

ROLE OF ZAKAT, WAQF AND ISLAMIC MICROFINANCE IN ACHIEVING MAQASID AL SHARIAH

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Abstract:

Poverty is one of the major problems faced by developing countries especially majority of Muslim communities and is a big hurdle in their economic development. This can be successfully alleviated by an efficient *Zakat* system. *Zakat* is a pure poverty alleviation system offered in Islam which is fourth pillar of faith and hence one finds no question on its authenticity and importance. Waqf, a non-profit voluntary sector, which has an important and integral role in building communities during various phases of their development. Further, the conventional microfinance programs are costly which involve *riba* (usury) too, a prohibited transaction in Islam. This is one factor why Muslims prefer Islamic microfinance for their business need but it is unfortunate that this system is not mature and effective. The problem is answered through Islamic principles, regulations, and laws which are called *Shariah* while *Maqasid Al-Shariah* is basically the objectives of Islamic law. The central purpose of *shariah* is to facilitate the removal of hardships in lives of humans. The main objective of this paper is to discuss role of *Zakat*, *waqf* and Islamic microfinance under the principles of *maqasid al shariah*. In this paper the separate relation of these poverty alleviation

tools with five principles of *Al-daruriyyat* from the perspective of *Maqasid Al-Shariah* shall be discussed. The findings of the paper show that *zakat*, *waqf* and Islamic micro finance has a positive impact on all human needs in the perspective of *Maqasid al-Shariah* namely religion, knowledge, life, family and wealth. Hence, the study also provides an insight that without proper *zakat* distribution, utilizing *waqf* assets and providing useful Islamic micro financing, the requirement of *maqasid al shariah* cannot be fulfilled. This study indicates that, *Al-Din*, *Al-Nafs*, *Al-Nasb*, and *Al-Mal* these indicators has positive relationship with the involvement of zakat, Islamic microfinance program, while, the indicator of *Al-Aql* has not significant relation with Islamic microfinance program and even in zakat except different business knowledge in microfinancing and education and training by using zakat amount. while in case of waqf indicators of all five principles are significantly improved.

Introduction and Background

Maqasid al Shariah (Highest Objectives of Islamic Law) has been the topic debate among scholars for the last many decades. Majority of the classical scholars such as Imam Shatbi, Ibne Tammiya and Imam Ghazali are of the view that sharaih has the five most important objectives namely preservation and protection of Deen, life, property, intellect and lineage. Contemporary scholars like Najatullah Siddiqi and Ibne Aashoor also add more objectives such as peace, justice and security as well.

The philosophy of the Maqasid al Shariah is that all the human laws, policies as well as actions should be directed in the manner to protect these highest objectives of shariah. In other words, it means that no law or any rule should be made that violates any of these Maqasid of Shariah.

As Islamic micro-finance in recent years has got attention scholars to alleviate poverty. It is expected that Islamic micro-finance tools should be utilized in the manner to protect the Maqasid al Shariah.

As many studies have been conducted on the role of Islamic poverty alleviation tools especially the Zakat, Waqf and Islamic micro finance in many countries like Yemen, Malaysia and Indonesia. Although in Pakistan also some studies have been conducted on Maqasid al shariah as well as on Islamic micro-finance,^{1 2} but no specific research has been made by relating Zakat, Waqf and Islamic micro finance to the fulfillment of Maqasid al shariah. Therefore, in this study it is tried to investigate the relation of these tools with the maqasid al shariah.

Shariah is “The Commandments of God [Allah], this is Islamic law derived from the primary sources of Holy Quran and Sunnah. The other sources of shariah are; ijma, qiyas and ijtihad. This is for all human activities which include Aqidah (Belief), Akhlaq (Human Behaviours, Attitudes and Ethics), and Fiqh (way of doing) includes its branches (Ibadat, Islamic criminal law, political law, family law and Islamic commercial law.

Maqasid means (goals, purposes) or maqāṣid al-shariah (goals or objectives of shariah). Many Classical scholars considered maslaha and maqasid as important legal principles, however, they have different opinions with respect to the role they could play in the Islamic law. The main

¹ Abu Bakar, Nur Barizah, and Abdul Rahim Abdul Rahman. 2007. “A Comparative Study of Zakah and Modern Taxation Lecturer - Department of Accounting, Kulliyyah of Economics and Management Sciences of Kulliyyah of Economics and Management Sciences.” J.KAU: Islamic Econ., 20 (1): 25–40

² Fareed, Zeeshan. 2014. “The Impact of Microfinance on Poverty Reduction (A Case Study of Okara , Southern Punjab , Pakistan).” *European Academic Research* 1 (10): 3196–3217.

objective of Shariah is to protect the interests of the human being both in this world as well as in the life hereafter. This fact is very much clear from all the branches of Islamic law to ensure benefits of human beings and protect them from all kinds of evils.

The Qur'an clearly states,

“And we have sent you (O Muhammad) not but as a mercy for the universe” (al-Anbiya':107)

In the above verse, mercy (rahmah) means compassion, kindness, goodwill and beneficence. While explaining the above verse, Ibn Qayyum states that the Shariah aims at safeguarding the people's interest and preventing them from harm in this world and the next: this is a necessity that is needed by all mankind.

Maqasid al-Shariah

The term '*Maqsid*' literally means a purpose, objective, goal³. It can also be explained in that way as the objectives of the law giver by⁴. According to scholars, *Maqasid al-Shariah* means 'people's interests' (*masalih*)⁵.

Maqasid as explored by Imam Abu Hamed al-Ghazali and Imam Abu Is'haq Al-Shatibi consist of three categories.

Firstly, *Daruriyyat*, which are defined in terms of five objects that are indispensable in themselves to the extent that people cannot live without

³ Ashur, Muhammad Al-Tahir Ibn. 2019. "Ibn Ashur." Ibn Ashur. <https://doi.org/10.2307/j.ctvkc673b>

⁴ Raysuni, Ahmad Al. 2013. "IMAM AL-SHATIBI ' S Theory of the Higher Objectives and Intents of Islamic Law."

⁵ Auda, Jasser. 2019. "Systems as Philosophy and Methodology for Analysis." *Maqasid Al-Shariah as Philosophy of Islamic Law*, 26–55. <https://doi.org/10.2307/j.ctvkc67tg.8>.

them and that loosing them pose a threat to the very survival of normal order. These are preservation and protection of Religion (*Din*), preservation and protection of Human Life (*Nafs*), preservation and protection of Children (*Nasl*), preservation and protection of Wealth (*Mal*), preservation and protection of Intellect (*Aql*).

Secondly, *Hajiyyat*, which are defined as complementary to *Daruriyyat* and are meant to support, and promote them. *Hajiyyat* are semi-essential benefits, which are aimed at preventing hardship. Loosing *Hajiyyat* do not pose a threat to the very survival of normal order and that people can live without them if they have to.

The **third category** of Shariah objects are classified as ***tahsiniyyat***. These are benefits (*maslih*) which come after *Hajiyyat*. They are desirable in the sense that they offer convenience, attain betterment or refinement of human life, and allow for perfection in the order and conduct of people at all levels.

According to *Maqasid al- Shariah* human has five basic needs comprising of preservation of religion (*al-din*), preservation of physical-self (*al-nafs*), preservation of knowledge (*al-aql*), preservation of family (*an-nasb*) and preservation of wealth (*al-mal*)⁶. These are explained below:

1. Preservation of Religion

Religion is the basic need of humans in *al- Shariah*. *It is important for muslims to abide by the Shariah rules in every step of their life so that they can get the blessings of Allah. For preservation of religion Muslims, should be committed to fulfil main religious obligations such as daily*

⁶ Abu Bakar, Mahyuddin, and Abdullah Abd Ghani. 2011. "Towards Achieving the Quality of Life in the Management of Zakat Distribution to the Rightful Recipients (The Poor and Needy)." *International Journal of Business and Social Science* 2 (4): 237–46.

prayers, fasting in *Ramadhan*, paying *zakat* and performing hajj if he or she afford it.

2. Preservation of Physical self (life)

Preservation of life is related to the take care of health, nutrition, shelter, clothing and transportation. According to shariah Muslims are required to have access to these basic needs for themselves and their families.

3. Preservation of Knowledge

According to shariah Muslims are required to acquired education and skills to improve their intellectual level. Acquiring these knowledges are important for individual, their family and for the society.

4. Preservation of Family

Al- Shariah also encourages Muslims to have family and offspring. Shariah also encourages that parents should bring up their children in that way where they can spent their lives according to the preaches of Islam and teachings of prophet (PBUH) and ultimately become the valuable figure of the society.

5. Preservation of Wealth

Islam never discourage to earn money as much as anyone can get but the source of income should be according to shariah. Muslims are required to protect their wealth and assets in their best capacity.

Zakat

Zakat is the third pillar of Islam and has an important role in Islamic economy. This is a best tool to alleviate the poverty and inequalities from the society. The payment of *zakat* is mandatory for those Muslims who have surplus wealth. *Zakat* can be distribute to prescribed eight beneficiaries known as *asnaf* group. In the light of verses of Quran as in Surah Al-Taubah

verse 60 that states: “Alms are for the poor and the needy, and those employed to administer the (funds) for those whose hearts have been (recently) reconciled (to Truth) for those in bondage and in debt in the cause of Allah and for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom”.

The purpose of distributing *zakat* fund is to alleviate poverty, to protect the welfare, to improve economic hardship and to develop the infrastructure of Muslim society through the distribution of income and wealth from the wealthy to the needy. Many studies have been conducted examining the effectiveness of *zakat* distribution based on economical perspective of *zakat* recipients that is level of income.^{7 8 9 10}.

A better assessment of human needs should be evaluated in the perspective of *Maqasid al- Shariah* that consists of religion, physical-self, knowledge, family and wealth and failure to attain these stipulated needs qualify a human to be poor.

As a form of shariah guidance arranged in Islam, there is wisdom contained behind the obligation of *zakat*. As-Syatibi stated that the purpose of Islamic rules implementation (*maqasid al-shariah*) as quoted by Wibowo

⁷ Ibrahim, Fatimah Wati, and Mohd Faisol Salleh. 2006. “Stochastic Frontier Estimation: An Application to Local Governments in Malaysia.” *Malaysian Journal of Economic Studies* 43 (1): 85–95

⁸ Mahyuddin and Abd Ghani. 2011

⁹ Zakaria, Maheran. 2014. “The Influence of Human Needs in the Perspective of *Maqasid Al-Syari’ah* on *Zakat* Distribution Effectiveness.” *Asian Social Science* 10 (3): 165–73. <https://doi.org/10.5539/ass.v10n3p165>

¹⁰ Ahmed, Bilqis Ololade, Fuadah Johari, and Kalsom Abdul Wahab. 2017. “Identifying the Poor and the Needy among the Beneficiaries of *Zakat* Need for a *Zakat*-Based Poverty Threshold in Nigeria.” *International Journal of Social Economics* 44 (4): 446–58. <https://doi.org/10.1108/IJSE-09-2015-0234>.

is to achieve benefit or welfare. As-Syatibi offered welfare theory in maqasidal-shariah by limiting the maintenance of sharia to the five main elements, ie: religion, soul, intellect, lineage and property.¹¹

Welfare as an objective of the implementation of shariah should be felt by every human being, five main benchmarks of the achievement of welfare must be met by every individual. The fulfillment of the five welfare benchmarks is not only the responsibility of each individual, but also the responsibility of the society. Islam has regulations about this particular thing in the things that come to ukhuwah Islamiyah (Moslem brotherhood). Efforts to fulfill the welfare of the individual through the fulfillment of the five main benchmarks have become a shared responsibility of every individual, so there must be attitude of sympathy and empathy between individuals. These sympathy and empathy is primarily needed from the individuals who have been able to meet the five primary benchmarks of well-being for helping other individuals.¹²

Islam has arranged its followers to help each other in fulfilling the five benchmarks of welfare, one of which is that Islam has set about wealth distribution. Islam teaches equitable distribution

of wealth in society, groups of people who have excess of wealth are required to distribute part of their property to other groups who lack possessions, in order to avoid accumulation of wealth that is only circulated in a particular groups of people. One of the instruments for the wealth

¹¹ Hapsari, Meri Indri. and Zainal Abidin. 2016. "Distribution in Maqasid Al-Shariah Framework." *Journal of Islamic Financial Studies* 2 (2): 15–25. <https://doi.org/10.12785/jifs/020202>.

¹² Hapsari and Zainal Abidin. 2016.

distribution is zakat. According to As-Syatibi, the responsibility of Zakat aims to provide benefit, but in fact it still cannot be felt by everyone. In various regions where the majority of the population are Muslims. Zakat as an instrument of wealth distribution in Islam still cannot be felt thoroughly, the obligation to pay zakat during this run was limited to fulfill its obligations and has not been able to provide economic and social impact as the purpose of zakat compulsory.¹³

Zakat in the Early Islamic Period

In Islam it is the responsibility of an Imam (head of the Islamic state) to collect and disburse *Zakat* fund as exemplified by The Prophet's government in Medina which was responsible for this task. Several incidences are learnt from the teachings of Holy Quran, Hadith and Islamic history about such mentioned below: ¹⁴

- 1) O Prophet, take propitiatory offerings (*Zakat*) from their possessions to cleanse and purify them thereby helping them onward (in the way of virtue); and pray for blessings for them because your prayer will bring comfort to them; and Allah hears everything and knows everything (Al-Taubah/103).
- 2) Narrated by Abu Humaid Al-Sa`idi: Allah's Apostle (p.b.u.h) appointed a man called Ibn Al-Lutbiya, from the tribe of Al-Asd to collect *Zakat* from Bani Sulaim. When he returned, (after collecting the *Zakat*) the Prophet checked the account with him.
- 3) Allah has made it obligatory on them to pay the *Zakat* which will be taken from the rich among them and given to the poor among them.

¹³ Hapsari and Zainal Abidin. 2016.

¹⁴ Bukhari, MI, Sahih Bukhari, Islamic Project, Islamic Urdu Books, Abdul Waheed, AT Software Version 8.2.2.1.

4) It is narrated on the authority of Ibn 'Abbas that when the Messenger of Allah (peace be upon him) sent Mu'adh towards Yemen (as governor) he said to him: Verily you would reach a community of the people of the Book, the very first thing to which you should call them is the worship of Allah, may His Glory be Magnificent, and when they become fully aware of Allah, instruct them that He has enjoined five prayers on them during the day and the night, and when they begin observing it, then instruct them that verily Allah has made *Zakat* obligatory for them which would be collected from the wealthy amongst them and distributed to their needy ones, and when they submit to it, then collect it from them and avoid (the temptation) of selecting the best (items) of their riches.

5) Abu Bakr Said, By Allah! I will fight those who differentiate between the prayer and the *Zakat* as *Zakat* is the compulsory right to be taken from the property (according to Allah's orders) By Allah! If they refuse to pay me even a she-kid which they used to pay at the time of Allah's Apostle. I would fight with them for withholding it" Then `Umar said, "By Allah, it was nothing, but Allah opened Abu Bakr's chest towards the decision (to fight) and I came to know that his decision was right".

Since time immemorial *Zakat* was collected by the Islamic state and as a general obligation, had begun to be legislated during the period when Prophet Muhammad (peace be on him) was still in Mecca before his *hijrat* to Madinah. The earliest form of *Zakat* was the *Zakat al fitr* that was amount paid by Muslims in charity to the poor after the end of the month of Ramadan. This law was implemented to help the poor persons and slaves who had accepted Islam and were being treated badly and boycotted by the Meccan elites. However, the *Zakat al fitr* was, at that time, given purely on religious grounds as an act of virtue.

The payment of *Zakat* to the state became compulsory after the Prophet established a government in Medina mainly to have the government function and look after the welfare of its people. To do this the collection of *Zakat* by the state ensured that the wealth was distributed equitably. The Qur'an states: The alms are only for the poor and the needy, and those who collect them, and those whose hearts are to be reconciled, and to free the captives and the debtors, and for the cause of Allah, and for the wayfarer; a duty imposed by Allah.

The passage above identifies eight beneficiaries or recipients of *Zakat*. It also shows that the objective of having the *Zakat* collected is in the alleviation of poverty and in ensuring that wealth is given to those who need it. The first group of beneficiaries is the poor (*fuqarain* Arabic), these are those who are in material need. The second group of beneficiaries are the needy (*masakin* in Arabic). Upon migration to Medina with his followers, The Prophet (p.b.u.h) and his followers left all their belongings in Mecca and came to Medina empty handed. They were included so as to receive *Zakat* to meet the basic necessities of life.

The third category of beneficiary is "those who collect them." It covers the cost of collecting and distributing *Zakat*. When *Zakat* (as tax) was collected by Muslim states, this category justified the administrative costs of the state. The fourth category of recipients is "those whose hearts are to be reconciled." It is not clearly mentioned though that whether their hearts are fully reconciled or are in the process. A very easy interpretation would mean including only Muslims and possibly those who have recently embraced Islam. The group also includes those who are sympathetic to Islam, but are still non-believers, the *Zakat* fund helps these (potential converts) and converted Muslims supporting them through missionary activities.

The fifth and sixth beneficiary groups are captives (al-riqab) and debtors (al-gharimin). The seventh group of *Zakat* beneficiary are those working “for the cause of Allah.” In history, this fund supported those who served as warriors to deal with *kuffar* and *munkireen*. However, it serves the need of Muslims who support this purpose. The final category of beneficiary recipient is the “wayfarers.” This distributes *Zakat* money to support travelers. Wealthy travelers may be provided such if they do not have access to their wealth and are in need at that time.

Waqf

Awqaf (plural of *waqf*) are the non-mandatory charitable institutions of Islam and uphold similar objectives to the institution of *zakah*. Literally, *waqf* means ‘to uphold,’ ‘to pause,’ ‘to secure or confine’ (*habs*), or ‘to stop from moving forward. In jurisprudential terms, *waqf* means a property or asset (including cash) that is donated for the cause of Allah, hence is protected from being owned or sold. The *waqif* (the one who makes donation) may stipulate conditions for his *waqf*, as long as the conditions do not violate any shariah rule.

Although *waqf* has not been mentioned even for a single time in the Qur’an, but the core idea and principles have been in practice since the time of the Prophet (pbuh) and his companions (R.A). When verse 92 of Surah Aal-i-‘Imran (3:92) was revealed, requiring the Muslims to spend what they love for the cause of Allah, the *sahabah* donated their most beloved assets as *waqf*. Ibn Kathir, specifically mentioned the companion Abu Talha, who had a ‘water well’ (known as *bayruha*), from which people would often drink

and make ablution¹⁵. Upon hearing this verse from the Prophet (pbuh), he endowed it as *waqf*. Likewise, Umar (R.A.) went to the Prophet (pbuh) expressing his interest in donating a piece of land in Khaybar. The Prophet (pbuh) suggested him to donate it as *waqf*. It is inferred that the practice of *waqf* was prevalent in the era of the Prophet (PBUH) and his companions, and hence its status in Islamic law is undisputed. Waqf institutions can have many types and for different beneficiaries. There are three types of waqf, one is religious waqf . this includes mosques, shrines, graveyards, Islamic educational institutions like *madrasahs*, etc. second is philanthropic waqf which is based on property or asset for a special purpose like medical aid, general education etc. Third one is family waqf where the family members can be the beneficiaries. Perpetuity is the main feature of waqf which is also shows from one of the hadith where prophet mentioned that there are three activities which can give benefit to a diseased person. a) a continuous charity, b) knowledge which benefits others, and c) a child who prays for his deceased parents.¹⁶

Islamic Microfinance

Several strategies by economists and financial experts worldwide have been devised to try and rectify the situation. One of which is Micro financing, a branch in finance that deals with assisting the poor and people in need of finance. This service is rendered by several institutions such as banks in the rural and urban areas, cooperative organizations and Non-

¹⁵ Ibn Kathir. 1999. "Cross-Country Variation in Household Access to Financial Services." *Journal of Banking & Finance* 32 (11): 2493–2500.

¹⁶ Al-Mubarak, Tawfique. 2016. "The Maqasid of Zakah and Awqaf and Their Roles in Inclusive Finance." *Islam and Civilisational Renewal* 7 (2): 217–30. <https://doi.org/10.12816/0035198>.

Government Organizations (NGOs) now termed famously as Microfinance Institutions (MFIs). By law, these institutions may also serve as separate functional units with the principle role of providing small budgets to entrepreneurs running small businesses.

Majority of the scholars are agreed that conventional microfinance is against the principle of shariah due to the element of interest. According to¹⁷ almost 72% Muslim-majority countries people did not have access to formal financial services. Because of these factors the demand of Islamic microfinance products market is flourishing.

Islamic Micro Finance (IMF) models consist of three main instruments of Islamic finance (*Mudaraba*, *Musharka* and *Murabaha*). IMF is concentrated in countries like Indonesia and Afghanistan while it is still at infancy in rest of the Muslim countries. Most IMFs programs operating in different countries apply *Murabaha* model (cost plus markup sale) of financing and target the female clients like conventional MFIs do. Islamic Microfinance projects started in Sudan in 80s and these IMFIs have only *mudarabah* and *qard al-hasan* products. In Syria, Islamic microfinance was started in 1998, and currently they use only *Murabahah* method. Indonesia is probably the largest diversity of both conventional and Islamic Microfinance. Although 97% of Indonesian people are Muslim but only 11% of them understand the Islamic microfinance products; therefore, a gap between public needs and *Shariah* product clearly evolves. *Qard-e-Hasana* fund is popularly used in Iran. These loans are free but there is an administrative expense. Depending on the size of the loan and borrowers'

¹⁷ Honohan, Patrick. 2008. "Cross-Country Variation in Household Access to Financial Services." *Journal of Banking and Finance*.
<https://doi.org/10.1016/j.jbankfin.2008.05.004>.

ability to pay, borrowers have one (1) to two (2) years to repay the *qard-e-hasana* loans. To become eligible for *qard hasana* loan, a borrower must be in urgent need, who have at least one referee or guarantor, and demonstrate sufficient evidence to repay the loan.¹⁸

According to¹⁹, Islamic Micro Finance has been recognized in Pakistan and playing good role in developing human capital and satisfying the community. A study was conducted with the title “Islamic microfinance models and their viability in Pakistan”, but in fact no full-fledged model was discussed. It just discussed Islamic modes of finance like murabahah that could be used for Islamic microfinance. They mentioned Akhuwat model based on Qard hasan. Further, they discussed waqf based and takaful based simple models which have already been referred to in different papers many times. But they did not provide a comprehensive model which has a wider application and acceptable to all²⁰. These models can help the poor to give solution for their temporary problems but cannot provide them independency.

¹⁸ Mollah, Sabur, and M. Hamid Uddin. 2013. “How Does an Islamic Microfinance Model Play the Key Role in Poverty Alleviation?: The European Perspective.” *Contemporary Islamic Finance: Innovations, Applications, and Best Practices*, 245–53. <https://doi.org/10.1002/9781118653814.ch15>.

¹⁹ Akhtar Waheed, Akhtar Nadeem, Jafri, Syed Khurram Ali. 2009. “Islamic Micro-Finance and Poverty Alleviation: A Case of Pakistan”. *International Journal of Research in Computer Application and Management*. Proceedings 2nd CBRC, Lahore, Pakistan November 14

²⁰ Kazim, Syeda Shehrbano, and Syed Eisar Haider. 2012. “Islamic Micro-Finance Models and Their Viability in Pakistan.” *MicroNote* 15 (June): 1–12.

The key issues in the Models of the Islamic micro finance have been discussed by²¹. According to him the Riba free concept of Islamic Micro Finance institutions on the advancement of loan and saving accounts does not apply on the business model. Secondly, interest is reflected as mark up in Mudarabah model which needs monitoring and transparency. Thirdly, Takaful is subject to questions due to its speculative nature and lastly, the Islamic micro finance needs a social support system in terms of charitable contribution and investment.

Problem Statement

Zakat, waqf and other Islamic microfinance tools have been debated upon since time immemorial as primary poverty alleviation tools. The successful use, however, is possible when among others, the objectives of Shariah i.e. Maqasid al Shariah are fulfilled. Literature and valuable data tools are inadequately available that may help in understanding of Maqasid al Shariah with reference to zakat, waqf and Islamic microfinance. A combined study that could relate the above-mentioned tools with Maqasid al Shariah is not available. It was hence considered necessary to address the problem and conduct a research in this regard.

Research Questions

- What is the impact of zakat distribution with respect to Maqasid al-Shariah namely religion, life, knowledge, family and wealth on fulfilment of human needs and standard of life?

²¹ Hailey, Paul. 2009. "Microfinance and Islamic Finance: can they be reconciled and how can they benefit each another? HEC Social Business Certificate.

- What is the effectiveness of waqf assets with respect to Maqasid al-Shariah namely religion, life, knowledge, family and wealth on fulfilment of human needs and standard of life?
- What is the role of Islamic microcredit with respect to Maqasid al-Shariah namely religion, life, knowledge, family and wealth on fulfilment of human needs and standard of life?

Objectives

- To investigate the impact of zakat distribution with respect to Maqasid al-Shariah namely religion, life, knowledge, family and wealth on fulfilment of human needs and standard of life.
- To investigate the effectiveness of waqf assets with respect to Maqasid al-Shariah namely religion, life, knowledge, family and wealth on fulfilment of human needs and standard of life.
- To investigate the role of Islamic microfinance with respect to Maqasid al-Shariah namely religion, life, knowledge, family and wealth on fulfilment of human needs and standard of life.

The role of Zakat, Waqf and Islamic Microfinance in view of *Maqasid al Shariah*

Ibn ‘Ashur²² explained five *maqasid*: circulation of wealth *tawfiq al-(rawaj or tadawul)*, transparency (*wuduh*), preservation (*hifz*), durability and sustainability (*thubat*), and equity (*‘adl*). Other objectives include transfer of ownership (*tamlik*), civilizational construct (*‘imarah al-ardl’umran*), and lawful acquisition of wealth (*kasb*). The institutions of *zakah* and *awqaf*, that are also important for community development have

²² Ashur. 2019

same maqasid in terms of, education, health, infrastructure, or economics. Some of these maqasid are given below:²³

1. The main objective of encouraging charities like zakat and waqf is to purify the heart of Muslims. By helping others a person feel inner satisfaction and sacrifice. This is proved from Surah al-Taubah (9:103), which commands the Prophet (pbuh) to take alms (*sadaqat*) from the believers' wealth to purify and sanctify them.
2. *Zakah* and *awqaf* is that type of wealth which transferred from the rich to the poor. This fulfil the maqasid of rawaj by circulation of wealth in terms of transfer of ownership. The main objective of this circulation is to create a balance between rich and poor and more importantly in the economy. To prevent the money in few hands. The Qur'anic verse of Surah al-Hashr (59:7) also urges the believers should to take measures to prevent imbalances in the society, this shows the role of zakat and waqf in poverty alleviation.
3. Another *maqasid* of *zakah* is that it becomes an individual as part of the great Muslim community. This also emphasizes the significance of *zakah* as the most important financial pillar of Islam. *Zakah* also provide corporation among each other and create a strong bond as Islamic identity.
4. The general concept of waqf in the form of real assets which are to be converted from unproductive to productive one for community benefit. These assets normally at perpetual basis. This is a main reason that the *awqaf* programs generally sustainable, efficient, economically viable and profitable. Here the *maqasid* of permanence and sustainability (*thubat*) are used in specific terms, while the *maqasid* of preservation of wealth (*hifz al-mal*) consider in broader term.

²³ Tawfique. 2016

5 *Awqaf* generally fulfilling the *maqsad* of construction of civilization (*i'mar al-ard*) such as hospitals, educational institutions, inns and rest houses, public parks, public facility spaces, are the true examples of the civilizational construct by awqaf program.

Fulfillment of Maqasid Al-Shariah with IMF

Religion, Life, changes in level of knowledge, lineage and wealth are discussed ²⁴

Religion (*Ad-Din*)

Changes in religious practices: More than 90% respondents feel a positive change in their religious matters. According to them now they are more regular in offering their prayers and even after entering in Islamic micro financing they are able to perform Hajj.

Life (*Al-Nafs*)

Changes in the living standard of the family: Almost all of the respondents agreed that Islamic micro credit program had a positively impact on their living standard. It improved their living standard. *Changes in health status:* Approximately 90% of the respondents felt that this micro credit facility also has relation with health condition and their health issues are resolved and now they are enjoying life with better health condition. *Changes in social participation:* Almost all of the respondents agreed that Islamic micro credit played a vital impact on their social life. Now they have in good relation with their neighbors and regularly participating in social activities.

²⁴ Md. Mahmudul Alam, Jamaliah Said, Salwana Hassan. 2015. "Performance of Islamic microcredit in perspective of Maqasid al-shariah: case study on amanah ikhtiar malaysia." *Humanomics* 31 (4): 374 – 384

Changes in level of knowledge: Approximately 70% of the respondents agreed that the microcredit program has increased their level of knowledge by engaging in different economic and business activities.

Lineage/honor (*Al-Nasb*)

Changes in lineage/honor among family members: Almost all of the respondents agreed that after taking Islamic micro credit they received more respect from society as their living standard has improved. involvement in the microcredit program alters the lineage among family members. The majority of the respondents stated that they received increased respect from the society once their living conditions were improved. However, 20% of the respondents reported no change in the perception of society toward their families.

Wealth (*Al-Mal*)

Changes in monthly household income: Almost all of the respondents agreed that microcredit increase their monthly income and now they are not only able to run their family peacefully but also they are in a position to help others.

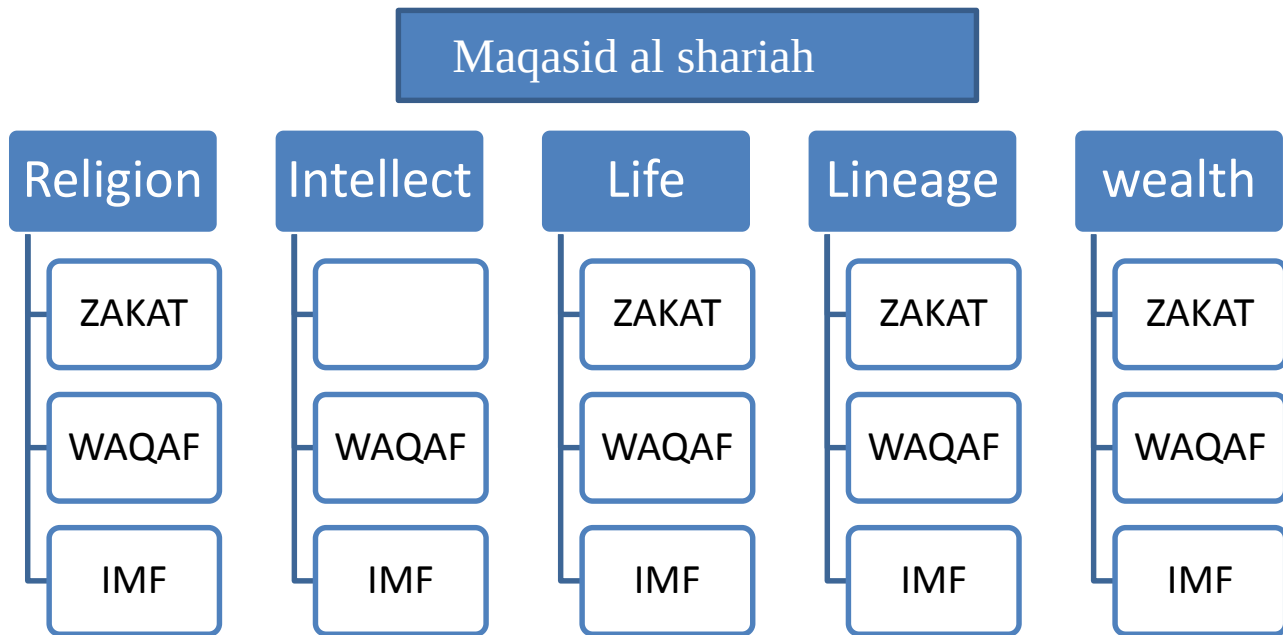
Framework**Figure 1** Maqasid al shariah



Figure 2 indicators for Maqasid al shariah

Findings

For this study under the classification of maqasid al shariah only first class the essential maqasid (al-maqasid aldaruriyyah) has been selected to see its five principles (*Ad-Din*, *Al-Nafs*, *Al-Aql*, *Al-Nasb*, and *Al-Mal*) relation with zakat waqf and Islamic microfinance. These three pure poverty alleviation tools and it is extremely important to see either they are fulfilling the requirement of maqasid al shariah or not. There are different indicators for zakat, waqf and Islamic microfinance to check the achievement of maqasid al shariah.

The first principle of *Al-daruriyyat* is *Ad-Din* (Religion) is fulfilling in zakat i) by serving the need of community and ii) commitment to engage in possible activities. The waqf also possess the same indicators which are mentioned in zakat in relation with religion. The Islamic microfinance also have the same indicators mentioned in zakat and waqf to achieve maqasid al shariah plus after getting Islamic micro financing they can more comfortable to offer their religious activities like prayers and can perform Hajj. So Islamic micro financing not only improve their earning capacity and make them independent but also can fulfill the main religious activities. Multiple factors of maqasid al shariah can be achieved through Islamic microfinance.

The second principle of *Al-daruriyyat* is *Al-Aql* (Intellect or knowledge) cannot be achieved directly from zakat until unless zakat money is used for education and training as mentioned by different scholars in their papers. Waqf generally used for providing training and education which is the main objective of this second principle. Islamic micro finance fulfills the requirement of this maqasid al shariah in a way that the participants of Islamic microfinance start different business. For that purpose, they acquire different business knowledge as per their skills.

The third principle of *Al-daruriyyat* is *Al-Nafs* (life) can be greatly achieved from zakat. Zakat fulfill basic necessities of poors, somehow improve their standard of life, health. For instance, if zakat paid in the month of ramazan so the deprived community can enjoy the festival of ramazan and eid. It also makes a feel of equality in the society which is the ultimate objective of maqasid al shariah. Here waqf and Islamic micro finance indicators also fulfil the same shariah objectives as achieve through zakat.

The fourth principle of *Al-daruriyyat* is *Al-Nasb* (family) is achieved through zakat. The zakat recipient spends zakat money on his family, get peacefulness of life. He can better protect his family and safe them from hunger and health issues which is the main objective of shariah. Waqf also fulfill the objective of this principle not different than zakat. As in the early age of Islam there was a concept of family waqf which means first waqf asset use for fulfilling the requirements of waqif's family then it can be waqf for others. Islamic microfinance participants can get respect in the society once they are financially stable. This is one of the main objectives of this shariah principle.

The fifth principle of *Al-daruriyyat* is *Al-Mal* (wealth) is achieved from all three tools zakat, waqf and Islamic micro finance almost with same indicators. In zakat the wealth fulfills basic need and improve health of deprive person. Waqf in the form of cash waqf fulfill the same objective. In Islamic micro finance this shariah principle can be achieved through these indicators (peacefulness, respect and independency of the participants).

Conclusion

The main objective of writing this paper is to discuss role of Zakat, waqf and Islamic microfinance under the principles of maqasid al shariah. In this paper the researcher explored the separate relation of these poverty alleviation tools with five principles of *Al-daruriyyat* from the perspective

of *Maqasid Al-Shariah*. The findings of the paper show that zakat, waqf and Islamic micro finance has a positive impact on all human needs with respect to *Maqasid al-Syari'ah* namely religion, knowledge, life, family and wealth. Hence, the study also provides an insight that without proper *zakat* distribution, utilizing waqf assets and providing useful Islamic micro financing, the requirement of maqasid al shariah cannot be fulfilled.

This study indicates that, *Al-Din*, *Al-Nafs*, *Al-Nasb*, and *Al-Mal* these indicators has positive relationship with the involvement of zakat, Islamic microfinance program, while, the indicator of *Al-Aql* has not significant relation with Islamic microfinance program and even in zakat except different business knowledge in microfinancing and education and training by using zakat amount. while in case of waqf indicators of all five principles are significantly improved.