

Mentioning Masarif al-Zakat, examine the existing system of Zakat distribution in Pakistan. What are its strengths and weaknesses, and how it can be improved to ensure the circulation of wealth and economic development?

Zakat made obligatory in Islam in 2AH. The word Zakat means purification and growth. It is 4th pillar in Islam that highlights the importance of almsgiving as an obligatory charity. In Quran Hakeem, Allah says:

”انما الصدقات للفقراء والمساكين واليتامى
عليها والعول لفة قلوبهم وفي الرقاب
والذين امنوا في سبيل الله وابن السبيل فريضة
من الله والله عليه حكيم 66

[Al-Tawbah: 60]

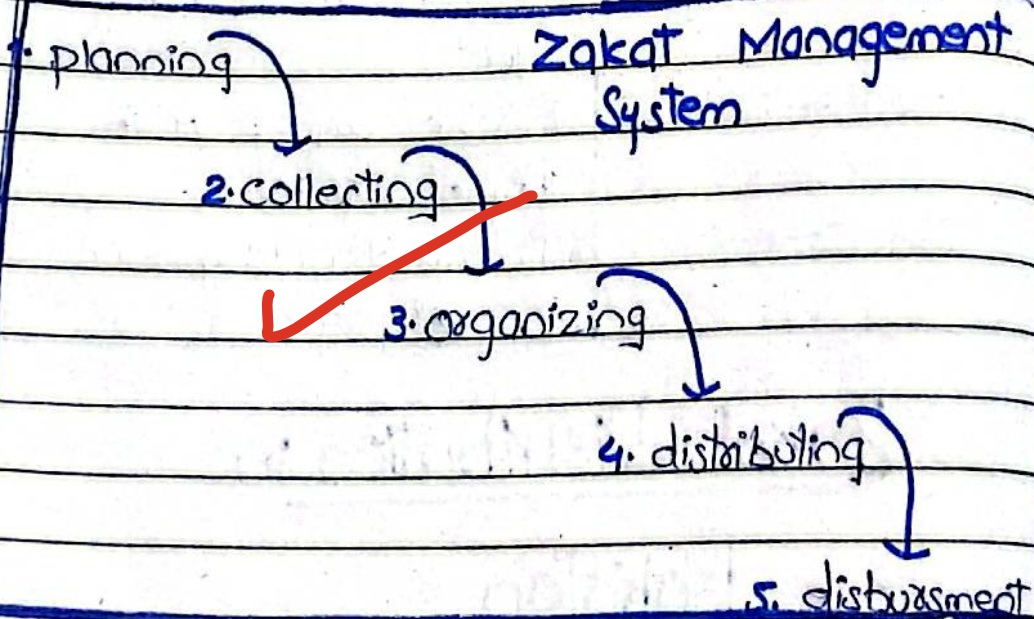
There are eight recipients who are eligible to receive zakat charity called as Mustahiq, and Muzzaki are those people who can certain amount of money, according to Nisab, from their wealth.

Musarif	Description
Fuqarah	Those who are suffering due to economic hardships
Masakeen	Those who do not even ^{afford} possess basic needs.
Aamileen	administrators of zakat system
Mualafatul Quloob	Those who are expected to convert to Islam.
Fi-Riqab	Free from slavery
Gharimeen	Those who are under debt
Fi-Sabeelillah	In the way of Allah, they are fighting.
Ibn-Sabeel	who are travelling with a worthy goal

Zakat Distribution in Pakistan

Articl 31(c) of 1973 Constitution of Pakistan and Zakat and Ushar Ordinance 1980 serve as the ~~legal~~ frameworks for the formal Zakat Collection. The central

Zakat Fund (CZF) was established by the State Bank of Pakistan (SBP) for centralized collection. According to the estimates, Pakistan has the potential to collect zakat funds, through zakat system, that could contribute 4 percent of GDP. World Bank statistics says, 37% of population of Pakistan is below 'poverty line', in 2023, that draw a stark reality check on existing Zakat system of Pakistan. For any zakat institution, there are five stages to manage zakat.



Pakistan has built institutes at Federal, Provincial, as well as District level but people do not trust government to serve as Shariah/Zakat compliance institution so they prefer to pay

zakat on their or prefer not to pay at all. Zakat is an obligation on Muslims to and an integral part of Islamic Finance. The sole purpose of zakat is to circulate money from rich towards poor to prosper the community. Therefore, the muslim state such as Pakistan should be focused on actionable plans and implementable strategies to ensure the effective working of Zakat Management System.

a) Strengths of Pakistan's Zakat System

Some strengths of Pakistan's zakat system that can be turn into opportunities are illustrated below:

(i)

Legal Framework Exists

Zakat and Ushar Ordinance 1980 is a statutory base of Zakat System in Pakistan that serves as a platform to reform.

(ii)

Existing Institutional Network.

Local Zakat committees, provincial and district level presence of councils covers a wide geograph of country and delivered capacity.

(iii)

Automatic Collection Mechanism

Pakistan's Zakat Management System use bank as zakat deduction entities that captures liquidity in formal financial sectors.

(iv)

High Latent Potential for Zakat collection.

Pakistan is a country of high population growth rate, where people possess significant wealth in informal and bank deposit. If it governs properly, it has potential to collect significant zakat.

(v)

Experience with cash transfer and welfare

Pakistan has experience in managing large-scale programs such as Ehsaas Programme that can be integrated with zakat system.

b) Weaknesses of Pakistan's Zakat System

(i)

Narrow and Static Base

Existing policies and practices focus

DATE: _/ _/ _

DAY: _/ _/ _

heavily on cash/savings and limited categories. This reduces revenue potential and growth. ✓

(ii)

Fragmented Administration and Poor Coordination.

After 18th Amendment in 2010, autonomy to provinces have caused poor coordination and direction overlapping between district, province, and federation. So, weak management of databases of poor people is a major ✓ drawback of existing zakat system.

(iii)

Consumption Oriented Use

When large share spent on immediate relief rather than on productive investments such as waqf investment, microcredit, and skills. This could be ✓ beneficial in short run but would not be helpful in the longterm wealth circulation

(iv)

Low Innovation and Digital Adoption

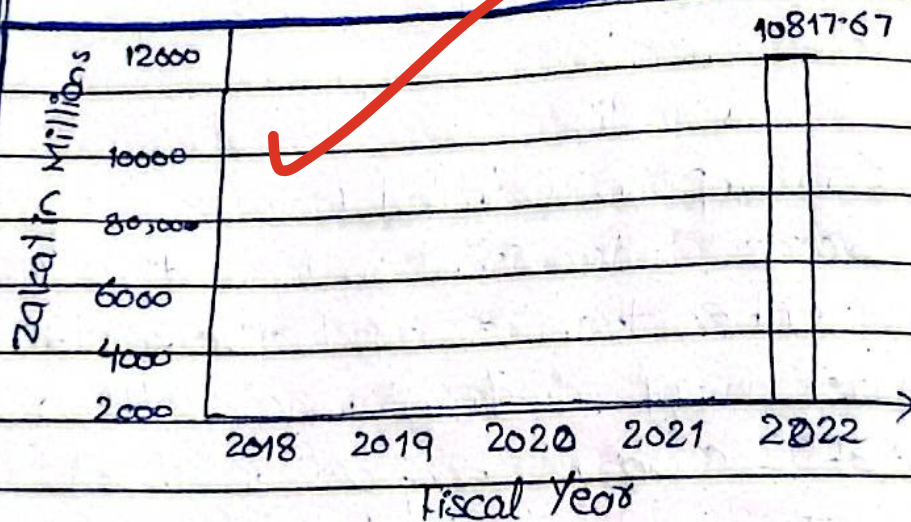
E-Zakat has been introduced in Indonesia and other countries to

ensure zakat collection automatically but Pakistan is lagging in use of fintech, digital registries, and blockchain system.

(V)

Weak Integration with Fiscal Policy.

Zakat and Tax system operate in silos: there is no systematic use of zakat to complement social-protection financing for deserving people.



Zakat Funds collected by SBP.

6) How Zakat System can be Improved?

The Zakat System improvement depends on outcomes a country get through legal design, collection mechanism, and how zakat funds are used.

(i) Comparative Analysis of Pakistan's Zakat System with other Muslim Countries

Zakat Management System varies from one muslim country to other muslim country, such as implementation models differ widely, state-administered compulsory systems, state-facilitated voluntary systems, Private Charity (NGO/Waqf).

Malaysia, Iran, and Indonesia possess more strictly balanced, transparent, and efficient system as compared to Pakistan. This statement is evident by Malaysia's Zakat agencies and Indonesia's national BAZNAS collection of hundred million dollars every year by Muzakis of respective country and transfer of this collection to Mustahiq. Moreover, Arab Muslim countries have adapted digital ways to ease transactions between parties, unlike Pakistan.

(ii) Improvement of wealth circulation and Economy

To improve Pakistan's wealth circulation and economy ~~pre~~ weaknesses, Pakistan's reform should transform its

strengths $\rightarrow$ Opportunities.

- Reforms should also aim at
- (a) Formalization (Digital collection channel, automated calculations)
 - (b) Broaden the base (Equities, Sukuk, Bank Assets should be fairly assessed)
 - (c) Transparency (Independent audits, public dashboards and outcomes should be published in reports)
 - (d) Integration with Social Protection (use of zakat funds for graduation programs, and conditional cash transfer should be ensured).

Conclusion:

In conclusion, Pakistan's Zakat System has statutory basis to make reforms while implementation on ground level is crucial to ensure that every Muzzaki gives charity to the institutions so it could be delivered to Mustahiq. For better management, an integrated digitalized structure for easy transaction is important for smooth operation.