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Title

Taxing Hunger, Funding Hope: A Zakat-Based Fiscal Model for a Riba-Free Pakistan

Introduction

My generation has never known a Pakistan without crisis.

We have grown up measuring time in price hikes: the year sugar crossed a hundred, the month petrol reached three hundred, the winter when the gas pressure dropped but the bill doubled. Our parents cut fruit thinner, defer medical tests "until next month," argue with the electricity company over WhatsApp voice notes they know will be ignored. Somewhere between the fuel adjustment charges and the "withholding taxes" on a prepaid phone card, many of us quietly absorbed a dangerous idea: that this is just how economics works.

But what if it isn't?

What if the problem is not that Pakistanis are lazy, or that "the global economy is tough," but that the rules of our financial game are written to extract the most from those who have the least? Our tax system leans not on those with the biggest balance sheets, but on those whose entire income is visible at the cash counter. Our state borrows at interest to cover old interest, then recovers the cost through indirect taxes on flour, transport, school fees, and electricity. Money itself is mostly created as debt, promising returns to those who already own assets, while treating inflation as an acceptable side-effect for everyone else.

In other words, exploitation is not an accident at the margins of our economy; it is built into its architecture.

For a Muslim-majority country that begins its Constitution with the sovereignty of Allah, this alignment is not just inefficient. It is morally incoherent. The Qur'an does not describe wealth as a private fortress to be defended at all costs; it describes it as a trust (amānah) whose flow must not be captured by the few:

"…so that it (wealth) may not circulate only among the rich among you." (59:7)

Zakat is not an optional act of generosity. It is a pillar of our faith and a legal right of the poor, designed to break cycles of hunger, debt, captivity, and exclusion. Riba is not a minor excess to be politely discouraged, but a practice categorically forbidden, precisely because it allows money to grow without effort while loading risk onto the vulnerable. When an entire system is built on interest-bearing debt and regressive taxation, it does something the Shari'ah came to prevent: it turns human precarity into a revenue source.

So the real question facing Pakistan is not whether we can tweak a few tax slabs or negotiate a slightly softer loan package. The question is whether we are willing to redesign the foundations: to move from an order that taxes survival and rewards speculation, to one that treats wealth as a trust, anchors public finance in zakat, and ties money creation to real economic activity rather than to compounding interest.

This is not a nostalgic call to "go back" to a romanticised past, nor a rejection of modern tools and institutions. It is an argument that is the most powerful tool of Islamic economics. Zakat, prohibition of riba, and the duty of social justice can form the backbone of a 21st-century economic model that is more stable, more humane, and more honest about who carries which burdens.

My generation has the most to lose if the current trajectory continues and the most to gain if it changes. We are the ones taxed on exam forms and bus fares before we earn our first rupee; the ones watching parents' savings evaporate in silent inflation; the ones entering a job market where a degree no longer guarantees the ability to pay rent. For us, Islamic economics is not just a theoretical subject. It is a lifeline.

We often hear that "there is no alternative." Our tradition, our text, and our lived reality say otherwise. The real test is whether we, as the next generation of Pakistanis, are willing to imagine that alternative clearly enough, and insist on it loudly enough, to make it the new common sense.

Section One

If we are to imagine an alternative, we must first be honest about the system we are living inside. Pakistan's economic order is not chaotic, it is engineered. It has predictable winners and predictable losers. It relies on regressive taxation not by accident, but because taxing the poor is easier than confronting the wealthy. The shopkeeper whose electricity bill doubles without his consumption rising, the rickshaw driver who pays fuel levies but has no savings account, the young graduate taxed on their first phone top-up. These are the citizens who subsidise the state. Their necessity funds the government's convenience.

When a country depends overwhelmingly on indirect taxes, everything essential becomes a site of extraction. Items that define survival rather than luxury, bread, milk, vegetables, transport, carry tax burdens that fall hardest on those who already live close to the edge. A family whose monthly income evaporates by the third week feels every price increase as a small disaster. Meanwhile, those whose wealth is locked in property, foreign accounts, or speculative assets remain largely insulated. They are not the ones whose consumption is visible, traceable, and therefore taxable; it is the poor who leave an involuntary paper trail at every shop counter.

This architecture deepens when we look at how money itself is created. The average Pakistani imagines that banks lend out deposits. In reality, modern banking allows institutions to create new money with each loan they issue. That money enters circulation not as a gift or investment, but as a debt that must be repaid with more money than originally created. The system therefore relies on constant borrowing to stay afloat. When borrowing slows, the economy contracts; when it grows too quickly, inflation punishes those whose only asset is their income.

The wealthy, whose assets rise with inflation, have built-in protection.

The poor, whose wages stagnate, pay the price.

Layered on top of this is Pakistan's addiction to interest-bearing public debt. A large share of the federal budget is no longer spent on schools, hospitals, or infrastructure, but on servicing interest on old loans. Since governments rarely collect enough through direct taxes from the wealthy, they recover this cost through more indirect taxes on food, electricity, petrol, and everyday necessities. The labourer buying atta is indirectly paying the interest due to domestic and global lenders. This is how exploitation becomes institutional rather than incidental. It is the outcome of rules that reward speculation and punish survival, not the moral failing of one leader or another.

Often described as an economic phenomenon, inflation becomes a moral one in this context. Every month that prices rise faster than wages, the poor lose a slice of their dignity. A mother's grocery basket shrinks. A father postpones school fees. A family quietly stops buying meat except on Eid. This erosion is not neutral. It is the result of a system where money can grow without effort through interest, while human beings are asked to stretch stagnant incomes across rising costs. The Qur'an warns against hoarding wealth and exploiting vulnerability for a reason: when economic structures allow the rich to grow richer merely by being wealthy, and force the poor to pay for the privilege of surviving, injustice becomes routine.

If this is the architecture we are trapped in, what does an alternative built on Islamic principles actually look like? Not a slogan, not a romantic memory of a golden age, but a modern institutional blueprint that reflects the ethics of zakat, the prohibition of riba, and the duty to protect the vulnerable.

The heart of an Islamic economic vision emphasizes that wealth must not become a closed circuit among elites while the majority live in precarity. Hoarding is condemned. The poor have a recognised share in the wealth of the well-off.

Yet our current fiscal architecture achieves the exact opposite. It allows wealth to circulate freely among those who already possess it, while extracting revenue from those whose only asset is their labour. This is not simply inefficient or unfortunate, instead, it reflects a political economy shaped by convenience rather than justice. It is easier for a government to raise GST on milk than to tax large landholdings. It is easier to place a fuel levy on every litre of petrol than to confront entrenched asset-owning elites. It is easier to charge "adjustments" on an electricity bill than to design a direct taxation system that actually reaches the wealthy. And so the state chooses the same path, again and again, not because it is fair, but because it is simple.

The predictable result is that necessities, not luxuries, become the primary source of public revenue. Over 60 percent of Pakistan's tax collection comes from indirect taxes, meaning that the system does not distinguish between a billionaire buying imported cheese and a daily-wage labourer buying flour. In such an economy, poverty is not merely tolerated; it is monetised. The financial survival of the state is quietly tethered to the continued consumption of those who can least afford it. Every bus fare, every mobile recharge, every packet of atta carries a hidden burden. The poor, without ever being asked, subsidise the entire system.

This is the point at which economics and morality collide. Islam does not merely forbid riba as a transaction, it forbids a logic in which money multiplies without risk while human beings bear the consequences. Yet our financial structure is built upon precisely that principle. Banks generate money through interest-bearing debt, expanding the money supply without expanding real production. Governments borrow to repay older loans, compounding obligations faster than the economy grows. Inflation becomes the inevitable consequence of a system where money is created without value and it is a consequence borne almost entirely by those who did not benefit from the creation itself. In effect, inflation becomes a form of hidden riba: an involuntary transfer of wealth from those with cash salaries to those with appreciating assets.

This system persists because it rewards the powerful and punishes the powerless in ways that do not trigger immediate political backlash. The wealthy enjoy exemptions carved out over decades, often through legal engineering or political negotiation. International lenders insist on raising revenues but seldom demand progressive taxation; indirect taxes satisfy their benchmarks without challenging domestic elites. Bureaucratic incentives prioritise revenue collection targets rather than equity or reform. And so the cycle continues: the state taxes what is easy, borrows what is convenient, inflates what is inevitable, and forces ordinary citizens to quietly absorb the cost.

What emerges is not a neutral economic landscape, but a structure that normalises hardship for the many while protecting comfort for the few. The system does not collapse because it does not need to; it survives by draining small amounts from millions of transactions, millions of lives. And in doing so, it abandons the foundational Islamic principle that wealth is a trust entrusted to us by Allah, meant to flow, meant to circulate, meant to uplift – never to suffocate.

Section Two

If the current system feeds on the fragility of its people, then the alternative must be built on their protection.

Islamic economics begins not with regulations, but with an ethic that states no human being should be pushed into desperation so another can enjoy effortless gain. If wealth is a trust from Allah, then the structures governing it must reflect that trust. A new model for Pakistan cannot simply remove interest or tweak taxes; it must reimagine what a dignified economic life looks like in a Muslim society. And that vision has to be translated into institutions, not aspirations.

The starting point is zakat, not as an annual ritual or a charitable gesture, but as the backbone of public finance. For fourteen centuries, zakat has existed as a principle; Pakistan's task is to build it as an institution. Imagine a system where zakat is not collected through envelopes, deduction slips, or the goodwill of individuals, but through a nationwide digital architecture that maps wealth, ensuring delivery with the precision of a modern financial system. Every savings account, every inventory log, every tradable asset automatically assessed, every eligible household matched through NADRA-linked profiles; every distribution recorded transparently. It will form a system of stewardship.

In such a system, the widow in Khairpur does not plead with an official to verify her poverty. The tenant farmer in Rajanpur does not borrow from a landlord to feed his family before the harvest. The single mother in Rawalpindi selling home-cooked meals does not abandon her daughter's schooling when fuel prices rise again. Each of them is supported not because someone feels generous, but because Allah has granted them a right in the wealth of the nation.

And this grid does more than deliver aid, it generates insight. With AI-trained models using anonymised, ethically governed data, Pakistan could predict which households are nearing economic collapse. Families with repeated medical emergencies, farmers at risk of climate-driven crop failure, workers whose income falls below survival thresholds during off-seasons. Instead of waiting for a crisis, zakat becomes preventive. Islamic social welfare is no longer reactive charity, but intelligent, anticipatory protection.

Yet even the most beautifully designed zakat system cannot sit atop a monetary order that produces instability at its core. Pakistan's economy breathes through the lungs of interest-bearing debt, each gasp inflating the cost of living for millions. Islamic finance does not merely forbid riba because it is exploitative, it forbids it because it distorts the relationship between money and value. To build a stable Pakistan, money must regain moral weight. It must be tied to real production, real assets, real partnership.

A practical transition would mean banks slowly shifting from debt manufacturing to asset-based financing. Loans would not be conjured through keystrokes; they would be backed by deposits or real goods. Instead of borrowers facing fixed penalties regardless of their circumstances, financiers and clients would share risk and reward. Mushārakah contracts for businesses, muḍārabah for entrepreneurs, ijārah for equipment, and murābaḥah for trade cycles, all embedded in a digital system that records, verifies, and audits transactions. The goal is not to mimic Islamic terminology while keeping the logic of interest – it is to replace the logic itself.

Picture a workshop owner in Gujranwala whose orders slow down for a month. Instead of drowning under rigid repayments, his financier takes the hit with him because in Islamic finance, profit is linked to risk, not guaranteed in advance. Picture a group of women in Mardan receiving a micro-equity investment for a garment startup, not a loan that punishes them for delay. Picture a dairy farmer in Sanghar receiving equipment on a lease that adjusts to seasonal fluctuations. These are models that exist in Islamic jurisprudence and can be revived through modern digital systems.

For households caught in debt, the Qur'anic category of "al-ghārimīn" becomes a lifeline. Pakistan is full of lives quietly broken by small, high-cost debts: a rickshaw driver who owes Rs. 18,000, a woman in a village owing interest on livestock feed, a young man in Karachi entangled in microloan apps charging hidden penalties. A debt redemption program, grounded in zakat law, could identify, negotiate, and buy out these debts in bulk, converting them into risk-sharing contracts instead of lifelong traps.

But justice is not only delivered through money. It is built through institutions that give people a chance to lift themselves beyond their circumstances. Instead of delivering endless stipends that keep households surviving but not progressing, zakat could fund asset ladders: multi-step programs that combine productive tools, training, matched savings, and micro-equity. A sewing machine becomes a tailoring business, a goat becomes a livestock cycle, a water pump becomes the foundation for small-scale irrigation. Each asset is a rung on a ladder out of poverty, and each rung is funded not by charity but by obligation.

This new model also requires reimagining spaces that already exist within Pakistani society. Mosques could become neighborhood-level economic hubs. Not charity tables, but dignified resource centers: digital kiosks where families enroll for zakat rights; training corners for women entrepreneurs; counseling desks for those under debt stress; mediators who draft and witness interest-free agreements; volunteers who teach digital literacy.

Still, none of this succeeds if the state continues to drain the poor through indirect taxes. As zakat strengthens and riba-free financing expands, Pakistan can begin phasing out taxes that punish necessity: GST on essential foods, fuel levies, electricity surcharges, mobile withholding taxes, and exam-related fees that weigh on students before they earn a single rupee. Wealth-based taxation on high-value property, idle urban land, and luxury consumption must replace the extraction of daily bread. This is Qur'anic alignment.

And a transition of this magnitude cannot be performed overnight. It requires carefully chosen pilot districts, urban and rural, where each component including the zakat grid, the asset ladder, the debt redemption unit, and the risk-sharing banks are tested together. It requires new laws that embed zakat protection into constitutional language, regulate Islamic banking without compromise, and govern data privacy ethically.

It requires civil servants trained not only in policy but in the maqāṣid al-sharīʿah.The objectives of Shariah consisting of protecting life, wealth, intellect, lineage, and faith. And it requires trust where the citizens believe their sacrifice leads to fairness rather than feeding a system that treats them as expendable.

If Pakistan undertakes this shift with seriousness, it will not simply "Islamicize" existing structures. It will pioneer a new model where the Qur'an's economic ethic is not a slogan but the blueprint and where digital tools serve moral objectives; where poverty is addressed before it becomes a crisis. Where the economy does not reward extraction but encourages partnership and wealth does not stagnate with the powerful but circulates as Allah commands.

Such an economy does not imagine dignity as a luxury. It designs it as a right.

Conclusion

Pakistan stands at a point where managing the crisis is no longer enough. The structures we rely on were never designed to produce justice or stability. They were designed to survive year to year, not to build a future. A zakat-based, riba-free model offers something fundamentally different: a system where public finance is anchored in rights rather than extraction, where money is tied to real value, and where the burdens of the economy fall on capacity rather than desperation.

For a Muslim-majority country, this is a return to coherence. The Qur'an's insistence that wealth circulate, that the vulnerable be protected, and that gain come with risk provides a clear economic logic. With modern tools, Pakistan can translate that logic into institutions that prevent poverty rather than manage it, support production rather than speculation, and make dignity the baseline.

The choice before us is straightforward. We can continue patching a system that treats survival as a taxable commodity, or we can build an order worthy of a country that begins its Constitution with the sovereignty of Allah. A just, stable, and riba-free economy is not a distant ideal. It is a practical blueprint – one our generation has both the responsibility and the opportunity to make real.