

Transcript: Practices, Money to those in need

Zakat

Islamic culture is renowned for its hospitality. It's no exaggeration to say that people in need are treated with legendary generosity – even when the givers are themselves quite poor. Although the impulse to care for fellow human beings is undoubtedly a factor in this, it is given far greater prominence by the fact that Islam confers upon its followers a belief in the dignity of every human being; we are all brothers and sisters in humanity. When we add this to the belief that God created everything and so we are merely entrusted with the goods of the earth, it should not be difficult to understand why taking care of others is such an integral part of Islam. It is rooted in the principle of 'bearing one another's burdens' or *sadaqa* [Q. 2:195].¹

That's why the third pillar of Islam is the requirement to give a proportion of one's wealth to those in need – or *zakat* [Q. 2:3].² As well as referring to a payment, the word *zakat* also has the meaning of purification – in the sense that the wealth left over after it has been paid is purified for people to use for their own needs in any way that pleases God.

Islam is not against personal wealth provided that it has been acquired ethically i.e., it is *halal*. Following the principle of *sadaqa*, those who have wealth over and above their basic needs (after they have looked after their family) must put the surplus to work for the good of humanity. This is often in the form of a charitable trust or foundation, or in Arabic, a *waqf*. People who do so enable their good deeds to live on after they have died.

Zakat is 2.5 per cent per annum of the surplus wealth in savings that is left over after the basic running costs of the family have been met. There are other rates of *zakat* on various other forms of stored wealth, such as crops and livestock. Muslims are responsible for calculating their own *zakat* and ensuring that it is distributed properly according to the set categories [Q. 9:60].³

In an ideal Islamic state, *zakat* should be collected and distributed by the government. Where Muslims live in other countries, they have to ensure this gets paid in an appropriate way. For some, this means sending money to help people in need or to

¹ Q. 2:195 Spend in the way of God, and do not cast yourselves with your own hands into destruction; and be virtuous. Indeed God loves the virtuous.

² Q. 2:3 Who believe in the unseen, are steadfast in prayer, and spend out of what We have provided for them.

³ Q. 9:60 Obligatory [*zakaṭ*] charities are only for the poor and the needy, and those employed to collect them, and those whose hearts are to be attracted [to Islam], and for [the freedom of] the slaves and the debtors, and in the way of God, and for the traveller. [This is] an obligation from God, and God is All-knowing, All-wise.

appropriate projects in one's own or another country. Many Muslim charities also have facilities for collecting and distributing *zakat*.

The Shi'a pay *zakat* on agricultural holdings not on money. For them, in addition to this *zakat*, the same function of purifying and circulating wealth is performed by the *khums* by which one fifth of certain forms of wealth is given to leading religious scholars for them to use for the good of society in the name of the Hidden Imam [Q. 8:41].⁴

Before celebrating the festival at the end of the month of Ramadan, each household pays a special, *Zakat al-Fitr*. This is calculated as the price of one meal for each member of the donor's household. It is to be distributed to the poor so that they can share in the festival.

Bearing one another's burdens: financial ethics

We are all the stewards of the goods of the earth. Everything belongs to God and we are really only the custodians of what we appear to own. Therefore it follows that we should use the goods of the earth for the benefit of all humankind and not for our own selfish ends. This is covered by the Islamic term *sadaqa*, which we can translate as 'bearing one another's burdens.' This is a humanitarian principle; there is no room for racial or any other kind of discrimination. All human beings are members of one family and therefore the suffering of anyone in need is a concern for the rest of us. There is no limit set to the concept of charity in Islam, provided only that we discharge our family responsibilities first.

In accordance with this, all forms of economic exploitation are forbidden. There is a tradition that says, the labourer must be paid his wages before the sweat dries on his brow. One form of such exploitation is *riba*. The term *riba* is often translated as usury or the giving and taking of interest. Muslims are encouraged to lend money to those who need it, if they can do so, and they should receive it back in full, without making anything on the deal.

Capital must not be advantaged over human effort. In an interest-based system, the borrower is liable to repay a loan plus interest whether the business succeeds or fails. The lender cannot lose. Rather than taking a bank loan secured against assets, Islamic finance requires an injection of capital to be in the form of taking an equity stake in the business. In this way, the capital is put at risk and that risk is shared proportionally by both the lender and borrower. If the business prospers, the lender gets back their capital plus the increase in the equity. If things go badly, the lender must take a proportionate share of the loss.

⁴ Q. 8:41 Know that whatever thing you may come by, a fifth of it is for God and the Messenger, for the relatives and the orphans, for the needy and the traveller, if you have faith in God and what we sent down to our servant on the Day of Decisive Encounter, the day when the two groups met; and God has power over all things.

In a society based around lending and borrowing at interest, it is very difficult to live according to Islamic economic principles. Bank accounts, credit cards, savings schemes are all likely to be based on interest and thus be forbidden (*haram*). In a society based on home ownership, there are real difficulties as to whether taking a simple repayment mortgage can be permitted as the only available means of housing one's family.

Muslims are naturally required to make provision for the future: pensions, savings, health and education funds. Such monies must be invested on a shared risk basis rather than in an interest-based system. Equity plans have been developed for Muslims to save for the future and many banks are trying to develop products based on Islamic financial principles.

There is a principle in Islam that if something is *haram* for me to do, it is *haram* for me to profit by others doing it. So, for example, alcohol is forbidden for me to drink. That means I am forbidden to trade in alcohol or to invest my pension fund in alcohol-related businesses. This has given rise to ethical screening of investment plans according to Islamic principles; a practice shared by many other ethically conscious investors.

There is no sin in being wealthy in Islam, provided the money has been made in permitted (*halal*) ways and invested in *halal* funds. However those who have wealth surplus to the current and future needs of their family are encouraged to remember that they are only custodians of the good things of the earth. Such surplus wealth should be given to those who need it so they can become economically active, support their families and in turn contribute to the whole of society – the Islamic principle of *infaq* [Q. 107:1-7].⁵

Making space for Islamic financial ethics is an on-going concern in many contemporary countries, which are run on interest-bearing principles. In societies run according to Islamic ethics, the social and welfare needs of people would be provided for by Islamic institutions such as a charitable trust or *waqf*, as happened in various pre-colonial Muslim communities.

Dr Buaben discusses bringing the whole of a Muslim's economic life under ethical scrutiny:

Islam affects every aspect of human life and therefore, the way a Muslim earns his money and spends it, and even saves it, is important, is significant. And therefore pious Muslims are always concerned as to where their money is coming from, how they are earning it, where they are keeping their money; and that money that they are keeping: what it is doing, what the banks are doing

⁵ Q. 107:1-7 Did you see him who denies the Judgement? That is the one who drives away the orphan, and does not urge the feeding of the needy. So woe to them who pray and pay no attention to their prayers, those who show off but deny aid.

with it and also how they spend that money. And therefore, in the West especially now, there is an urgent need for Muslims to rediscover some of these theological teachings because they are concerned about the whole system which is based on something that Muslims will describe as problematic, especially with regard to interest. And therefore they are now debating the possibilities of establishing Islamic banks (there are a couple around in London and Birmingham and other places) and also ethical savings or ethical investment. I mean, of course, I have to accept that it's not just Muslims but non-Muslims are also finding that there are problems with the general financial system. And therefore they are finding ways of making ethical investments and earning ethically-based money.