

Zakat and Waqf as an Islamic Microfinance Tool to Uplift Social and Economic Life of the People in Tajikistan

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Abstract

Zakat and waqf as an Islamic tool for Islamic microfinance has become increasingly relevant. Both these practices were historically institutionalized in Muslim communities since the rule of the Prophet (PBUH) himself. These practices develop a culture of shared equality within the community, eventually improving social ties and cohesion as well. The benefit of zakat and waqf as an Islamic microfinance tool is that it not only generates funds for the poor, but also creates sustainable solutions by creating sources of employment and education that effectively treats the problem of poverty. Tajikistan is one of the Muslim countries which is suffering from poverty and huge income gap between poor and rich. It is imperative to bring into consideration the development of constructive policies like zakat and waqf being an Islamic microfinance tool that will not only mitigate the country's vulnerabilities to external factors but also contribute in the economic growth and development of the country. The paper not only explores the effectiveness of zakat and waqf as an Islamic microfinance tool but also assesses its relevance in the context of Tajikistan in uplifting the social and economic life of the people in the country. This implies that Tajikistan is yet to come up with a tool for poverty alleviation that is safeguarded from these external economic and social factors. The paper will also provide recommendations regarding policy adaptation and how the funds can be utilized for upliftment of poor through multichannel programs.

Keywords: Zakat, Waqf, Islamic Microfinance, Social Life, Tajikistan.

Introduction

Tajikistan as a country has already demonstrated commendable performance in addressing the prevalence of poverty across its region. Experts have claimed that poverty alleviation in the country is largely owed to the proliferation of the informal sector and human aid support. On the other hand, the country continues to have the looming threats of natural disasters that can always affect these kinds of policy implications. Hence, the country needs to adopt policies that shall not only improve the economic life of the people, but shall also be sustainable and be impervious to these external factors.

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Against that background, the proposal for adopting zakat and waqf as an Islamic tool for Islamic microfinance has become increasingly relevant. Both these practices were historically institutionalized in Muslim communities since the rule of the Prophet (PBUH) himself. These practices have demonstrated promise and potential so much so that several countries have started to rejuvenate them as economic and social policies to achieve poverty alleviation and redistribution of wealth. The benefit of zakat and waqf as an Islamic microfinance tool is that it not only generates funds for the poor, but also creates sustainable solutions by creating sources of employment and education that effectively treats the problem of poverty. At a broader scale, it creates awareness and a sense of accountability within the community as they create these endowments for those in need, thus effectively improving both the economic and social life of the people.

With that being the context, this paper seeks to understand the role and effectiveness of zakat and waqf as an Islamic microfinance tool that can be used in uplifting the social and economic life of the people in Tajikistan. The country of Tajikistan has made significant improvements throughout the past few years in terms of economic growth and poverty alleviation; however, the country still remains at risk of this growth being unsustainable and vulnerable to external risk factors. To mitigate that, it is imperative to bring into consideration the development of constructive policies like zakat and waqf being an Islamic microfinance tool that will not only mitigate the country's vulnerabilities to external factors but also contribute in the economic growth and development of the country.

Methodology

A qualitative approach has been adopted for the purpose of developing an understanding of the role of zakat and waqf in alleviating poverty from the society. The purpose of qualitative methodology is that it helps in exploring the causes and nature of any given phenomenon. In this case since the paper sought to explore the impact of zakat and waqf as a potential tool of Islamic microfinance, this methodology was deemed to be the most appropriate. Semi structured interviews were conducted with experts and academicians associated with this topic who shared key insights as to the significance, challenges and recommendations regarding the implementation of zakat and waqf as an Islamic tool of microfinance for the people of Tajikistan. Moreover, content analysis and literature review of secondary sources was also conducted to develop an understanding of the role of zakat and waqf as an Islamic microfinance tool in countries such as Malaysia, Africa, etc. The implementation design and results in these countries in the given few years have developed the understanding of the nature, challenges and scopes of improvements in the implementation of zakat and waqf as a tool of Islamic microfinance.

Objectives

As mentioned above, the paper not only explores the effectiveness of zakat and waqf as an Islamic microfinance tool but also assesses its relevance in the context of Tajikistan in uplifting the social and economic life of the people in the country. Following are the objectives of the study:

1. Assessing the role of zakat and waqf in mitigating poverty in Tajikistan
2. Identify the challenges faced in implementing zakat and waqf as a tool to alleviate poverty and redistribute wealth
3. Offer recommendations as to how zakat and waqf can be established as an Islamic microfinance tool to ensure economic development in the country

Conceptual Understanding of Zakat and Waqf

Zakat and waqf has been being used as a tool for poverty alleviation across several Muslim countries given the prospective prosperity it has to offer if utilized properly. The concept and practice of zakat and waqf are deeply institutionalized in Islamic tradition since the beginning. While zakat is an obligatory act of worship for those whom it's applicable, waqf is more voluntary in nature. The purpose of paying zakat is to purify the believer's wealth so that it may sustain longer and may lead to equal redistribution of wealth in the society. The practice of paying Zakat has been numerously mentioned in the Quran, for instance, in surah Bayyinah verse number 5 Allah says, "And they were commanded not, but that they should worship Allah, and worship none but Him Alone (abstaining from ascribing partners to Him), and perform As-Salat (Iqamat-as-Salat) and give Zakat: and that is the right religion." Religious responsibility in Islam is multi-dimensional and the principles of zakat and waqf is established on social solidarity and mutual support (Kahf, 1999).

The word zakat literally means proliferation in Arabic. Zakat is said to be one of the pillars of Islam and is mandated upon individuals who possess a certain amount of wealth. Fiqh defines zakat as "a due right on specific items of assets/properties, in specific percentages with consideration of the passage of a year and satisfaction of the condition of nisab" (role of zakat and waqf in poverty alleviation). This means that this zakat is obligatory for individuals who possess a certain amount of wealth (nisab) for a given period of time, i.e. a lunar year. This is also to be noted that if the owner has any payable debts, those must be adjusted before fixing the zakat amount. On the other hand, if there is any increase in the individual's wealth throughout the period of time that increase also will have to be taken into account. Quran also specifies the different categories of people who are deserving of receiving zakat which includes the poor, needy, the ones who are responsible for collecting the funds, for the cause of inviting people to the path of Islam, for freeing captives, for those in debt and for the cause of Allah and His religion (same as before).

Waqf literally means detention or stoppage whereby an individual's assets are detained in possession of God for the sake of charity and welfare of humankind. The practice of waqf originated from the time when the Muhajiroon in Medina were facing difficulty in drinking the water since they were used to drinking the sweet water of Makkah. However, even though there was a well whose water tasted just like that of Makkah, the Muhajiroon could not drink from it because the owner of the well was a greedy person and refused to let people drink water from it. The Prophet SM then declared that whoever would buy the well would receive a garden in Paradise; hearing which Uthman RA bought the well and left it as an endowment (Islamic Relief, n.d). This eventually set the tradition for waqf whereby believers relinquished their property or assets for the sake of God and benefit of the humankind. This incident eventually set off the practice of waqf within the Muslim community which was eventually institutionalized within the Muslim law.

The Muslim law delineates the concept of waqf as 'the tying up of property in the ownership of God, the Almighty and the devotion of the profits for the benefit of human beings. Abu Yusuf further illustrates that waqf has three core elements 'ownership of God, the extinction of the founder's right and the benefit of mankind' (Asthana, 2019). Waqf can be classified into two broad categories based on their purpose and nature of output (Solanki, 2017). The types of waqf depending on their purpose include:

- Waqf Ahli: Waqf left at the disposal of children or their offspring but that cannot be spent or sold.
- Waqf Khayri: Waqf that is devoted for charity or other philanthropic purposes. These funds go in the development or establishment of welfare programs or organizations, e.g. orphanage, etc.
- Waqf al Sabil: Waqf that is used for public welfare in the development of initiatives such as scholarship for poor students, public library, etc.
- Waqf al Awaridh: Returns from waqf that is preserved for future emergency or need for the community or family members.

Categories of waqf depending on their nature of output comprises of:

- Waqf Istithmari: Waqf that is used for investment purposes that build upon the existing asset.
- Waqf Mubashir: Waqf that is bestowed upon charitable institutions or other beneficiaries.

Historical Overview of Zakat and Waqf Practices

The practice of zakat has been mandated since the Prophet's time to ensure equitable wealth allocation within the society. The Quran has talked about paying zakat more

than 30 times and it is recognized as an obligatory act of worship for the Muslims. Narrated by Abu Dhar RA, the Prophet SM said, "By Allah in Whose Hands my life is (or probably said, 'By Allah, except Whom none has the right to be worshipped) whoever had camels or cows or sheep and did not pay their Zakat, those animals will be brought on the Day of Resurrection far bigger and fatter than before and they will tread him under their hooves, and will butt him with their horns, and (those animals will come in circle): When the last does its turn, the first will start again, and this punishment will go on till Allah has finished the judgments amongst the people" (Sahih Bukhari, Chapter 24, 539).

To fulfill the religious obligation of paying zakat, Prophet SM used to designate companions whose responsibility would be zakat collection and its rightful distribution within the society. This prophetic tradition was followed by the rightful Khalifas Abu Bakr RA and Omar ibn Khattab RA. Abu Bakr RA particularly was extremely strict about the collection of zakat as once when certain tribes refused to pay zakat duly, he said, "Under the circumstances, if with reference to Zakat you withhold even as much as a string to tie a camel, as the Caliph of the Holy Prophet, it will be my duty to fight for it whatever the consequences. I will be prepared to face all risks, but I cannot be a party to the compromising of Islam on any fundamental issue." Following successors all maintained similar diligence and strictness in collecting zakat and this has been such an effective tool in eradicating poverty that at one point, there was a dearth of people or places where these zakat proceedings could be spent. This indicated the level of solvency and equal distribution of wealth the communities experienced due to the effective and successful practice of paying zakat and distributing it accordingly (Ahmed, 2004).

Similarly, even though waqf has not been traditionally mandated like zakat, Prophet SM actually used to practice the laws of endowments even before it was prescribed by the religion. In regards to the voluntary spending for the cause of one's deen, Allah says in surah Baqarah, "The likeness of those who spend their wealth in the Way of Allah, is as the likeness of a grain (of corn); it grows seven ears, and each ear has a hundred grains. Allah gives manifold increase to whom He pleases. And Allah is All Sufficient for His creatures' needs, All Knower."

The first instance of Prophetic tradition of waqf took place when Prophet SM established the Masjid of Quba in Medina. The establishment of the Masjid of Quba is a historically exemplary lesson for humanitarian project based on the principle of waqf. The next incident of waqf was the time as mentioned earlier when Uthman bin Affan RA spent his money for buying a well for the Muslims (Rohmaningtyas & Herianingrum, 2017). These practices eventually set the traditions for people donating for the cause of religion in countless different forms including land, food, establishments or other endowments. In fact, waqf is said to be one of the most powerful and effective tools of Islamic finance in a society given how prevalent it

used to be even during the Ottoman Period. As the Ottoman Period witnessed an increasing shift from mercantilist trade to agricultural trade, nearly one third land of the empire during that time is said to have been received from waqf endowments (Khan, 2015).

Review of Literature

Various countries have already adopted zakat and waqf as a tool to alleviate poverty and ensure equal distribution of wealth and resources. There is a plethora of literature that looks into the impact of zakat and waqf as a financial tool in redistributing wealth and alleviating poverty within the community. There are also several works that illustrate the process of these financial institutions in serving as a mechanism for poverty alleviation, besides identifying the challenges and scopes of improvement in increasing the efficacy of these financial institutions.

Razzak (2020) found it in his work that zakat and waqf can be an effective instrument for wealth redistribution and financial inclusion in the society. His findings were contextualized for the case of Malaysia as he discussed how zakat can play a significant role in the Islamic fiscal policy of the country, all the while keeping the modern tools and techniques of raising revenues in place. Together the amalgamation of zakat and waqf as a financial institution and other modern financial policies, poverty can be mitigated to a much greater extent.

In a similar backdrop, Nadzri et al. (2012) discussed in their paper how zakat and waqf have always historically and consistently played an effective role in eradicating poverty but in today's time with the fall of Islamic Empire and growing influence of the European countries, these financial institutions have lost their relevance. A model has also been developed that depicts a holistic approach of poverty alleviation using zakat and waqf as a tool. The model is devised of positive measures (income growth, functional distribution of income and equal opportunities), preventive measures (control of possession and curbing mismanagement or harmful practices) and corrective measures (zakat as a compulsory transfer and waqf as a voluntary transfer and both being moderated by state responsibility (Sadeq, 1997 as cited in Nadzri, Rahman & Omar, 2012). Together these mechanisms regulate the flow of income and ownership within the community and at the same time redistribute within the society to ensure equal opportunities and alleviation of poverty.

Similarly, Khan (2010) in his article discusses how instruments such as micro credit and safety net programs have played a significant role in alleviating poverty, they are however, not sustainable and do not address the issue of income inequality. Against that context, he identifies that zakat along with waqf can have a major impact on poverty alleviation through historically reviewed practices like advocating free education, scholarship, establishment of orphanages, etc. By identifying poverty alleviation as a multi-dimensional approach (compulsory, optional and perpetual

charity), he discusses how these measures can eventually ameliorate non-income dimensions, e.g. health and education and also increase access to ‘physical facilities, resources and employment’. Thus, zakat and waqf creates both a direct and indirect impact in not only redistributing wealth in the society, but also making sure that the funds are spent in investment for welfare of the needy and the society at large.

On the other hand, Kusuma and Sukmana (2010) puts forward the narrative that contemporary world is being marked by the paradox of booming economic growth and yet growing income inequality and poverty. They find out that increasing income levels can do no good if they are not regulated by principles of equity and functional wealth distribution mechanisms. Against that context, zakat is the most apt tool for poverty alleviation because it is established on the notion of welfare of the poor by offering them the opportunities and equal footing in the society. They also make five assumption connecting zakat and poverty alleviation—zakat is specifically directed in the disbursement allocation target of the poor; since zakat is also mandated by legal force, government can play role in enforcing and supervising its rightful implementation; government can also regulate the modes and methods of zakat to make out the most out of it in unique social milieu; zakat management and disbursement costs are minimum; zakat do not distort income equality and does not even take away from the government revenues. Thus, zakat and waqf does not only alleviates poverty effectively, but it also results in more equitable wealth distribution in the community thus eradicating income inequality.

Current Scenario and Scope of Zakat and Waqf as a Tool for Islamic Microfinance

As per the statistics of Asian Development Bank (ADB) 2018, 27.4% of the population in Tajikistan lives under the national poverty line, while 35 out of 1000 babies die within the first five years (Asian Development Bank, 2020). Even though the economy of Tajikistan has been making significant progress in terms of poverty alleviation as statistics find that the poverty rate decreased from 83% to 27.4% between 2000 and 2018 in addition to a 7% economic growth rate (The World Bank). The improvement in living standards due to increasing economic growth and decreasing poverty is owing to the growth factors like sales of assets, proliferation of the informal sector, humanitarian aid among many others (Falkingham, 2000).

However, this immense growth takes place despite the ensuing unemployment, vulnerability towards external risks like natural disasters and other human index indicators (The World Bank). This implies that Tajikistan is yet to come up with a tool for poverty alleviation that is safeguarded from these external economic and social factors. This means that besides preserving and continuing with the current growth model of the economy, the country also needs to come up with micro finance tools and other modes of poverty alleviation that would bolster the existing policies and practices in place. The current government strategy of poverty alleviation is

focused in addressing the social dimension of poverty by taking into account issues of literacy and skill development which is vital in poverty alleviation. As part of the National Poverty Reduction Strategy, the government of Tajikistan has already taken initiatives in increasing provision of vocational training and education to enhance human capital resources. In collaboration with the IMF and World Bank, the government is determined to give the youth population access to basic life skills and literacy as part of achieving the Millennial Goals (Asiurov et.al, 2007).

Given the need for a strong strategy for poverty alleviation, Zakat and Waqf can in this case, be a pertinent and effective policy since they are immune to external risks and vulnerabilities posed to the economy. In order to relate the relevance and efficacy of zakat and waqf in alleviating poverty, it is first important to understand the varying dimensions and prevalence of poverty. OCED, 2001 as cited in Khan (2015) has conceptualized the dimensions of poverty in terms of factors such as human, economic, socio-cultural, political and protective rights. Similarly, Ellis (1983) shares that even though poverty is most often associated with economic factors, it can however be manifested through social and political aspects as well. This shows that living standards, education, employment, political stability, security are all associated with poverty. So, if poverty is to be fought effectively, it would not only entail initiating economic prosperity but also require to be translated into beneficial social and political practices. It would be imperative to take into consideration the issues that continue to affect the social and political well-being of the members of the community.

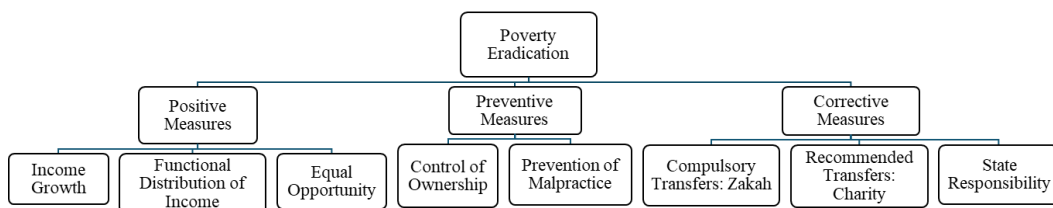
Ahmed (2019) went with similar line of work as he identified in his work the challenges that are faced while implementing zakat and waqf as a tool of poverty alleviation in Northern Nigeria. He found that the lack of trust upon the political and financial institutions of the country is one of the major reasons why this platform has not been able to bring out the optimal results. Along with that, there is also a lack of technical knowledge regarding among the relevant stakeholders that further impede the effective implementation of the policy. These are some of the many challenges that continue to undermine the efficacy of zakat and waqf as a financial tool or institution for poverty alleviation within the developing countries which can be particularly relevant for Tajikistan as well since the country too struggles with issues such as corruption and political stability.

Similarly, Dogarawa (2009) posits his work in the context of Ghana and discusses how zakat creates a flow of fund that serves as a provision of livelihood and social security for the needy. On the other hand, waqf helps to utilize the available funds in the development of material infrastructure or sources of income at both family, community and state level. Together these two mechanisms facilitate one another in uplifting the economic life of the poor. Not to mention, there are also far-reaching impact on the social lives of the people of the community as well as the community

develops greater bonds of affinity and kinship through these philanthropic activities. He also mentions how several countries have developed a formal zakat management system that allows the consistent and stable zakat collection and distribution. This in turn shall ensure that the funds are not affected by any short-term fluctuation of the economy and hence, ensure the stable and effective process of poverty alleviation within the community.

In surmise, the above discussed literature depicts the works that have been done so far in understanding the role of zakat and waqf in poverty alleviation and social welfare across different contexts and countries. Even though both these prophetic practices have been prevalent in the earlier times, in today's world these practices are largely absent. In effort of rejuvenating that lost practice, several countries have already initiated the implementation of zakat and waqf as financial mechanisms in addition to the already existing contemporary economic policies and practices. The literature discussed also identifies the challenges that are usually faced during the implementation of these economic practices in addition to the scopes of improvement required in maximizing the effectiveness of these practices.

Figure 1: *Poverty Alleviation Scheme with Zakat and Waqf*



Source: Hassan and Rahman (2005)

Thus, if poverty is to be eliminated completely, all these aspects have to be taken into consideration while devising any policy. It is interesting how the practice of zakat and waqf can address all of these issues eclectically. Zakat creates a flow of fund and the adequate resources while waqf utilizes this to establish the material infrastructure and institutions to put these resources for the economic and social welfare of the society (Kahf, 2004). The fund raised from zakat sources can be channeled towards the establishment of public welfare programs and organizations like orphanages, scholarship for students, factories and other sources of employment. Thus, zakat not only creates sources of fund for those suffering from economic deprivation, it also uplifts their living standards through sourcing livelihood and unemployment. Waqf does the same as it creates sources of livelihood and the establishment of other organizations that can offer respite to those with poor living standards. Waqf funds used for education and social welfare develops human capital and social infrastructure which has multiplier effects at both an individual and collective level in the society.

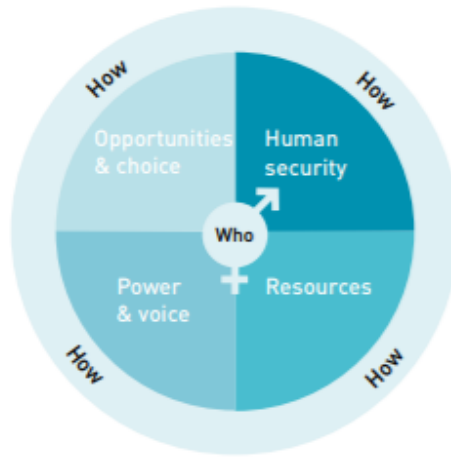
On the other hand, at a broader level in doing so, these practices develop a culture of shared equality within the community, eventually improving social ties and cohesion as well. It is hence quite apparent how zakat and waqf can eliminate poverty in the society by collectively addressing all economic, social and political aspects of it.

Findings

As part of the methodology, in addition to review of literature and secondary sources, three in depth semi structured interviews were conducted with relevant experts of the field. They were asked regarding the significance and challenges regarding the implementation of zakat and waqf as an Islamic tool for microfinance in alleviating poverty in Tajikistan. They were also asked to share recommendations in overcoming the challenges in addition to sharing their opinions on how this particular institution is different from the conventional tax and endowment system. Based on the findings of the interviews and review of literature and secondary sources, it has been briefly discussed how zakat and waqf can alleviate poverty from the society. However, since the title of the study is understanding the role of zakat and waqf as an Islamic Microfinance tool to uplift social and economic life of the people in Tajikistan, the discussion however shall be confined with the social and economic aspects only.

Respondents were at the very beginning asked regarding the importance and effectiveness of zakat and waqf as an Islamic micro finance tool in alleviating poverty. To that, one of the respondents shared that Zakat and Waqf have an important and essential role in reducing poverty. The basic principle of Zakat is to help a group of people from the poor and masakeen to meet their basic needs. If these needs are raised, it may reduce the poverty of the homeless and the poor. As for the principles of the Waqf, helping the poor and the homeless in long-term periods of time in all areas.

There are several dimensions to the issue of economic and social well-being of the people of the community. Poverty too, is not just one dimensional, but rather is the absence of resources and opportunities at varying level. SIDA (2017) developed a conceptual model framework for understanding who is poor and in what way where it is put forward that in addition to lack of material resources, poverty also refers to the absence of a voice or power. This is the reason why poverty in this paper has been treated synonymously with the social and economic well-being of the people of the community.

Figure 2: *Conceptual model framework of who is poor and why?*

Source: (SIDA, 2017)

Interestingly enough, zakat and waqf are such pertinent and optimal economic policies even against this context but as necessitated by the above discussion, it not just addresses the material well-being of the community in alleviating poverty; these practices also bring forward the adequate opportunities that is required in giving the needy people a source of voice and platform to put their own potential at use. It eclectically unifies both the aspects of material and human resources to bring out the best results in uplifting the economic and social life of the people.

Mitigating Income Inequality: One of the most advantageous aspects of the institution of zakat and waqf as a tool for micro finance as compared to the traditional taxation and endowment system is that it is based upon equity where the income surplus of wealthy individuals goes to needy individuals thus redistributing wealth in the society and mitigating income inequality. This way, not only those in economic deprivation are helped, but also the wealth comes from a place that does not take away from the supply of bankable funds.

Generating Employment: One of the key aspects of zakat is that it creates a provided fund. Maududi (1984) described:

It is a cooperative society, an insurance company, a provident fund of the Muslims. It is a fund for the assistance of the unemployed. It is a means of livelihood for the disabled, the sick, the orphans, the widows and the jobless. It is a guarantee that no one shall lack necessities of life in the Muslim Community (p. 186).

Generating employment would be the most sustainable mode of poverty alleviation since the people would not require to depend on someone's charity but can become independent and self-sufficient.

Source of Financial Services: The main goal of micro finance tool is to create a source of banking or financial services for people who otherwise do not have access to the formal financial institutions of the society. The establishment of zakat and waqf as a financial institution would allow this to be an accessible source of funds for these people. These services would also be interest and collateral free which would further alleviate the suffering of the poor people of the community.

Funding Skill and Small Business Development: The benefit of amalgamating zakat and waqf as an inclusive micro finance tool would be the fact that it not allows to develop a fund for the poor, but the practices of waqf can help in mobilizing these funds for arranging skill development for the poor and unemployed. The fund can also be used to support small businesses that would not only create employment, but generate production and greater GDP for the country, thus uplifting the economic and social life of the country at a greater scale.

As we delve into the discussion of adopting micro finance as a tool for economic development, it is also necessary to bring into consideration the criticisms that this practice has faced over the years. It has been witnessed that there are negative external effects of micro finance policies in the form of high interest rates, insufficiency of the funds provided, unproductive use of the fund, corruption, lack of expertise to put the fund into use, etc. However, this is to be noted that the crossover of zakat and waqf being implemented as a micro finance tool is that it inherently addresses these challenges since the funds are provided without the heavy burden of interest rates. Practice of waqf also makes sure that the fund is channeled through establishment of public welfare schemes and programs that would ensure the maximum effectiveness of the money within the people.

Challenges in Implementation of Zakat and Waqf as Micro Finance Tools

Despite the institutions of zakat and waqf being such an effective tool for micro financing tool for the economy, there are several reasons why it has not been fully utilized. There are challenges and shortcomings within the institutional setting of zakat and waqf platforms in addition to other issues of awareness and supervision that account for the problem. Below have been briefly mentioned some of these challenges in the effective implementation of zakat and waqf as a micro finance tool in Tajikistan.

- Poor management and corruption within the zakat and waqf organizations is one of the primary reasons why these institutions cannot make optimal contribution in alleviating poverty within the society. There is also an unreliability of government agencies as a result people do not often trust them

with their wealth. This undermines the credibility of these practices within the community, thus preventing its effectiveness and prevalence.

- There is also a lack of laws and regulations regarding Zakat and Waqf in Tajikistan that prevents the formal institutionalization of these practices. Since these practices are not being consistently implemented at a large scale, no significant impact can be seen. For instance, Kahf (1993) discusses how countries like Pakistan, Jordan, Kuwait and Egypt all have existing legal provisions for zakat management that ensures its consistency and effective implementation across the country. Thus, if Tajikistan were to adopt similar regulative legislation for the implementation of zakat and waqf, there would be better results.
- There is also a lack of knowledge at both a community and country level where people do not understand the true essence of zakat and waqf. As a result, these practices remain confined as acts of charity instead of creating wide scale economic and social reform for the country. Zakat and waqf is still to a large extent considered as simply charitable practices and many people do not perceive its merit as an actual financial policy for the alleviation of social and economic problem.
- There is an absence of specialized institutions for the implementation of zakat and waqf as an Islamic micro finance tool in Tajikistan. The absence of a formal mechanism prevents the consistency and transparency of such institutions. Moreover, it also affects the efficiency of these practices. This challenge is intricately connected to the issue of corruption embedded with these practices given how the absence of a specialized institution is what enables the malpractice and ineffectiveness to exist in the very first place.
- Waqf properties of zakat funds are often misappropriated in the hands of authority due to corruption and other political malpractices. On top of this, due to the centralization of these administrations, there is usually little to no scope for regulating these practices through external intervention.

Recommendations

To overcome the challenges and shortcoming within the current institutional setting of zakat and waqf as an Islamic micro finance tool, some feasible recommendations have been offered below.

- Establishing zakat and waqf as an independent institution is the first step in formalizing the practice of zakat and waqf in the country. This would not only ensure the effective channeling of zakat funds, but shall also ensure transparency and consistency in these practices. In case of most of the public

institutions, the endemic corruption and other political malpractices tend to undermine the effectiveness and credibility of these policies and practices.

- It is crucial to educate and create awareness within the Muslim community regarding the significance and benefit of zakat and waqf so that these practices are not reduced to being mere rituals but rather, they are utilized as financial institutions that have the capacity of uplifting the social and economic life of the people.
- Instead of using zakat and waqf funds only as charity, it can also be used in supporting small businesses and providing interest free loans that would generate employment and production within the community. The waqf funds can also be used for establishing and building factories to create workplaces for the poor.
- Since there is an absence of existing laws and regulations for managing waqaf and zakat, steps need to be taken in legislating such regulative practices and policies that would ensure the effective functioning and implementation of this institution.
- The establishment of a private institution by specialists and independents to manage zakat and waqf could be another way of dealing with the inefficiency and corruption existing in the public financial institutions. Establishment of private institutions shall not only prevent these malpractices but shall also result in greater efficiency.
- In order to alleviate poverty, it is first and foremost important to accurately collect the data of the poor and the needy. This would allow the zakat and waqf funds to be allocated and distributed in a manner that would ensure the most effective results. To do this, it is crucial to conduct regular waqf consensus to develop authentic idea regarding the available resources.
- An advisory board has to be developed along with the participation of experts and lawyers who can regulate the activities of the zakat and waqf institutions. The committee may also comprise of relevant stakeholders who can conduct training and awareness regarding the implementation of these practices. They can also work towards developing a centralized coordinated guideline for the implementation of these policies and practices.
- Zakat and waqf tribunals can also be established to look into any potential or existing problems or conflicts related to the implementation or practice of having zakat and waqf as a microfinance tool for the community. The tribunal can also address and prosecute illegal or corruptive practices pertinent to such policies.
- Zakat and waqf practices could also be connected with the other existing economic or financial schemes and practices in the country so that the

amalgamation of several policies could result in better output. For instance, tax revenue which also is used for the economic betterment of the community could be merged with the zakat and waqf fund so that the accumulated fund could be put into better and greater use.

Difference between zakat and waqf with conventional tax and endowment systems in economic improvement in the country

Since there are already preexisting systems of conventional taxation and endowment systems in the country for achieving economic prosperity, it is important to be clear why zakat and waqf are needed. It is important to understand the differences between the institution of zakat and waqf as Islamic micro finance tool and the conventional tax and endowment system of the country.

First and foremost, it should be clear that zakat and waqf are directed to a specific group, such as the poor. As for the tax, it is controlled by the government and the state that distributes it. As a result, tax earnings are treated more as government revenues that are widely or comprehensively used for the state at large; whereas, zakat funds are not necessarily collected by the government unless there are state sanctioned mechanisms or systems in place. For instance, tax funds are also used for federal expenses like state police and other environmental projects which may not directly benefit the socially and economically underprivileged people of the community.

Zakat and waqf contribute directly to raising and reducing poverty, while tax does not contribute directly to that. The tax system is devised simply to generate public revenue and sometimes create equity. But zakat and waqf are based on benevolent purposes to not only redistribute wealth in the society but also use these funds for the economic well-being of the underprivileged and needy people of the community. In addition to that, it also creates a sense of altruism among the people of the community which has far reaching positive social consequences in the form of stronger ties of kinship and attachment.

Waqf funds can be directed in developing the economy, such as planting orchards and factories, or specialized these funds for poor communities. As for tax funds, they cannot be allocated. In the conventional tax system, the wealthy people easily can run away from paying taxes. Even if zakat and waqf is not made obligatory by the state through sanction of legislations, there is the force of religion that make it compulsory for a lot of the people.

Conclusion

Historically, zakat and waqf have been not only encouraged but institutionalized as major financial institutions in Muslim communities to create equity and alleviate poverty. However, with the passage of time, the significance and regularity of these practices have diminished. Several countries have attempted in rejuvenating these

practices since zakat and waqf have proved to be hugely effective in functioning as a tool for microfinance. On top of this, the adoption of zakat and waqf is particularly relevant and judicious for the case of Tajikistan because the country has certain vulnerability to external factors and hence, requires an economic policy that is sustainable and impervious to these external risks and threats.

Zakat and waqaf funds if regulated, can be treated not only as a source of endowment for the needy, but this money can actually be used for more sustainable solutions of poverty by investing into small scale business projects or other assistive projects like scholarship or orphanage for the needy. As a result, this will not only address the issues of poverty but also generate independent sources of income for people of the community which will in return generate production and greater output for the country.

On a broader scale, these practices also create a sense of community and brotherhood among the people of the society as they become more aware of the needs of those around them and make an effort in improving their living standards. So, these practices not only bring about material resource abundance, but also contributes to the development of human capital and other resources which eclectically addresses all the dimensions of poverty. Thus, the implementation of zakat and waqf together eventually improves both the economic and social life of the people of Tajikistan.

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