

Ending Exploitative Taxation

A Zakat-Based System for Justice, Economic Growth and Welfare for All

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By reallocating wealth from the rich to the poor through required Islamic charity, a Zakat-Based System for Justice and Economic Growth encourages social justice and economic dissemination. It assists lift people out of poverty and strengthen oppressed communities by diminishing income inequality and providing required funds for necessities (Safitri, J., et al. 2024). A more just society and augmented investment and utilization among the indigent are the goals of productive execution, feasibly through state institutions.

By instituting a corroborative framework for wealth redistribution and economic justice that eases the call for and reliance on conceivably onerous traditional taxes, a zakat-based system can help put an end to exploitative taxation. It attains this by allotting affluence from the wealthy to the underprivileged, fostering economic firmness, and offering funding for social welfare ventures, all of which lowers poverty and disparity. By highlighting wealth distribution rather than just revenue exaction, this model operates to confront manipulative taxation and enhance a more just and equitable commerce (Ahmad Malik, B. 2016).

An equilibrated economic system that discards both capitalism and communism in their aggregate is the target of the whole economic proposal generated under the central tenets of Shari'ah (Islamic law). According to the laws, its chief goals (maqasid) are resolved by the awareness of Righteousness (a'dl) and welfare (falah), i.e., the means to seek God's blessings (fadhl al-Allah).

Nevertheless, the economic systems that contemporary Muslim societies have usually encompassed are incompatible with Islamic economic framework (Ahmad Malik, B. 2016). They are fundamentally terminated from the ginneries and efficacy of Islam's charitable bodies and equity instruments. One of the primary barrier to gaining wellbeing and social justice is the economic edge of the "privileged class" over the "Deprived class." It is being uphold that "Re-Implementation" of Zakat, both at the official and civil society tiers, is a path to provide socioeconomic safeguard to entities who would otherwise go overlooked in such perilous circumstances. The institution of zakat has the potential to negotiate concerns like relative

deprivation, poverty, illiteracy, and unemployment by facilitating the "productive channelization" of assets from "privileged class" to "deprived class" (Safitri, J., et al. 2024).

A harmonized tactics that impresses an equilibrium between social equity, economic development, and Eco-friendliness is mandatory for sustainable economic development (Rahmat & Apriliani, 2023). A core aspect of Islam, Zakat is a re-allocative financial tool that can help with financial inclusion, wages redistribution, and poverty mitigating. On the other hand, conventional economic literature has not amply examined its potential to accomplish the Sustainable Development Goals (SDGs).

The aggregate reveals that zakat is an influential means for income reallocation and financial emancipation when it is auspiciously incorporated into economic and social strategy. Financial stability is meliorate when zakat is delivered productively to micro, small, and medium-sized businesses (MSMEs). Zakat governance is amplified by digitalization and amendments, pledging efficacy and openness in its allocation.

Economic upsurge ought to align with this ultimate aim of shari'ah. The principal of Islam's maturation rely on humanity as an economic agent, and it is humanity that needs to be educated about the whole procedure by merging social evolution, economic maturation, and environmental conservation.

Islam offers holistic philosophy for sustainable economic growth that consider both the material and welfare facets of life for contemporaries and descendants. Aiming to properly supervise economic evolution and buffer the curiosity of all stakeholders, comprising humans, animals, and the environment, adherence to the Islamic holistic proposition is critical (Ibrahim and others, 2010).

An essential part of Islamic economics is a zakat-based system that guarantees the fair division of wealth in order to promote social justice and economic progress. Financially secure Muslims are required to provide 2.5% of their total wealth above a minimal level (nisab) to particular recipient groups as part of a permanent circulation system of justice. This is a mandated financial responsibility, not just charity. By limiting the accumulation of wealth in the hands of a small number of people and establishing a social safety net for the underprivileged and needy, this procedure directly addresses economic inequities (fuqara and masakin).

The system's effects on economic growth are varied. Zakat boosts lower-income individuals' and families' purchasing power and access to essential necessities such as food, shelter, healthcare, and education. This injection of capital into the market increases aggregate demand for goods and services, promotes economic activity, and contributes to price stability (Shaukat, S., & Zhu, J. 2020). Beyond immediate relief, well-managed Zakat funds can be used to support economic empowerment initiatives such as vocational training, education scholarships, and small business capital, allowing recipients to break the cycle of poverty and become self-sufficient contributors to the economy. Historical examples from the Caliphates of Umar ibn Al-Khattab and Umar ibn

Abdul Aziz indicate the system's potential to drastically reduce, and in some cases abolish, poverty when properly applied.

Zakat also enhances social cohesiveness and stability by instilling a sense of shared duty and compassion in community members. It cleanses the giver's soul of greed and miserliness, as well as the receiver's heart of envy, so lessening social friction and class conflict, which are frequently caused by great disparity. The system's effectiveness is dependent on strong, transparent, and accountable institutional management, which modern Zakat organizations and government bodies in countries such as Malaysia and Indonesia are actively pursuing, often by leveraging technology for efficient collection and distribution (Irfan, A. 2015). Finally, a working Zakat system combines spiritual commitments with a practical, ethical financial framework, resulting in a more inclusive, egalitarian, and sustainable society for all.

Institutionalized zakat can be utilized to endow communal welfare programs, diminishing the need of taxation for basic services. When zakat donations are adequate, they can attribute as a safety net, minimizing the detriments of poverty, unemployment, and inequality. Zakat, by empowering marginalizing communities, can trigger consumer spending and fund grassroots development projects, so stimulating the economy from below (Shaukat, S., & Zhu, J. 2020). This leads to a more comprehensive and secure economic horizon. In lieu of relying predominately on enforced contributions for state revenue, a zakat-based system focuses a moral and ethical imperative to distribute wealth. This substitutes the focus subside from basic revenue expansion and toward economic justice and social harmony.

The accomplished application of Zakat will ensure a society's economic sustainability. The practical application of Zakat contributes to a society's economic stability by fostering an equitable distribution of wealth. It transfers money from the wealthy to the less fortunate, thus enhancing economic growth and assisting general financial stability, abolishing socioeconomic disparities, and building solidarity.

This is confirmed by the Quranic verse (59:7), which stipulates that wealth should not be distributed primarily among the wealthy.

In addition, Zakat promotes economic empowerment by dispatching funding to local businesses and entrepreneurs. This upgrades approach to credit and encourages entrepreneurship in the community, resulting in a more secure and thriving society. The Quran (Surah At-Taubah: 103) highlights that charity distills and triggers the wealth to increase, while a Hadith (Sunan Al-Kubra 19049) stresses on the ethical relevance of pondering one's neighbors' well-being, making equal distribution decisive to social compatibility and economic consistency.

Zakat, when suitably applied, contributes substantially to a society's economic stability in multiple ways. It boosts economic empowerment by managing funding to local businesses and entrepreneurial ventures, thus enhancing community entrepreneurship and resulting in a more

prosperous society. This approach involves verifying equivalent wealth allocation, which refines gateway to funding and encourages investment.



Fig 1: Zakat ensures economic stability (Irfan, A. 2015)

Moreover, flourishing Zakat implementation encourages economic expansion by encouraging reasonable wealth distribution, minimizing unevenness, and offering financial assistance during economic declines. It acts as a safety net, providing loan assistance while retaining price stability to encourage economic resilience.

Zakat's productive use also enables to bridge the resource gap among various socioeconomic classes through methodical wealth transfer. This aid for impoverished people, which includes financial assistance and bettered approach to crucial services, encourages social welfare and a more equitable economic layout by increasing work possibilities and lowering destitution (Muhammad, R. A., & Hishammuddin, M. A. H. B. 2024).

Zakat promotes economic steadiness by eradicating poverty. It diminishes economic imbalance and advances social wellbeing by redistributing resources (Zauro, N. A., Saad, R. A. J., & Sawandi, N. 2020). This technique demotivates trust, boosts individual dignity, and promotes effective economic engagement, all while encouraging autonomy and a culture of benevolence.

Zakat caters to tapered the gap between the affluent and the indigent by elevating social accountability, spiritual healing, and economic justice in Islamic culture. Frustratingly, the true essence of Zakat has generally dissipated in contemporary society.

This barrier can be amended by recommencing Islamic standards and precepts, evolving an effective Zakat framework that fosters economic advancement. Holistically, Zakat sustains core Islamic teachings and social justice norms. Reducing financial gaps promotes social solidarity and mingle society's ethical foundation. Its competency can merely be acknowledged with constructive administration, adequate education, and traceable distribution channels (Choiriyah, N, et al. 2020). Zakat takes on even utmost importance and accessibility when it is surveyed via internet donations.

Zakat administration encompass entities that govern low-income worker assistance (worker-focused and other) and SME support (Zakat-focused and other). On top of management training, the Zakat dispersal systems offer owners financial support in the form of qard hassan, equipment grants, and equity grants

Moreover, they bring forth debt relief, insurance programs, skill development, income support, and health benefits to employees and owners (Choiriyah, N, et al. 2020). Cooperatives or businesses owned by zakat recipients, peculiarly small businesses owned by qualified zakat receivers, are made feasible by the zakat recipient processes, which also assist workers in securing skills to magnify yield and secure employment. The cumulative influence of zakat results in expanded social justice, equitable income distribution, and beneficiary self-sufficiency.

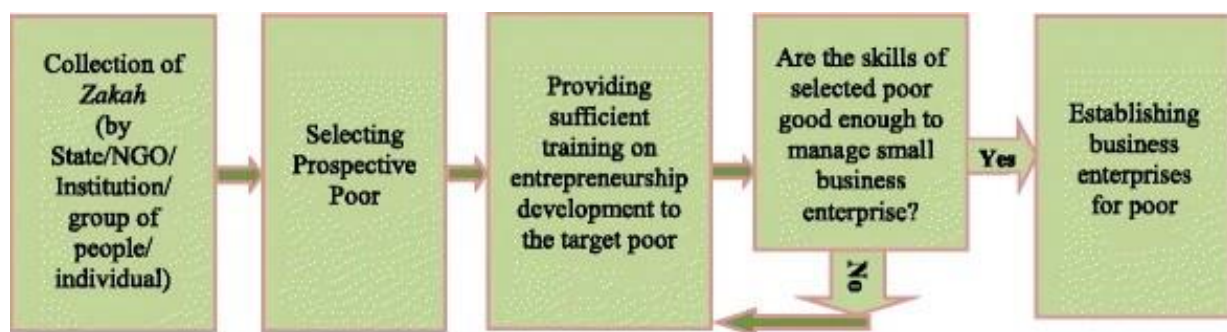


Fig 2: An entrepreneurship development process model for zakat mobilization (Becker's 1964), (Kirkpatrick's 2005)

The technology and philanthropy is currently more democratic and approachable, empowering people globally to readily support causes that are dominant to them. Beyond its patent financial advantages, Zakat has significant social and spiritual consequences that strengthen communal cohesion, foster a fondness of shared responsibility, and muffled crime rates brought on by poverty. It nurtures human dignity and international fraternity by decontaminating the recipient's heart from jealousy and the giver's spirit from greed (Kirkpatrick's 2005).

Eventually, effective institutionalization, open management, and a superior degree of public involvement are imperative to effectuate this transformative system's potential. When properly executed, a Zakat-based framework provides a thorough, morally grounded answer to up-to-date socioeconomic obstacles, paving the way for affluence and just society where each person has the possibility to realize their full potential.