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

The quest of prosperity, justice, and welfare remains a timeless aspiration in every society. Today Pakistan faces the most pressing challenges among which are economic fluctuations, persistent poverty, and social injustice. Islam holds the most profound answers within itself: the institution of Zakat. Zakat offers a model that can be adopted to modern policy for any economy especially Pakistan' economic revival rooted in Quran, Sunnah and implemented historical era of Hazrat Muhammad (pbuh) and the rightly guided Caliphs. Caliph Hazrat Umar ibn Abdul Aziz, who ruled from 717 to 720 CE, had the best Zakat management in history and is often associated as the peak of Zakat collection. During his reign, the needy and poor were adequately supported, and the funds were abundantly stocked. In medina Zakat functioned as a fiscal mechanism for state administration that not only redistributed wealth but also reduced inequality, offered universal wealth, sustainable economic growth, stimulating demand and a framework for achieving social justice.

This article argues that to transform Pakistan' economy into an inclusive growing economy Zakat can play a transformative role by supplementing existing fiscal policies and address the existing chronic socio-economic disparities in Pakistan. Besides a spiritual duty we can envision Zakat as a policy instrument and a powerful engine for Pakistan's economy when properly integrated and institutionalized in our country's economic system.

The Holy Quran repeatedly emphasized Salah and Zakat. From economic fairness justice in Islam is inseparable. According to Quran Zakat is a mean of purifying wealth and ensuring equity: "*Take from their wealth a charity by which you purify them and cause them increase"* (Qur'an 9:103). The highlight of this verse is Zakat's dual role; the first role is purification of the giver's wealth, and the second role is uplifting the condition of receivers. Unlike voluntary charity, Zakat is one of the five pillars of Islam decreed as an obligation and systematically targeted towards categories defined in the sacred Quran:

"Zakat expenditures are only for the poor, the needy, those employed to collect it, those whose hearts are to be reconciled, for freeing captives, for those in debt, for the cause of Allah, and for the traveler" (Qur'an 9:60).

This reference reveals that Zakat is shaped not only for the relief of needy and poverty but for development of institution, debt relief, social integration, and economic strengthening. From a budgetary and economic viewpoint, Zakat acts as a redistributive tax, that helps transfer idle wealth from abundance holders to deficit categories with high marginal propensity to consume, therefore this practice stimulates aggregate demand.

Allah Almighty commands in the Qur'an as;

"Indeed, Allah commands justice, excellence, and giving to relatives" (Qur'an 16:90).

The holy Quran explicitly condemns and warns against an economy circulating wealth only among elites.

"...so that wealth may not merely circulate between the rich among you" (Qur'an 59:7).

For Pakistan, income, justice and wealth inequality has expanded due to elite capture of resources, regressive taxation, corruption and wealth concentration. Justice is not simply laws and court; it extends beyond legal system by ensuring the safeguard citizens from deprivation of basic needs than wealth being hoarded by a few. Zakat directly addresses these falsifications by imposing a levy on compiled wealth rather than income alone. This characteristic makes Zakat intrinsically progressive and justice-prevailing, complementing modern concerns about Wealth parity, taxation and equitable allocation.

Zakat as a driver of economic growth

In contrast to the misconception that the zakat system is a depletion of wealth, in fact it is a catalyst for economic growth and activity. It stimulates demand when the poor and needy segments receive zakat; they consume food, spend on clothing, and shelter, as a result it boosts local markets. The circulation of wealth sustains economic dynamism, avoids stagnation by generating multiplier outcomes in investment and consumption across the economy. Historically, Zakat was practiced not only for quick relief but also for over-term development. Hazrat Umar ibn al-Khattab (RA) directed zakat funds toward stipends, while Hazrat Umar ibn Abdul Aziz funded welfare programs that facilitated communities. That resulted in an economy where poverty was nearly eradicated, structuring effective redistribution and economic empowerment.

"Zakat is taken from their rich and given to their poor" (Sahih al-Bukhari).

This hadith highlights Zakat as a responsibility of the state, assigning collectors and administrators to strictly regulate Zakat collection and distribution. Zakat practice multidimensional poverty addressing food insecurity, healthcare requirements, financial relief, and support for migrants and wayfarers. In Pakistan, where state public welfare mechanism struggles and credibility, Zakat provides a religiously mandated and embrace legitimate framework that is widely accepted by communities. However, it's practiced in a way that remains scattered, under-utilized far below its true capacity.

For Pakistan, zakat-based welfare means establishing an institutional safety net that complements existing programs like the **Ehsaas initiative** and the **Benazir Income Support Program (BISP)**. Zakat funds can be directed toward:

- Healthcare financing, which also includes maternal heath, basic clinics, and preventive care centers.
- Providing scholarships for poor students, madrasa reforms, and training in the education sector.
- Social protective welfare aiding for flood survivors, vulnerable communities, unemployed youth and household that have instable income, and handicapped communities.

Islam emphasis Zakat because welfare is not a luxury, it is a guaranteed right by our religion Islam. Different era of caliphs and the era of Holy Prophet Muhammad (saw) has proven timeless solutions to modern challenges that Pakistan is currently facing.

Pakistan's Zakat Framework: Gaps and policy Challenges

In 1980 Pakistan proposed a formal Zakat system, however its overall impact remains limited because of several structural shortcomings:

1. **Narrow Zakat Collection Base**: In Zakat is primarily deducted from individual bank deposits; some individuals avoid it by providing affidavit. Hence, it leaves extensive sectors of wealth including real estate, gold holdings, and informal assets that are largely untapped.
2. **Segmented Administration**: Across Pakistan, federal and provincial level zakat system remain miserable lacking proper coordination, and accountability for well performance.
3. **Consumption driven distribution:** In Pakistan, mostly zakat money is distributed as small cash payments to poor needy families. Such a distribution system is a short-term relief, and it does not assist in establishing skills or building a business that may offer the needy and poor categories a steady future income. Zakat is such an excellent means to help poor escape poverty and train unemployed youth and funds small projects that guarantee people earn a Halal income and living.
4. **Lack of credibility: Poor accountability and lack of institutional transparency hinder** voluntary compliance thereby encourages private, unregulated funds distribution.

5. **Admiration Mismanagement and corruption**: Zakat collected funds often fail to reach people who are truly in need of it and are diverted for other purposes through corrupt practices.
6. **Lack of public awareness**: A large wealthy individuals overlook and neglect obligatory zakat funds or choose informal charity without realizing the impact of it.
7. **Parallel systems:** Due to Informal donations, official Zakat institutions lose overall efficiency that weakens the impact of Zakat.

Consequently, the role of Zakat in economic and social progress remains unachieved and unfulfilled in Pakistan.

Policy framework and Solutions for Pakistan

To harness the full impact and potential of Zakat and overcome these challenges, Pakistan requires and adopt a policy-driven approach which should be Shariah-complaint reform:

1. **Digitized Funds Collection**: Technology can be used in zakat funds collection to track, for beneficiary verification, to ensure compliance and credibility. The leverage of mobile banking and use of blockchain to ensure transparency of zakat fund collection.
2. **Welfare Programs**: Alignment of Zakat funds with Ehsaas and BISP helps avoid duplication of welfare programs.
3. **Open, accountable Auditing**: Publishing annual public reports to enhance trust, transparency and ensure accountability.
4. **Awareness: Raise** public awareness and educate citizens to recognize Zakat as a religious duty rather than an optional charity.
5. **Effective productive Utilization**: Zakat should be channeled into establishing skills and supporting small businesses and redirecting toward education and health services thus it will create long term impact beyond temporary, short-term relief.

Zakat must be directed strategically toward skill development, SMEs and healthcare sector to form a long-term change, not just short-term relief.

Beyond being an economics tool, Zakat nurtures a **moral economy foundation** on compassion, fairness, and a collective responsibility. The Prophet ﷺ reminded us by the given narrated warning:

"He is not a believer whose stomach is filled while his neighbor goes hungry" (Sunan al-Kubra).

In today's polarized society like Pakistan, Zakat system holds the power of social cohesion by reducing and easing resentment, promotes dignity, and cultivating a sense of shared destiny as t transforms charity into a fair and just system that strengthens both the socio-economic and moral foundations of the nation.

The Quran remind us: "*Whatever you give in zakat, desiring Allah's pleasure—it is those who will multiply their wealth"* (Qur'an 30:39). This verse captures the essence of zakat: it is not a loss but a gain, not a burden but a blessing."

Foreign loans or borrowed models can't fuel Pakistan's journey toward Justice, welfare and prosperity. The strength lies in reclaiming the values, wisdom of its own Islamic heritage. A Zakat-based structure implemented with honesty and a vision based on strategies has the capacity to help Pakistan transform into a welfare society where justice prevails, economy flourish sustaining growth, institutional resilience and legitimacy.