

# **Zakat and Poverty Alleviation: A Lesson for the Fiscal Policy Makers in Nigeria**

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## **Abstract**

*In spite of her natural endowment and resources, most Nigerians are still languishing in abject poverty. Seventy percent of Nigerians live below poverty line and there is nothing to write home about in all her sectors. Both the military and civilian governments in the country, in their bid to alleviate poverty among its citizenry have come up with numerous programmes. There are equally some non-governmental organizations established for the same purpose. With these efforts, the problem of poverty still persists in the country. It is identified that the secular orientation of Nigerians has influenced them to view material conditions as the only ingredients of well being of the society. We thus feel strongly that our government could borrow a leaf from the institution of zakat as enshrined in the Qur'an and Sunnah of the Prophet and practiced by the companions. This ranges from the issues of nisab, percentage to be deducted, its distributions and the mode of collection.*

## **Introduction**

If a country should be rated in terms of natural endowment and mineral resources, Nigeria, no doubt, would be one of the highly scored ones. The fact still remains that the country is naturally blessed, that its land is good for both cash and food crops and it has high potentials for industrial and economic development. The discovery of crude oil is an additional advantage to the country and this serves as her major foreign exchange income. Such other mineral resources like limestone, tin, columbite, gold, silver, iron ore, coals, lead-zinc, gravels, bauxite, sand marble, graphite, stone-zircon, feldspar and kaolin to mention a few, are also in abundance there. In spite of all these divine blessings, it is sad to note that the country is scored low in terms of human development. An inference could be drawn to UNDP 2010 Human Development Report which indicates that 64% of Nigerians are poor and that there is no increase in her education index. In other words, Nigeria is ranked 142nd in the 2010 Rankings Human Development Index (HDI) of the United Nations Development Programme (UNDP). In his statistical analysis, Ogbulafor (2000) claimed that in 1996, the number of people bitten by excessive poverty in Nigeria was 39.2 million

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representing 65.6 percent of the population as against 17.7 million representing 28.1 percent of the Nigerian population in 1980.

The big question then is, why is Nigeria on the top list among the poor nations in the world despite all her human and natural resources? The answer to this is not farfetched. The parable of a city set forth by Allah in the Qur'an aptly gives a clue to this.

Allah sets forth a parable: A city enjoying security and quite abundantly supplied with sustenance from every place, yet was it ungrateful for the favours of Allah. So Allah made it taste of hunger and terror (in extremes) (closing in on it) like a garment (from every side), because of the (evil) which (its people) wrought. And there came to them a messenger from among themselves, but they falsely rejected him; so the wrath seized them even in the midst of their iniquities (16: 112 – 113).

The above Qur'anic verses clearly indicate that one of the major causes of poverty is ingratitude to Allah. A means of being ungrateful to Allah's mercy is failure to obtain and disburse wealth in line with His dictates. Leaving aside Allah's injunctions on issues for one's whim and caprices only spells doom for the nation. While Islam recognizes various means of generating funds for public services, the institution of *zakat* serves as a model for fiscal policy makers in an Islamic state, so that justice is done to both the rich and the less-privileged ones in the society. The multi-religious nations like Nigeria could also have some leaves to borrow from this as well. It is not our intention in this paper to evaluate the workability of *zakat* as a source of revenue generation, because in actual fact it may not be a substitute of other forms of taxes in view of its relatively limited percentage which implies inadequate limited income. Rather, we intend that *zakat*, being a religious levy, has some rules and conditions guiding it, which of course could be useful for fiscal policy makers when designing their tax strategies so that such would boost poverty alleviation in the country.

### **The Extent of Poverty in Nigeria**

A report released by the Federal Office of Statistics revealed that 70 percent of Nigerians live below poverty line compared to 35 million poor Nigerians in 1985 and 67 millions in 1996, while a vast majority of the population lives below \$1.25 per person per day. Educationally, the adult literacy rate is only 52.5 per cent, while the combined gross enrolment ratio in educational institutions (primary, secondary and tertiary levels) is only 51.0 per cent. Despite the abundance of wealth with which Nigeria is endowed, the nation's education sector remains in a state of doldrums. A one-time World Bank Vice President for Africa, Jean Louis Sarbid, when visited Nigeria remarked:

The dilapidated schools we saw simply broke my heart .... It is a dreadful place for teaching and learning and far too typical of, even worse than the world's poorest country (The Punch, Nov. 12, 1998:25).

Still lamenting on the pathetic nature of the process and practice of schooling in Nigeria, the Ex-Minister of Education, Dr. Iyorchia observed that not many schools could boast of desks, dusters, chalks and staff quarters. Overcrowded classrooms and dilapidated structures remain the typical features of the school system (Ukeje, 1995: 146). Apart from this, many families could not afford to give their wards basic education, as they are not financially buoyant to pay the ever-increasing school fees and examination fees. Where free education is run by some states, it is mere political propaganda. With the efforts of the various governments in the country, it is sad to note that many students are still receiving their education under the shade of trees in some states.

Furthermore, many graduates are aimlessly roaming about the streets with nothing tangible to lay their hands upon. Amoloye (1987:18) observes that out of 35,600 NYSC (National Youth Service Corps) graduates of 1983, only 1,350 secured government jobs. This is equally confirmed by the reaction of the Works and Housing Ex-Minister, Chief Tony Anenih, on the registration of applications for Poverty Alleviation Programme recently launched by the Federal Government. The Minister explained that the government originally expected to register 5,000 people per each state, but to his surprise, the turnover of applicants was higher than the expected figure, as Kano State alone registered 49,000 applicants, while Lagos State recorded 38,000 (Sunday Concord, April 2, 2000: 1-2). No one can say that the condition has improved up till now, as many graduates are still wandering about looking for jobs that are not there. In 2010, the World Bank puts the number of Nigerian job seekers who enter unemployment market every year at six million.

In addition to the above, the misery, anguish and frustration that those who retired from government services are exposed to after their retirement are highly alarming. Some have become beggars after waiting for long but with no positive response from the government. Many victims have been forced to sell their personal properties to make both ends meet and to feed their dependants. Many had died while waiting for their retirement benefits.

In the health sector, there is nothing to write home about. Many of the hospitals could not boast of adequate infrastructure and this has affected adequate healing services. In some hospitals, lack of adequate personnel is recorded. Many villages have no hospital at all and so, have to trek several distances before getting to the nearby ones.

Even where there are hospitals, they are ill equipped. Many have died of minor illness, as they could not afford to buy drugs or consult a medical doctor.

The level of poverty in the country is generally manifested in lack of social amenities like drinkable water, electricity, accessible roads and telecommunication. One cannot exhaust the magnitude of poverty as it bits the citizens of Nigeria. However, the government does not fold arms at the pathetic conditions of Nigerian citizens. Many programmes have been put in place by the government to alleviate poverty among its citizens. These are considered in the next sub-heading.

### **Secularistic Approach to Poverty Alleviation in Nigeria**

Both the military and civilian governments in Nigeria, in their bid to alleviate poverty among its citizenry have come up with various programmes. The Operation Feed the Nation of Obasanjo regime in 1976 was embarked upon for the purpose of improving food production. This was changed to the Green Revolution during the tenure of Alhaji Shehu Shagari in 1983. The purpose of the programme was to address the shortage of food production, which is a prerequisite to solving the problem of poverty. The Austerity Measure and the Structural Adjustment Programme (SAP) are some of the programmes adopted to stabilize the nation's economy as well.

Some programmes were designed by the General Ibrahim Babangida's administration in its effort to make life better for the populace. In order to create more job opportunities for young school leavers, the National Directorate of Employment (NDE) was established. Later, the Directorate of Food, Roads and Rural Infrastructure (DFRRI) was initiated by the same administration for the purpose of improving agricultural productivity and other social infrastructure for the rural dwellers. In her effort at providing opportunities for the masses and less privileged to have access to credit facility, and to make loans available to farmers for investment into the agricultural productivity, the same administration established the Community Bank and Peoples Bank of Nigeria (PBN) respectively.

The Better Life for Rural Women and the Family Support Programme (FSP) were organized by the Babangida and Abacha regimes respectively. The Family Support Programme (FSP) of Abacha was introduced under Decree No. 11 of 1997 for the purpose of raising the level of productivity and economic power of the people, especially the vulnerable ones, and to serve as an investment promotion and poverty alleviation programme that was to stimulate economic activities in the country, particularly at the grassroots. The general aim of these organizations was to empower the womenfolk especially the rural women to use their talents for the socio-economic

improvement of life for mankind. However none of the programmes was able to record expected results, as most of their projects were concentrated in urban areas where the few educated people monopolized the dividends of the programmes. According to Sulaiman (2002:58), all the poverty alleviation measures adopted in Nigeria are superficial because they are incapable of achieving the purpose of their establishment namely alleviating poverty, while “the meager resources are misused by some members of the elite who implement them.”

The Obasanjo civilian government came up with the Poverty Alleviation Programme (PAP) mainly to create job opportunities and improve rural electrification and water supply. It however witnessed premature death due to some administrative problems between the legislatives and the executives. The 7-point Agenda of President Umar Musa Yar’adua aimed at improving the conditions of Nigerians died soon after the death of the President, its initiator, while the overall picture of poverty in Nigeria still persists. Little wonder then that Mika’il (2000: 31) concludes that none of the poverty alleviation measures in Nigeria have succeeded in achieving the purpose of their establishment.

Apart from the governmental efforts, there are some non-governmental organizations established for the purpose of alleviating poverty in Nigeria. These include the Life Above Poverty (LAPO) in Benin City, Halt United Self Help Organization (HUSHO) in Nsukka and the Women in Cooperatives, Agriculture and Development (WICAD) in Ogbomoso. Others are the Total Health Organization (THO), the Grassroots Empowerment Network (GEN), the Community Action for Popular Participation (CAPP), the Transparency in Nigeria (TIN) and the Country Women Association of Nigeria (COWAN) to mention but a few. The failure of these organizations, both at local and international levels are aptly given by Maren (1997) who narrated his personal experience in working with these NGOs in Africa for eighteen years, and so concluded that they are:

.....a spectacular waste of funds, a fraudulent record of accounts, sensational salaries and lifestyles of the directors, a complete disregard for the recipients or the children, and the creation and funding of “projects” that are so badly managed and so utterly unsuited to the geography of the country and needs of the people and they often do far more harm than good, leaving the recipients in a worse state when they found them.

Whatever the case may be, one is optimistic that no government is lackadaisical to the well being of her citizens, while with the efforts of non-governmental organizations, there is no cause for the country to be languishing in abject poverty. However, the secular orientation of Nigerians has influenced them to view material conditions as

the only ingredients of well being of the society. This makes every member of the society struggle its acquisition through any means. Materialism, no doubt, breeds corruption, embezzlement, kickbacks, hoarding, smuggling, falsification of accounts and other vices in the society. It is pertinent to mention here that all the programmes put in place for the purpose of alleviating poverty do not give room for alleviating spiritual poverty hence the vanity of the attempts to bring an end to material poverty. It is equally disheartening to observe that while many innocent people find it difficult to have their daily meals, the few elected politicians receive millions of naira as furniture and sitting allowances. Of recent, the Governor of the Central Bank of Nigeria, Sanusi Lamido Sanusi, revealed that 25% of the nation's wealth is being used by the nation's law makers alone. The wide gap between the haves and have-nots, and the rich and the poor has been the major cause of criminal acts like robbery, burglary and other societal vices of such.

### **Islamic Perspective of Poverty Alleviation**

Ever before the creation of mankind, Allah had created many other movable and immovable materials. The wisdom behind this is that human needs on earth have been put in place long before his creation. The lodging of Adam and his wife in the Garden confirms that Allah did not want them to live in penury and poverty. The Qur'an confirms this when it says:

There is therein (enough provision) for you not to go hungry nor to go naked, nor to suffer from thirst nor from the sun's heat (Qur'an 20: 118-119).

As it is Satan that threatens with poverty, Allah warned Adam and his wife not to succumb to its temptation. This they failed to yield to and thus found themselves in the wrath of Allah. When eventually they were pardoned, they were left at the mercy of working to earn their living and working tirelessly for them to be admitted into the Garden once again. Thus, Islam encourages lawful earning and abhors laziness and indolence. It allows mankind to move from place to place in search of viable and reasonable livelihood and that there is no room for unwise decision to live in poverty or under persecution and oppression. The Qur'an says:

When angels take the souls of those who die in sin against their souls, they say: "In what (plight) were you?" They reply: "Weak and oppressed were we in the earth." They say: "Was not the earth of Allah spacious enough for you to move yourselves away (from evil)? ... (Qur'an 4:97).

Islam affirms that Allah owns everything in the world and that the owner of any property is only a trustee who holds the property on behalf of the community. Further

still, Islam enjoins man to struggle to earn his living through lawful means while it renounces earning through sinful means like looting, plundering, extorting, gambling and robbery. It equally condemns begging as a means of sustenance.

In his *Ihya' 'Ulum ad-din*, Al-Ghazali identifies two types of poverty, namely, real poverty and poverty due to greed. Real poverty implies lack of having basic necessity of life, while poverty due to greed comes as a result of man's insatiable wants of material wealth. The causes of poverty have also been delved into by scholars. This explains the difference in their perception of the term *faqir* and *miskin*. The *faqir* (the poor) is used for those who on account of some defects are unable to earn their living, while the *miskin* (the needy) are those who though fit to earn their living, but due to lack of resources or on account of poverty are unable to do so. This is true of the unemployed graduates.

It is a fact that Allah gives enough guideline and precaution against poverty and so, any existing poverty can be considered man-made. Islam recognizes the fact that some people are created weak that to seek better livelihood may be difficult, and so, designs a means of assisting them by instructing the rich and the well-to-do in the society to set aside a fractional part of their wealth to assist the poor members of the family.

As a means of contributing to the realization of the social objectives as well as alleviating poverty in the society, a number of institutional arrangements unique to the Islamic system are put in place. Such include the institution of *zakat*, *sadaqah*, and *mirath* (inheritance) among others. Out of these, only the institution of *zakat* is discussed in this paper.

### **Zakat as a Means of Poverty Alleviation**

Virtually all prophets are enjoined by Allah to take care of the weak, orphans and the poor through the institution of *zakat*. In his own words, Prophet 'Isa said, "He has directed me to pray and give *zakat* as long as I live"(Qur'an 19:31). Of Ibrahim and Ya'qub, the Qur'an says: "We made them leaders, guiding by our command and revealed to them the doing of good actions and the establishment of prayer and the payment of *zakat*, and they worshipped Us" (Qur'an 21:73). This confirms that the institution of *zakat* in Islam is as old as Islam itself and it has been in operation before the time of Prophet Muhammad. The Prophet was also commanded to collect and distributes *zakat* in the following words:

Take *sadaqah* (alms) from their wealth in order to purify them and sanctify them with it, and invoke Allah for them. Verily, your invocations are a source of security for them; and Allah is All-Hearer, All-Knower (Q9: 103).

The above verse indicates that apart from being a means of alleviating poverty, *zakat* also serves the purpose of security for them. In essence, both the donors and the receivers have the divine blessings of this spiritual exercise. Sadeq (1994:21) has rightly observed the role of *zakat* as an effective tool for welfare of the state and poverty alleviation when he writes:

The institution of *Zakah* has implications for micro and macro-economic variables. In the former, *Zakah* is said to result in favourable effects on saving and investment behaviours without affecting work efforts. Favourable macro-economic effects are expected to cover several dimensions including allocative efficiency, economic growth, distribution of income, poverty eradication, social security and stabilization.

It is the aim of the institution of *zakat* in Islam to alleviate if not eradicate hunger, poverty, disease and ignorance by guaranteeing the provision of basic necessities of life in one hand, and to some extent, solve the problem of unemployment so that they too may eventually become independent. Although, *zakat* is a purely religious levy which is one of the pillars of Islam, the enactment of *zakat* as a tax by law in the Sudan in 1984 changed the trend by making it as an Islamic tax which can be collected to finance government activities. Also, the non-Muslims in Sudan which constitute about a quarter of the population of the country were levied the same 2.5% under the name of the social equality tax.

In Islam, social welfare services are considered part and parcel of faith. This explains why *zakat* is paired always with *salat* in numerous verses of the Qur'an. In the light of this, social welfare services could be seen as a trust which must be discharged by the rich to the poor, the needy and the weak, failure which can earn the rich the torment of Allah in the Hereafter. The following Qur'anic verses confirm this:

And spend (in charity) of that with which We have provided you before death comes to one of you and he says: "My Lord! If only You could give me respite for a little while, then I should give *sadaqah* (i.e. *Zakat*) of my wealth, and be among the righteous. And Allah grants respite to none when his appointment (death) comes. And Allah is All-Aware of what you do (Q.63: 10-11)

(It will be said): 'seize him and fetter him'. Then throw him in the blazing fire. Then fasten him with a chain whereof the length is seventy cubits! Verily, this was he that would not believe in Allah, and urged not on the feeding of the poor. So he has no friend here this Day, or any food except filth from the washing of wounds. None shall eat of it except the sinners (Q.69: 30-37).

One needs to say here that the institution of *sawm* in Islam also aims at giving the rich the opportunity of having practical experience of the pangs of hunger of the poor through abstaining from food, drink and sexual intercourse for certain prescribed period. Through this, the sympathy for the poor in the hearts of the rich is awakened. In addition to this, *Zakatul-fitr* is made compulsory for the rich, at the expiration of the fasting, not only to purify their fasting, but also to address the suffering of the poor and the needy.

The beneficiaries of *zakat* are mentioned in Qur'an 9: 60 thus:

Alms are for the poor and the needy and those employed to administer the (funds) and those whose hearts have been recently reconciled (to truth); for those in bondage and in debt; in the cause of God and for the wayfarer. (This it is) ordained by God, and God is full of knowledge and wisdom.

From the above, it can be deduced that *zakat* is instituted to address instances of poverty due to certain occurrences if properly collected and judiciously monitored by those entrusted with it. The work of Sikandar Shah (2010) in this aspect is very useful, as he, in his "Investment of *Zakat* Fund: Modern Juristic Debate and Modes of Financing" has dealt extensively on the recipients of *zakat* and such questions as the permissibility or otherwise of paying *zakat* only to one category; should *zakat* be given to all the heads of recipients, can non-Muslims receive *zakat*, and has the payment to be directed to the poor and needy and finally on *zakat* investment.

The orphans, old people, handicapped, divorced, patients, permanent low income, families of prisoners and missing people and students are considered part of the *fuqara'* and *masakin* (the poor and needy) who should have a share in the distribution of *zakat*. *Zakat* can therefore be used to empower them by procuring for them necessary tools and implements which will assist them to become self-employed or productive. Payment could also be made to them directly especially if they have no expertise or are handicapped (Sikandar Shah, 2010: 26-27).

The institution of *zakat* in Islam also provides job opportunity for the people. This is because its collection and distribution involved personnel for effectiveness. This explains why the Qur'an stipulates that a fraction of whatever is received as *zakat* be set-aside for those who are working as its collectors and distributors. Proceeds from *zakat* may be spent to integrate new converts to Islam into the Muslim community, especially when such are cut off from their economic resources or are being intimidated for accepting Islam. Those confused about Islam or show tendency to renounce Islam could also be 'lured' into Islam by giving them a share from the *zakat* proceeds.

Another means of disbursing *zakat* is to free slaves. As slavery is gradually obsolete, it has been suggested that such share can be used to free Muslims from captivity or oppression and socio-economic domination of the powerful (Sikandar Shah, 2010: 27). Those who have incurred debt on account of poverty, wars, economic recession or bona fide loss in business activities fall into another category of recipients of *zakat*. The way farers are also categorized among the recipients of *zakat*. These are travelers or those who become stranded in foreign land for one reason or the other. They are to be assisted from *zakat* fund for them to get to their destination.

The category of recipients of *zakat* which generates much discourse among scholars is the one set aside for the cause of Allah. Sikandar Shah (2010: 28-29) cited scholars like Maududi, Syed Qutb, Abul Kalam Azad and Shibli Nomani to have taken the phrase *fi sabilillah* to include such programmes which have direct bearing to the poor like propagation of Islam, Islamic education, social welfare programmes, economic development projects manpower training and education in various scientific and technical fields. Also, Mohammed Qutb was cited to have included the usage of *zakat* fund for provision of social services like hospitals and schools and for factories which create employment opportunities for the people. However, Qureshi and Shahhatah objected to usage of *zakat* on socio-economic structure except if such projects would enhance the position of the poor and the needy.

### **Lessons from the Institution of Zakat**

*Zakat* is not restricted to money or gold alone; it is payable on certain human property including merchandise, agricultural produce and cattle, on the condition that such property has reached a certain limit called *nisab* and has been in the possession of its owner for a year. *Nisab* differs with different kinds of property. The minimum assessable quantity (*Nisab*) of gold or gold jewellery is 85gms, while that of silver is 595 gms. During the lifetime of the Prophet, the *nisab* was fixed at 20 *dinars* for gold and 200 *dirhams* for currency. An equivalent of this is calculated in cash today as the *nisab* upon which *zakat* can be deducted. On such agricultural products as grains, oil seeds, beans, peas, the minimum assessable quantity is 650kg. In the case of animals, the *nisab* of camel is five, thirty for bulls or cows and forty for goats or sheep. Therefore, any person whose property has not reached the minimum assessable quantity is not liable to deduct *zakat*. This, in essence, should be a lesson for fiscal policy makers to equally set up a minimum standard for the collection of taxes. The current Pay as You Earn (PAYE) system cannot be equated with the *zakat nisab*, as it only stipulates what individuals should pay based on their income. A situation whereby a person who works in a private institution with a monthly pay of between

#2,000 (\$13.3) and #10,000 (\$66.67), is still requested to pay tax to the government purse is grossly inadequate, as it amounts to exploitation on the part of the government who does not provide him a job and yet extract from the little he is receiving elsewhere. Therefore, government should, as a matter of exigency, set up a minimum standard whereby workers whose monthly take-home could not take them home are exempted from paying taxes.

Furthermore, in the institution of *zakat*, a reasonable amount is specified to be deducted from one's possession or accumulated wealth, when such remains in his possession for a whole year. *Zakat* is levied at almost a uniform rate of 2 ½ per cent (2.5%) of such a wealth. This implies that  $\frac{1}{40}$  will be deducted from the wealth. On grains, oil seeds, beans, peas, there is leviable tax of one-tenth of the crop, even when grown on rent paying land. Where irrigation is partly done by machine and partly by rain, the rate is 5% and if not, 10%. On fish and other marine wealth, the value of 85gms gold is its *nisab* and a due of 10% is paid annually out of the net profit. On the category of animals that are *zakatable*, the amount to be deducted can succinctly be given as follows:

| Wealth        | <i>Nisab</i> range | Rate of <i>Zakkat</i>    |
|---------------|--------------------|--------------------------|
| Camel         | 5 – 9              | 1 ram / goat             |
|               | 10 – 14            | 2 rams / goats           |
|               | 15 – 19            | 3 rams / goats           |
|               | 20 – 24            | 4 rams / goats           |
|               | 25 – 35            | A year old she-camel     |
|               | 36 – 45            | A 2-year old she camel   |
|               | 46 – 60            | A 3-year old she camel   |
|               | 61 – 75            | A 4-year old she camel   |
|               | 76 – 90            | 2, 2-year old she camels |
|               | 91 – 120           | 2, 3-year old she-camels |
| Sheep / Goats | 40 – 120           | A ram, sheep or goat     |
|               | 120 – 200          | 2 sheep                  |
|               | 201 – 300          | 3 sheep                  |
| Cows          | 30 – 39            | A 2-year old calf        |
|               | 40 – 59            | A 3-year old calf        |
|               | 60 – 69            | 2, 2-year old cows       |

Source: Al-Qaradawi, *Fiqh az-Zakat*, Vol. 1, 1994

From the above, it can be deduced that Islam demonstrates modesty on the amount to be paid as *zakat*. The amount is so moderate that it is convenient for any serious qualified man to pay easily. The contemporary insensitivity of the individual to collective responsibility, the widespread tax avoidance and tax evasion can largely be attributed to the neck-broken levies and taxes charged by the government.

It is our observation that the huge amount being charged by the government as taxes and levies tells much on the people from the grassroots, while those levied, fraudulently try to escape the payment. A good example of this is the exorbitant grading fees charged by the government on cash crops like cocoa and palm kernels which many licensed buyers try to avoid by either evacuating their products to their destination at night or by trying to procure through dubious means the necessary vouchers and papers from the neighboring states that charge less. Where they are forced to pay this amount, the farmers suffer the consequence. Islam frowns at such an act of exploitation on the part of the government and so demands moderate levy affordable to the payer. Should the government borrow a leaf from the institution of *zakat*, the high rate of fraudulent acts would be reduced, while the people would be ready to give rather than being grabbed. This probably explains why Al-Qaradawi (1999) listed convenience as a salient principle for a viable tax to be levied. The amount may seem infinitesimal, but with the willingness of the payers to pay, and with proper management, it will help in no small measure to serve the purpose for which it is designed.

The practicability of this is manifested in the activity of the Kano State Islamic Council for *Zakat* which within a short period of its establishment and with little or no efforts from the government at initial stage, was able to realise and disburse a large sum of money. The table below shows the trend of *zakat* proceeds and disbursement between 1987 and 2000 as documented by Aliyu, (2000).

| Year | Amount collected | % change | disbursement  | Balance     |
|------|------------------|----------|---------------|-------------|
| 1987 | #5,175.00        | -        | NA            | NA          |
| 1988 | #46,600.00       | 801%     | -             | -           |
| 1989 | #13,802.00       | -70%     | -             | -           |
| 1990 | #35,000.00       | 154%     | -             | -           |
| 1991 | #55,960.00       | 60%      | -             | -           |
| 1992 | #119,49.00       | 113%     | #119,20.07    | #28.93      |
| 1993 | #218,327.53      | 83%      | #218,085.53   | #2.00       |
| 1994 | #533,301.82      | 144%     | #508,301.82   | #25,000.00  |
| 1995 | #476,741.11      | 11%      | #453,741.11   | #23,000.00  |
| 1996 | #555,969.72      | 17%      | #555,962.82   | #16.90      |
| 1997 | #571,368.26      | 3%       | #571,357.86   | #10.40      |
| 1998 | #1,171,315.70    | 105%     | #1,165,317.50 | #5,998.20   |
| 1999 | #2,506,344.50    | 114%     | #1,802,326.20 | #704,018.30 |
| 2000 | #2,887,819.40    | 15%      | #2,292,649.40 | #595,170.00 |

Apart from the above, the Islamic Forum, an Islamic organization in Lagos State delved into collecting *zakat* during the 2010 Ramadan. It is interesting to note that

within a year a substantial amount of money was realized and disbursed. The Table below shows the summary of 1431A.H Collection and Distribution of the *zakat*.

|                                       |            |
|---------------------------------------|------------|
| TOTAL COLLECTION                      | #3,119,720 |
| TOTAL DISBURSEMENT                    | #2,992,200 |
| DETAILS OF DISBURSEMENT               |            |
| Education Grants                      | #885,000   |
| Orphanages and Charity Homes          | #465,000   |
| Medical Grants                        | #520,000   |
| Specialized Da'wah and Da'wah Workers | #687,200   |
| Widows and orphans                    | #425,000   |
| Administrative Expenses               | #10,000    |
| TOTAL EXPENSES                        | #2,992,200 |
| NET BALANCE                           | #127,520   |

*Note:- to get the dollars equivalent of this, divide the amount by 150*

It is not the amount realized from the efforts that attracts our attention, but the spirit of willingness of the payers to pay without being coerced. Meanwhile, in view of the fact that *zakat* could not bring in a large revenue to the public treasury because of its low rate, a leaf could be borrowed from Pakistan where local committees were formed to oversee the collection and disbursement of *zakat* instead of making it part and parcel of Government Budget. The local committees spend 62.5% of the collected *zakat* and 37.5% is sent to the central *zakat* fund (financeinislam.com).

It needs to be stressed that the institution of *zakat* is quite different from conventional taxes charged by the government. Apart from being obligatory, it is instituted for the benefit of the poor, the destitute and the needy and some other categories mentioned in the Qur'an. Thus, rather than spending such money on projects, which have no direct bearing to the benefit of the less-privileged in the society, government must realise that not all citizens of the country are able to get their three square meals per day, many are jobless and have nothing to feed their dependants, many are in hospitals looking aimlessly for means of paying their bills, while some are in their homes patronizing quacks because they could not afford the normal hospital charges. If the opinions of Nigerians are sampled, one is optimistic that majority of them would prefer good road, basic electricity, affordable health care services, portable water supply and job opportunity, to the national identity card and magnificent stadiums for sporting activities. One is also sure that they would have preferred billions of naira spent on the celebration of the nation's 50<sup>th</sup> Independence anniversary be rather spent on provision of job opportunities for millions of unemployed youths roaming aimlessly about the street. The point intended to be made here is that the welfare package of the institution of *zakat* needs to be emulated

by the various arms of government in the country so that the less-privileged ones equally have sense of belonging.

The beneficiaries of *zakat* as contained in Qur'an 9: 60 indicates that *zakat* is instituted for the benefit of alleviating the problem of the poor, the needy and those in debt or in bondage, if properly collected and judiciously monitored by those entrusted with it. The institution of *zakat* in Islam also provides job opportunity for the people. A practical example of the instrumentality of *zakat* as a means of alleviating poverty was demonstrated in Damascus during the era of the *sallaf* and specifically during the Umayyad Caliph, Umar ibn Abdul-Aziz, who on his assumption of the throne of the caliphate took special interest in *zakat* administration. Less than three years after he became the caliph, there remained nobody in the capital, Damascus that was in need of *zakat* as a poor man, pauper or a debtor. With adequate disbursement of the *zakat* to those eligible to collect it, many of them rose to the status of paying *zakat* rather than taking it, hence the number of those who now paid it increased.

One unique characteristic of *zakat* is that it is levied not on the income of its payers, but on accumulated net worth which is in one's possession for up to a year. This implies that any wealth that is left idle would be penalized through the annual *zakat* payment. In order to guard against this, the wealth owner has the option of investing his wealth more so that the invested amount is *zakat*-free. A leaf can be borrowed here by our government, to shift their taxes from the income of the payers to the accumulated wealth from such income. This would discourage hoarding and encourage investment. Payers of such taxes will thus prefer to invest their wealth on other lucrative businesses and this will in turn create job opportunity for others and cumulatively produce more people who will be eligible to pay *zakat* as their status will rise from receivers to payers.

It behooves to mention that despite the alarming rate at which the citizens of Nigeria are languishing in abject poverty; despite the fact that a large percentage of them have no access to portable drinking water; despite her poor road network and epileptic power supply, as well as joblessness of her university graduates, the nation still finds it difficult to dip her hand into more than fifty-eight billion dollars it has as her foreign reserve. While we acknowledge the importance of foreign reserve as a fall back for any nation during any natural financial disaster, yet, we still uphold that if the government realizes that should 50% of the foreign reserve be taken for investment, and should the investment be handled by trustworthy people who would not loot and turn everything to their personal property, the opportunity will be created for citizens to get job and this will consequently increase the income of the government, as those beneficiaries will in turn contribute their quota to the development of the nation.

In the same vein, it is observed that operating fixed account in banks discourages innovation by small businessmen, discourages investments and causes unemployment. This is because the depositor is rest assured of interest on the money and so does not bother to invest his money on any business again. This is not in the spirit of Islam which encourages investment and forbids usury. In his *tafsir* of the Qur'an, Imam ar-Razi (quoted by Qaradawi) while commenting on the wisdom of the Qur'anic prohibition of usury says:

Dependence on interest prevents people from working to earn money, since the person with *dirhams* can earn an extra *dirham* through interest, either in advance or at a later date, without working for it. The value of work will consequently be reduced in his estimation, and he will not bother to take the trouble of running a business or risking his money in trade or industry. This will leads to depriving people of benefits, and the business of the world cannot go on without industries, trade and commerce, building and construction, all of which need capital at risk.

In essence, if the principle of *zakat* is allowed to operate, and such depositors realize that rather than expecting interest on their money, their money that is left idle would be penalized through the annual *zakat* deduction, they would prefer the option of investing rather than saving, and this would be beneficial to them and the entire society. Hooliganism and thuggery which characterized the political scene of the country, the high rate of insecurity of life and property, the manifestation of social crises, tribal strife, free trafficking and peddling of drugs, are all resultant effects of youth unemployment, which could be ameliorated through investment. Thus, all efforts at controlling societal crime and other acts of indiscipline in the society will for long remain a mirage if creation of appropriate job opportunities is taken with levity.

Another great lesson for the nation to share from *zakat* is its diversification where it is not restricted to money alone but to animals and farm produce. It is a pity that as soon as the Nigerian government discovered oil as a source of revenue generation, it neglects other sources of income like agriculture which was hitherto the mainstay of the economy. This is appropriately put by Amoloye (1987: 17) when he observed:

...in the 1960s "palm products, cocoa, groundnuts, rubber, cotton, timber, tin etc" competed favourably with one another, in securing a big chunk of foreign exchange earnings for Nigeria, they were relegated to the background once the oil started booming owing to 1973 oil embargo. Oil, a wasteful asset, soon emerged as Nigeria's major foreign exchange earner. The fact of Nigeria being mostly agrarian economy was lost on the leaders and they also put the cart before the horse by pursuing urbanization before industrialization.

In essence, the problem in the Niger-Delta area of Nigeria could be a thing of the past should the government diversify her economy and depend less on petroleum, as each of the geographical zones in the country has her natural resources which could be adequately tapped and exploited and could as well serve as sources of income for the country.

It is pertinent to reproduce here the assertion of Gidado (2003: 83) who looks at the institution of *zakat* from economic point of views, when he writes:

In general, a certain amount of *zakat* funds invested according to the overall production priorities of an economy would benefit the poor and the economy through its multiplier effect on employment and income. The amount of the funds invested in production activity would create a regular flow of income that would progressively increase depending upon the rate of profit and the immediate expenditure needs of the recipients. The benefit to the recipients would be in the form of the profit share and wages for those who are at the same time employed in the industries. In the long run, many one-time recipients of *zakat* may not remain eligible for it (they would have graduated so to say from that status), yet they can continue to receive incomes from the undertaking. The savings or retained earnings may at the same time be ploughed back into the same or other businesses.

Finally, Mika'ilu (2000: 39) identified five advantages of *zakat* over the conventional taxes, namely:

- i. The religio-economic feature of *zakat* does not allow for such fraudulent practices as tax evasion which is a grave shortcoming of modern taxes.
- ii. *Zakat* makes it possible to cleanse hoarded wealth for the overall benefit of the society.
- iii. *Zakat* clearly spells out its heads of expenditure (beneficiaries) thereby making it impossible for its collectors to freely utilize it in any way not specified by Allah.
- iv. *Zakat* provides an unparalleled source of social security; as it is being disbursed in aid of the poor, the destitute and the disabled, to help those new converts in difficulties, to help the needy, to help the debtor to pay his debts, to free slaves and to help those wayfarers in difficulties.
- v. *Zakat* expedites the religio-economic course of production and smoothens the path of national progress, cohesion and well being by creating a balance between the demand for and the supply of commodities. It does this by according purchasing capability to the poor and the needy.

## Conclusion

So far, the rate at which Nigerians are being bitten by poverty has been identified. The cause of this is mainly artificial, as Allah provides all necessary human and natural endowments for it to survive. The common causes of the poverty have always been over-indulgence in injustice, transgressions, selfishness and materialism engendered by wrong economic system groomed out of faulty education. In this wise, it will be difficult to effect any meaningful change in the economic system of a nation if the education system is faulty. With educational reform, one is sure a lot of things will equally be reformed. From this, one contends that the present educational system which promotes materialism be substituted with Islamic system of education which aims at the balanced growth of the total personality of man through the training of man's spirit, intellect, rational self, feelings and bodily senses. Despite numerous man-made economic policies and programmes put up to alleviate poverty in the country, it seems the nation has not moved forward. We thus offer an alternative means of poverty alleviation via Islamic concept of *zakat* and how it can be applied in the mainstream of the nation's economy.

From the above, there is the need for the government to establish a ministry that will take care of the aged people, widows, orphans and victims of natural disasters as these, form the bulk of the poor and needy in the society. We are optimistic that the menace of street begging, prostitution, child abuse and trafficking, and other criminal acts can be a thing of the past should the government take proper care of the orphans, as entrenched in the institution of *zakat*. A separate committee should be set up to address the misery, anguish and frustrations that those retired from government services are exposed to after their retirement. Similarly, government should intensify efforts on the issue of declaration of assets with all sincerity and dedication, to ensure and encourage accountability of public funds and discourage hoarding, fraud, embezzlement and other money-related vices.

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