device running each as expansionary device to offer profits to the ones on the decrease level, and a discretionary device to the ones at better profits level. Further, inflation, uncertainty, business-cycles, booms and recessions which inextricably are everlasting functions of capitalism are efficaciously added beneathneath manage via the automated stabilizing impact of Zakat at the economic system.

**Thirdly**, consistent with the cardinal standards of Islam of justice, equity and equity, Zakat plays the main features of cutting-edge public finance; ensures social security, fights inequality with inside the distribution of wealth, incorporates

poverty, enables provision of socioeconomic infrastructure, in any other case public goods, for the needy and poor, promotes mutual concord and social cohesion, with inside the society

Furthermore, the findings of this examine require the presentation of the subsequent guidelines to all stakeholders with inside the war in opposition to poverty in *Waqf* software and monetary improvement in Nigeria.

1. Considering the failure of numerous National and State Poverty- Alleviation Programs along the past forty years, it becomes imperative to adopt the *waqf*-based strategy which had been tested and proved very effective in many parts of the Muslim World. Efforts should be intensified by the authorities to create enabling conditions for *waqf* to function effectively.
2. The Value-Based Concept developed by the contemporary Muslim scholars should be adopted to salvage the institution of *waqf* from declining. This concept calls for the expansion of the scope of *waqf* to include consumable properties, including cash, food items and textile materials. It also allows liquidation of dormant *waqf* assets for replacement or developing other assets.
3. The Value-Based Concept developed by the contemporary Muslim scholars should be adopted to salvage the institution of *waqf* from declining. This concept calls for the expansion of the scope of *waqf* to include consumable properties, including cash, food items and textile materials. It also allows liquidation of dormant *waqf* assets for replacement or developing other assets. that approves the donation of money and consumable items to *waqf*, many people may be willing to dedicate large sum of money into the cause. This new understanding also paves the way to liquidating dormant or fruitless assets to develop new fruitful *waqf* properties.
4. As an independent financial institution, *waqf* has more generous potentials for combating poverty than *zakkah*. Therefore, a unique administrative system is required for its development instead of keeping it as an attachment of *zakkah* institution in the state and Nigeria in general.
5. The findings of this study revealed that most of people in the state and National are not fully enlightened about the multifarious significance of *waqf* which leads to apparent lukewarm attitude towards generous donation to it. Therefore, authorities should intensify their public sensitization campaign on the issue.
6. Human resource development should be given priority when administering the *waqf* funds. This is because it is the best way of sustaining poverty alleviation in the society, in addition to fostering the rapid economic development of the nation. Therefore, there is need for intensive skill acquisition programs for capacity-building of the active poor.

## CONCLUSION

The role of *Zakat* in alleviating poverty in society should not be underestimated. Islam has stipulated the rules and regulations governing the life of Muslims. They have been given a standard system by which poverty will be alleviated completely from their societies. There is no Government policy or any provision that will eradicate poverty and destitution in any given society except through the system of *Zakat* and other economic sources of Islam. Therefore, if *Zakat* institution is fully established and implemented in our societies, the issue of poverty in society will be totally wiped out.

*Waqf* device has performed a good sized socioeconomic position for the duration of records of Islamic civilization. It turned into the truth that crucial offerings had been all supplied without charge by any means to the authorities. This has honestly had many vital implications and outcomes to the general economy. By supplying crucial offerings to society at 0 value to the state, the *waqf* device can substantially make a contribution closer to the closing desires of each cutting-edge economy; a large discount in authorities expenditure. This, in turn, reasons a discount in finances deficit, lowers the want for authorities borrowing, and ends in a discount in hobby quotes and, thereby, cuts out a prime obstacle for non-public funding and growth. *Waqf* may also repair distribution of earnings and wealth and play an important position in eradication poverty. Finally, *waqf* will decorate the general financial development of the country.

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