



Zakāh as a Financial Resource for Development: Alleviating State Debt Burden and Fostering Economic Sustainability

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Abstract

This study aims to explore the potential utilization of *zakāh* funds to meet certain developmental objectives of the state, thereby releasing its available financial resources to reduce state indebtedness. The significance of this research lies in the fact that the indirect role that *zakāh* can perform in reducing the state's debt burden has not received much attention and needs further analysis to formulate a mechanism on how *zakāh* can play an effective role in indirectly supporting the state in reducing its indebtedness. The study employs a descriptive-analytical method to explain the reality of *zakāh* and assess its use as an indirect tool in reducing the state's debt burden, drawing on classical jurisprudential sources and contemporary economic studies. The findings indicate that the state cannot be classified among those incapable of settling their debts, as the eligible recipients in this category are individuals. However, the study suggests including infrastructure projects and military spending under the categories of spending in the cause of Allah and on stranded travellers. This approach could alleviate the state's burden in these areas and free up financial resources to reduce indebtedness.

Keywords: *zakāh*; state indebtedness; poverty alleviation; infrastructure projects; military spending; financial resources



1. Introduction

The contemporary economic landscape is fraught with challenges, among which the burden of state indebtedness looms large. Yet, despite its pervasive impact, the potential for leveraging *zakāh* funds to alleviate this burden remains largely unexplored. This study seeks to address this critical gap by examining the untapped potential of *zakāh* to tackle the pressing issue of state indebtedness. At present, the urgency of this inquiry may not be readily apparent. However, a closer examination reveals a confluence of factors that underscore the gravity of the situation. State debts strain national economies, impair sustainable development efforts, and exacerbate socio-economic inequalities. By reframing *zakāh*'s role from a mere charitable obligation to a strategic instrument for debt reduction, we can unlock a pathway towards financial stability and social prosperity. Thus, the central problem that motivates this study is the pervasive issue of state indebtedness and the underutilization of *zakāh* funds in addressing this pressing challenge. By elucidating the significance of this problem statement, we aim to underscore the critical importance of exploring innovative solutions and harnessing untapped resources to foster economic resilience and equitable development. Through a comprehensive analysis drawing on traditional Islamic principles and contemporary economic insights, this study aims to shed light on the transformative potential of *zakāh* in mitigating the burden of state indebtedness. By doing so, we contribute to the academic discourse and offer practical insights for policymakers and practitioners seeking sustainable solutions to pressing economic challenges. The contemporary issue of state indebtedness poses significant challenges to national economies, sustainable development efforts, and socio-economic equality. Various studies, such as (Salmon, J., 2021), (Pinto, B. & Gill, I., 2024), (IMF Development Committee, 2022), (Siddique, A. Selvanathan, E. A. and Selvanathan, S., 2016) and (Swamy, V., 2020) have shown that high levels of public debt can hurt the economic growth and development of the state. The challenging nature of effectively addressing such a pressing issue necessitates a closer analysis of all possible mechanisms contributing to reducing state indebtedness. One such mechanism, which is the focus of this study, is *zakāh* and the extent to which it can play a role in addressing the ever-growing problem of state indebtedness. In this regard, it is important to point out that numerous studies have dealt with various aspects of *zakāh*, such as its use as a tool for poverty alleviation (Razak, 2020) or the distribution of *zakāh* funds (Ahmad, K. and Yahaya, M.H., 2023), or the issue of ensuring *zakāh* compliance (Bin-Nashwan, S.A., Abdul-Jabbar, H., Aziz, S.A. and Sarea, A., 2021), or its potential for reducing inflation (Abū Tāhā, 2012), or its use to foster small business entrepreneurship and support economic growth in Muslim-majority countries. (Hoque, N., Khan, M.A. & Mohammad, K.D., 2015). Nevertheless, the potential for leveraging *zakāh* funds to alleviate the financial strain of indebtedness on the state remains largely unexplored. This study aims to address this critical gap by investigating the untapped potential of *zakāh* as a strategic instrument in addressing state indebtedness, addressing the following research questions:

RQ1: To what extent can *zakāh* be directed to solve the problem of state indebtedness from a jurisprudential perspective?

RQ2: To what extent can *zakāh* funds be directed to solve the problem of state indebtedness from an economic perspective?

Our research has the following objectives: explain the role of *zakāh* in solving the problem of state indebtedness from a jurisprudential perspective and explain the role of *zakāh* in solving the problem of state indebtedness from an economic perspective.



2. Literature review

While a significant body of literature exists regarding the fundamental principles of *zakāh*, the efficacy of *zakāh* in poverty alleviation and wealth redistribution, a notable lack of studies specifically addressing its potential to reduce state indebtedness. In this regard, one recent study has shown that the prevailing discourse on *zakāh* largely revolves around three predominant sub-themes, namely the implementation of *zakāh* in poverty alleviation, ensuring *zakāh* compliance, and the distribution of *zakāh* funds. (Apriliyah, R. P., & Fianto, B. A., 2022).

One notable study within the first sub-theme explored the efficiency of *zakāh* and *waqf* in wealth distribution and their impact on poverty alleviation in countries like Malaysia. The study emphasized the humanitarian and socio-political value of *zakāh*, highlighting its effectiveness in improving socio-economic conditions (Razak, 2020).

Another study focused on the second sub-theme, examining the factors influencing *zakāh* compliance. This study integrates various aspects such as religiosity, trust, credibility, and accountability into a cohesive model, showing that *zakāh* compliance is significantly influenced by the credibility of *zakāh* institutions and the trust that individuals place in these institutions. Furthermore, the study emphasizes the role of perceived accountability and the effectiveness of *zakāh* management in ensuring compliance, providing valuable insights for policymakers and *zakāh* institutions to enhance compliance rates and optimize *zakāh* collection and distribution. (Bin-Nashwan, S.A., Abdul-Jabbar, H., Aziz, S.A. and Sarea, A., 2021).

Another study that can be classified under the third sub-theme focused on the impact of financial technology (fintech) adoption on the efficiency of *zakāh* distribution among the needy in Malaysia. This study identified key factors influencing fintech adoption, improving *zakāh* distribution efficiency. The findings suggest that enhancing fintech adoption can significantly benefit *zakāh* institutions by ensuring faster and more accurate distribution to beneficiaries. (Ahmad, K. and Yahaya, M.H., 2023).

Other studies explored the role of *zakāh* in addressing inflation (Abū Ṭāhā, 2012) by shedding light on inflation, its causes, types, and effects, as well as the role of *zakāh* in combating and mitigating it. The study concludes that *zakāh* is an important financial tool that can significantly address inflation. It is an effective tool for distributing wealth fairly according to priorities and needs. Moreover, it efficiently combines production elements and effectively addresses wealth accumulation by directing savings towards investment. The study also reveals that localizing *zakāh* contributes to the distribution of surplus cash according to production trends and works to increase the overall GDP, especially for the population segment paying *zakāh*.

Another similar study focused on the role of *zakāh* in addressing inflation from a juristic and economic viewpoint (Al-Qar'ān, 'Abd al-Bāsiṭ; Al-Ḥakīm, Munīr Sulaymān, 2015). The study consists of four sections. The first section discusses the concept of *zakāh*, its ruling, the evidence supporting it and the types of wealth subject to *zakāh*. The second section deliberates on the importance of *zakāh* and its effects on individuals, society, the state and the Muslim nations at large, in addition to discussing its impact on the financial and economic policies. The third and fourth sections highlight the policy of collecting and distributing *zakāh* and its role in addressing monetary inflation.

Finally, several studies discussed the broader economic benefits of *zakāh*, such as the positive role of *zakāh* in addressing issues such as poverty, unemployment, wealth accumulation, and other problems that exacerbate the economic hardship of individuals and deepen economic underdevelopment within a nation (Muḥammad, Falāḥ; Samā'ī, Ṣalīḥah, 2012), or the fostering of small business entrepreneurship and supporting economic growth in Muslim-majority countries. (Hoque, N., Khan, M.A. & Mohammad, K.D., 2015).



While the above-mentioned themes are essential, they fail to address the core focus of our inquiry directly. Nevertheless, by embracing the exploratory nature of our investigation, we aim to explore fresh perspectives and insights on the issue of using *zakāh* to reduce the state's indebtedness, thereby enriching the scholarly dialogue and advancing our understanding in this domain.

3. Methodology

The study employs a descriptive-analytical method to delve into the untapped potential of utilizing *zakāh* as a strategic tool in alleviating state indebtedness. By adopting this approach, we aim to unveil novel insights and perspectives on the viability of *zakāh* in addressing this pressing economic challenge. Our study relies on several sources, ranging from classical jurisprudential texts to contemporary economic studies, to comprehensively understand *zakāh's* role in reducing state indebtedness. Delving into the depths of classical Islamic scholarship and contemporary economic discourse, we endeavour to unravel the intricacies of *zakāh's* application within the context of the state's modern fiscal challenges. Through meticulous analysis and synthesis of diverse perspectives, our research seeks to identify pathways toward leveraging *zakāh* as a catalyst for financial stability and sustainable development, thus contributing to the discourse on effective economic policymaking in Islamic finance.

4. State Revenues and Expenditures from a Traditional and Islamic Perspective

In general, countries, specifically Islamic states, are keen on securing their financial resources and increasing them to cover their increasing expenses. This preliminary section will state the revenues and expenditures of the Islamic state.

4.1 State revenues and expenditures from a traditional perspective

General revenues are all the resources the state obtains, whether cash or non-cash, regular or irregular, and whether they are obtained in exchange for something or without compensation. (Qahf, 1987). State revenues are divided into regular revenues and irregular revenues. (Khalāfi, 2015).

- Regular revenues are obtained by the state periodically and include taxes, fees, and income from state properties.
- Irregular revenues are irregularly collected, and the state does not receive them regularly, such as public loans, which are the amounts that the state receives from others, whether individuals, organizations, or countries, with a commitment to repay it, as well as currency issuances, whereby the state is forced to issue a quantity of banknotes to cover the deficit. Furthermore, another stream of revenues is grants and donations, which the state receives as aid and assistance to implement some projects or cover the budget deficit.
- Public expenditure is defined as the disbursement of a certain amount by one of the public authorities to fulfil a public need, or it is money that comes out of the state treasury to meet a public need. Public expenditures are characterized by their continuous increase. Any analyser of any country's budget notices a continuous increase in the size of public spending. This increase is due to various reasons, including actual and nominal reasons.



The actual reasons increase the quantities of goods and services directed to satisfy the public needs. The reasons for the actual increase are economic reasons, such as public projects and financial support for national industry; financial reasons, due to the ease of resorting to loans; and administrative reasons, such as the expansion of the administrative apparatus. The nominal reasons, on the other hand, mean the inflation of expenditure figures without an actual increase in production. The reasons for such a phenomenon are the deterioration of the currency value, differences in budget preparation methods, and increased population (Khalāfī, 2015).

4.2 State revenues and expenditures from an Islamic perspective

The financial resources of an Islamic state are divided into periodic and non-periodic resources. This division is considered one of the common modern divisions among contemporary finance scholars.

The periodic financial resources include the *jizya*, *kharāj*, and *zakāh*. (Al-Ta‘āmnah, 2003).

The *jizyah* is a tax imposed on the non-Muslims, whether they are from the people of the Book or the Magi. It is named *jizyah* because it protects the individual from being killed, i.e., it is a substitute for their blood, since they will be under the protection of the Islamic state. *Jizyah* is one of the financial resources of the Islamic state and one of the financial burdens borne by non-Muslims since they are citizens of the same country. The obligation to pay it is derived from the Qur’ān (Surat Al-Tawbah, verse 29): "Fight those who do not believe in Allah or the Last Day and who do not consider unlawful what Allah and His Messenger have made unlawful and who do not adopt the religion of truth from those who were given the Scripture - [fight] until they give the *jizyah* willingly while they are humbled".

Secondly, *kharāj* is financial resource based on *ijtihād* for which there is no evidence in the Qur’ān or Sunnah. It was established during the era of ‘Umar ibn al-Khaṭṭāb, and it is of two types: *kharāj al-waḥīfah*, which is a fixed amount of agricultural produce, and *kharāj al-muqāsamah*, which is a specific share as a percentage of the land's output.

Thirdly, *al-‘ushūr* is a fee levied on goods for sale that enter Muslim territories. Some scholars regard *al-‘ushūr* as a tax imposed on goods exported from Muslim countries, imported into Muslim countries, or transported by traders between its provinces. In general, it is similar to customs duties.

Finally, *zakāh* is obligatory on adult Muslims who possess wealth above a specific threshold and fulfill certain conditions. The threshold differs depending on the type of zakatable wealth. The scholars have agreed that *zakāh* is obligatory on four types of wealth: the grazing livestock, the earth's produce, gold and silver, and goods for sale. The Holy Qur’ān has specified the areas of expenditure of *zakāh*. *Zakāh* funds are not mixed with other state resources but have a special budget and are disbursed for specific purposes.

Non-periodic financial resources: These funds are not characterized by periodicity and regularity. Among the most important of these are loot and booty, which depend on certain factors; estates with no heirs; and voluntary and mandatory alms that contribute to the state's budget (Al-Ta‘āmnah, 2003).

Public expenditures in the Islamic state include the President's allowances, workers' compensation, military expenditures, judicial expenditures, immigrant expenditures, expenditures for the establishment of the state headquarters, and other expenses (Al-Kāyid, 2015). Thus, the researcher concludes that there are multiple resources for states in general and Islamic states in particular, and they are used to cover the various expenses and expenditures of the state.



Zakāh is considered one of the financial resources in the Islamic state, but it has a separate budget from the state budget and has its deserving beneficiaries. One of the state's resources is public loans, which a state resorts to to cover its expenses in the event of imbalances between its resources and expenditures. Public loans are the main cause of state indebtedness.

5. Indebtedness, Its Categories, Causes, and Economic Effects

To address whether *zakāh* can be directed to solve the problem of state indebtedness, we must first discuss the concept of debt, its categories, causes, and economic effects.

5.1 The concept of indebtedness and its categories

5.1.1 The concept of indebtedness

The debt crisis is an extension of a broader economic crisis described as stagnation in the economies of Islamic countries. Therefore, this is not an emergency, but it is related to the structure of these economies. The deterioration in the performance of these economies has led to resorting to external and internal debt to cover the deficit. The continuation of this deterioration has made debt an inevitable matter and an essential part of the indicators of these economies (Al-Zi'bī, 2016)

State indebtedness can be defined as the total financial obligations of the state and its affiliated institutions to be paid within an agreed-upon timeframe with the other party, which may be the International Monetary Fund, the World Bank, or regional banks. Resorting to external borrowing means committing to paying back astronomical amounts valued in one of the strongest foreign currencies, the American dollar (Abjmah, 2019).

5.1.2 The categories of indebtedness

Debt can be divided into two categories, namely external debt and internal debt

External debt: It can be defined as the total amount of debt due within a specified period compared to the value of obligations contracted, which binds the country's citizens to pay the value of those debts to non-residents along with any accrued interest if any. (National Economic and Social Council, 2000). It can also be defined as the complete and sufficient knowledge of the external financial obligations of the state, including government debts, central bank debts, debts of public and private institutions, whether guaranteed or unguaranteed by the government. It also includes other financial operations of economic agents, such as direct investment. (Al-Zi'bī, 2016).

"Internal debt: It can be defined as the debt owed by the government and its public institutions to the national economy. (No author, 2004).

5.2 Causes of indebtedness and economic characteristics of countries suffering from indebtedness.

5.2.1 Causes of indebtedness

The causes of indebtedness can be divided into external and internal factors, which can be explained as follows:

External factors: Countries' economies have been exposed to a series of unexpected shocks and have failed to overcome them, leading to the problem of indebtedness. The most important of these factors are as follows (Al-'Asr, 1996):



- Economic recession experienced by developed countries: Advanced industrial countries experienced economic recession in the early 1980s, and as a result, these countries followed protectionist policies for their products, weakening the competitive ability of developing countries' exports against the exports of developed countries.
- Inflation: This means an increase in demand over the total supply, and one of its most significant manifestations is the imbalance in the value of cash, thus leading to an increase in prices.
- Policies related to foreign aid, investments, and loans: These policies and aid provided by developed countries are among the means of bridging the gap between savings and investment in these countries. However, it has been observed that these resources:
 - It may be directed towards satisfying consumer needs rather than implementing new investments whose returns contribute to servicing debt burdens.
 - Foreign aid is often linked to political factors, enabling donor governments to have some influence over recipient governments.
 - Technical aid has, in many cases, led to an increase in dependence on foreign markets to purchase production equipment and supplies, which in turn leads to external borrowing.
 - High volatility of petroleum price: The increase in petroleum prices led to the availability of funds for lending from international banks, making it easy to lend to developing countries, especially since the price of primary materials did not rise to the same degree as the price of industrial products.
 - Policies of international banks.
 - Monetary policies of the United States of America.
- Internal factors: Some of the domestic economic policies of developing countries contributed to the emergence and exacerbation of the problem of external debt. These policies led to overborrowing from abroad to maintain the balance of payments, and then these wrong policies led to difficulty servicing external debts. The most important reasons for this are as follows (Al-'Asr, 1996).
- Poor management of external borrowing: External debt is not managed efficiently in developing countries to ensure proper contracting of debt and its repayment. In many cases, excessive borrowing from abroad is observed, with foreign loans used to finance consumption spending instead of investment spending. Furthermore, feasibility studies for loans may not be conducted regarding their uses, terms and conditions, and guaranteeing the servicing of such loans.
- Low saving rates: Developing countries are characterized by their inability to mobilize the local savings required for developmental investments, which leads to dependence on foreign loans. In addition, the appropriate investment environment may not be available, so some citizens of developing countries resort to investing their resources in developed countries.
- Exchange rate policies: Valuing local currencies higher than their market value is one of the main causes of the emergence and growth of the debt crisis, as it leads to a relative decrease in import prices and a relative increase in export prices. This leads to an increase in spending on foreign goods and a decrease in demand for domestic exports.



In addition, the increase in inflation rates due to the rise in imported goods prices and the inability of the national production apparatus to meet demand for local goods worsens the situation.

- Economic development policies: Most developing countries have followed development policies to replace imports without developing local industries that provide machines and production supplies. This has led to dependence on foreign countries to provide them. Due to these countries' low foreign currency earnings, external loans were relied upon to finance the purchase of these supplies.
- Adoption of stabilization and economic liberalization policies: The application of stabilization policies recommended by the International Monetary Fund has led to economic recession in many countries that have implemented them. This recession does not allow the economy to service external debt, and some economists have indicated a relationship between economic liberalization policies and the burden of external debt.
 - Military spending.
 - Increase in population growth rates.

5.2.2 *Economic characteristics of countries suffering from indebtedness*

- Some economists believe that external loans are used in production, export development, and import replacement, ultimately increasing national income and savings. This approach will have a positive impact on the balance of payments. However, others closer to reality believe that external loans are not used effectively and are not directed towards productive sectors but are passed on to future generations as a burden (Al-Zi'bī, 2016).
- Economic Dependency: Economic dependency originated in Arab countries since the beginning of colonization, and it continued after the reliance of Arab countries on external debt (Al-Zi'bī, 2016).
- The increase in consumption as a percentage of gross domestic product leads to a decrease in savings from domestic production, which is necessary to finance developmental investments, creating a need for external borrowing. Some countries have witnessed an increase in consumption over the value of gross domestic product, as in the case of Somalia, Lebanon, and Yemen. This deficit in the balance of payments, which resulted from decreased agricultural production considering increasing population growth rates, led to external indebtedness.
- The existence of a continuous budget deficit in government budgets leads to internal and external borrowing or both, which contributes to increasing external indebtedness.
- The decrease in the exchange rate index: Countries that suffer from a deficit in the balance of payments resort to reducing their currency exchange rates to lower the prices of their products and thus increase their competitiveness in global markets. They also increase the prices of imports measured in local currency to reduce demand for them in the local market.
- Shortcomings of planning agencies: This is represented by the lack of coordination between sectoral programs and the neglect of human resource development, basic infrastructure, and institutional structure, which results in the accumulation of technical expertise, thus reducing reliance on foreign sources (Al-'Asr, 1996).



6. The Concept of Zakāh and the Possibility of Redirecting Zakāh Funds to Other than Its Beneficiaries

After briefly discussing debt and its causes, the researcher will discuss *zakāh* and the possibility of redirecting it to purposes other than its designated purposes, as explained in the following sections.

6.1 The concept of zakāh and its beneficiaries

6.1.1 Linguistic meaning of zakāh

In Lisān al-‘Arab, it is stated that "the linguistic origin of the word *zakāh* is purification, growth, and praise. All of these meanings have been used in the Qur’ān and ḥadith". (Al-Miṣrī, 1968). The phrase “*zakkā mālahu tazkiyatan*” means he paid his *zakāh*, while the phrase “*zakkā nafsahu*” means he praised it. Moreover, the verse "And purify them thereby" (Qur’ān 9:103) refers to *zakāh* as a means to purify individuals and their wealth. The word also means to give charity. Furthermore, the phrase “*zakā al-zar‘ yazkū zakaān*” means to grow. (Al-Rāzī, 1986) Finally, the *zakāh* of wealth is its purification and when the word *zakāh* is used concerning crops, it means growth and increase. (Al-Ṣāhib, 1994).

Zakāh is due on all wealth that grows or is capable of growth. Growth is not limited to wealth alone, as *zakāh* simultaneously ensures psychological and material growth for the rich who abide by it and the poor who deserve it (Abū ṭāhah, 2012). *Zakāh* purifies all that humans accumulate in wealth and adds blessings to their wealth. It also purifies the rich person's soul from stinginess and greed.

6.1.2 Terminological meaning of zakāh

Zakāh terminologically refers to a right that must be paid from a specific portion of one's wealth for specific categories at a particular time while not obtaining any personal benefits from it so that it is given for the sake of Allah Almighty. (Al-‘Ānī, 1999).

6.1.3 The beneficiaries of zakāh

Allah Almighty has listed in His Noble Book the eight categories of the recipients of *zakāh*: "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 wayfarers; a duty imposed by Allah. Allah is Knower, Wise." (Qur’ān 9:60).

The intended meaning of these eight categories can be briefly explained as follows. (No author, 2003).

First and second categories: The poor and the needy are those in need who do not have anything or have only a small amount that is barely enough for their needs. There is a difference of opinion among scholars as to which one is more in need.

The third category is those who work in collecting and distributing *zakāh* are the people who collect and distribute *zakāh*. Being poor is not a condition for them to receive *zakāh*; they may receive it even if they are wealthy.

Fourth category: Those whose hearts are to be reconciled are the new converts to Islam who are given *zakāh* to reconcile their hearts. Most scholars believe this category is still valid and has not been abrogated.



Fifth category: Muslim slaves who are seeking emancipation and Muslim prisoners of war are included in this category.

The sixth category is debtors, who cannot pay off their debts.

Seventh category: For the sake of Allah, which means spending *zakāh* on voluntary fighters in Jihad, as well as spending it for the benefit of the war and all that is needed for the cause of Jihad.

Eighth category: The wayfarer is a traveller who has run out of money and is given enough to reach his destination.

After listing the specific beneficiaries of *zakāh* in the Noble Qur'ān, the question that could be asked is whether *zakāh* be directed to other than these recipients, and is the state considered one of these recipients? This will be clarified in the following sub-section.

6.2 *The ruling on the possibility of directing zakāh to other than its intended recipients*

It is not permissible to pay *zakāh* to anyone other than the eight specified categories, and this is the consensus of the scholars of the four schools of Islamic jurisprudence, namely the Ḥanafī, Malikī, Shafī'ī, and Ḥanbalī schools. Ibn Qudāmah mentioned this consensus by stating: "We do not know of any disagreement among the scholars regarding the impermissibility of giving *zakāh* to anyone other than these categories, except for what is narrated by 'Atā' and Al-Ḥasan, that whatever is given for bridges and roads is considered as an accepted charity". (Ibn Qudāmah, 1997). Al-Shirbīnī said, "Allah's saying, "*Zakāh* is only for the poor and for the needy and for those employed to collect [*zakāh*] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and the cause of Allah and the [stranded] traveller - an obligation [imposed] by Allah. And Allah is Knowing and Wise." (Surat Al-Tawbah, 9:60) proves that *zakāh* cannot be spent on anyone other than these categories, which is the consensus (Al-Shirbīnī, 1994).

Evidence from the Qur'ān:

Allah Almighty said, "*Zakāh* expenditures are only for the poor and for the needy and for those employed to collect [zakat] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and the [stranded] traveller - an obligation [imposed] by Allah. And Allah is Knowing and Wise." (Qur'ān, 9:60).

The above-mentioned verse has two aspects:

The first aspect is that Allah the Almighty said, "*Zakāh* expenditures are only for..." (Qur'ān, 9:60). The use of the word "only" limits *zakāh* to the mentioned categories and excludes others. Therefore, the verse means that *zakāh* is only for the groups or categories specified in the verse. (Al-'Aynī, 2000; Ibn Qudāmah, 1997; Al-Bahwatī, 1968).

The second aspect is the definition of *zakāh* with the preposition "for," which implies that *zakāh* is intended exclusively for the eight categories specified in the verse. Even if it were possible to spend *zakāh* on other groups, they would be entitled to only some of it, not all (Al-Bahwatī, 1968).

The majority of Muslim jurists agree (Ibn 'Abdīn, 1992; Al-Kāsānī, 1986; Ibn Qudāmah, 1983; Al-Shīrāzī, 1995; Ibn Qudāmah, 1997; Ibn Juzayy, 1971; Ibn Al-'Arabī, 2003) that it is not permissible to spend *zakāh* on anyone other than those specifically mentioned by Allah, such as building mosques, bridges, canals, wells, maintaining cemeteries, entertaining guests, building walls, preparing for *jihād*, such as manufacturing warships and buying weapons, and any similar expenditures, which are not mentioned in the verse. However, any type of good deed that seeks to please Allah falls under the broad category of "for the cause of Allah" and could include all those who strive to obey Allah and perform good deeds, provided they are in



need. Some Ḥanafī scholars interpreted the category "for the cause of Allah" to include seeking knowledge, even if the seeker is rich. Furthermore, Anas and Al-Hassan said: "Whatever we spend on bridges and roads is considered an accepted charity".

On the other hand, Mālik said: "There are many ways to serve the cause of Allah, but I do not know of any difference of opinion that the meaning of the phrase 'for the cause of Allah' in this context is *jihād*" (Al-Zuḥaylī, 1985).

The scope of *ijtihād* (independent reasoning) in determining *zakāh* recipients is narrow and almost limited to determining what falls under each category of recipients, examining some of its sources, formulating criteria for determining priorities about its distribution, and discussing contemporary issues related to it (Yassīn, 2016).

6.3 The possibility of using *zakāh* funds to repay the national debt

After explaining the ruling that *zakāh* funds cannot be spent on anything other than the eight designated categories, the researcher investigates whether the state can be considered a debtor and whether *zakāh* funds can be used to repay the state's debts.

First: Can the state be considered debt-ridden and therefore can be included as one of the *zakāh* recipients

Individuals burdened with debt fall under the sixth category of *zakāh* recipients as defined by the Quranic verse (And those burdened with debt). The Ḥanafī school of jurisprudence regards an individual who is in debt and does not own the minimum amount of wealth required to pay *zakāh* after paying his debt as falling under this category. Two types of debtors fall under this category (Ibn Nujaym, 1997; Ibn ‘Abdīn, 1992).

The first type is those who take debt for their benefit, such as borrowing money for personal expenses like clothing, marriage, medical treatment, building a house, buying furniture, marrying off a child, or accidentally damaging someone else's property. (Al-Qaraḏāwī, 2006).

The conditions for giving *zakāh* to a debtor who benefitted himself from the debt. (Al-Qaraḏāwī, 2006).

- The debtor must be in need to pay off his debt; if he is wealthy and able to pay it off with his own money or assets, he is not eligible to receive *zakāh*.
- The debt must have been incurred for a lawful or permissible purpose. If it was incurred for a sinful purpose, such as buying alcohol or committing adultery, the debtor is not eligible for *zakāh*. Likewise, if the debtor has been extravagant in spending on himself and his family, even if it was on permissible things, he is not eligible for *zakāh*. It is forbidden for a Muslim to be extravagant in permissible things to the extent of incurring debt.
- The debt must be due immediately. If it is a deferred debt, there is a difference of opinion among scholars as to whether the debtor is eligible for *zakāh*. Some say he is eligible because he is still considered a debtor, while others say he is not eligible because he does not currently need the money to pay off the debt.
- The debt must be one, which can result in the debtor's imprisonment. Thus, a son's debt to his father and the debt of an insolvent debtor are also included.

The second type of debtors who are eligible for *zakāh* are those who owe a debt for the benefit of someone else, such as someone who pays an amount of money to settle a dispute between two rivalling groups or tribes (Al-Qaraḏāwī, 2006).



In conclusion, the *zakāh* given to debtors is intended for individuals who have incurred a debt for their benefit or the benefit of others, and the state cannot be included in this category.

Second: The state's authority over the *zakāh* funds

Zakāh is a divine obligation and the state's responsibility to collect and distribute it. The nature and legal status of *zakāh* dictate that it should be collected using a system and transferred to the Muslim Treasury "*Bayt al-māl*" or those entrusted with such affairs. The evidence supporting the state's role in collecting and distributing *zakāh* is numerous and explicit in the Qur'ān and Sunnah. The evidence from the Qur'ān is the verse, "Take, [O, Muhammad], from their wealth a charity by which you purify them and cause them to increase and invoke [Allah's blessings] upon them. Indeed, your invocations are reassurance for them. And Allah is Hearing and Knowing." (Surat Al-Tawbah, verse 103). One of the reasons for delegating *zakāh* affairs to the state is to ensure that justice is achieved comprehensively and fairly, as the state is most aware of the deserving recipients, their needs, and who has received *zakāh* and who has not (Al-'Abd al-Latīf, 2001). Thus, it becomes clear that the responsibilities of the state are to collect and distribute *zakāh* to the rightful recipients so that justice is established among them. From this, it becomes clear that the state has no control over the *zakāh* funds, except for what benefits its rightful recipients as determined by Sharī'ah.

Third: Regarding the relationship between the *zakāh* funds and the state's budget

Zakāh is one of the resources of the state's treasury, which generally ties it to the budget. As for expenditures, the expenses of the state differ depending on the resources available in the country. However, there is no relationship between the *zakāh* funds and the state's budget since there are differences in how they are spent. *Zakāh* has a special and independent budget, and the jurists do not allow mixing *zakāh* funds with other resources. The proceeds of *zakāh* are disbursed to its rightful recipients as specified by the Qur'ān, and it performs its primary function of establishing social solidarity (Al-Mawlī, 1998). After explaining the ruling on directing *zakāh* funds to other than its specified recipients, the extent to which the state can be considered one of the recipients of *zakāh*, and the nature of the relationship between *zakāh* funds and the state budget, the researcher concludes the following:

- Directing *zakāh* funds to recipients other than the eight categories mentioned in the Qur'ān, defined and restricted to prevent any injustice inflicted upon the rightful beneficiaries, is not permissible.
- The government cannot be classified as a debtor incapable of settling its debts because such a category only includes individuals who incurred debts for their own benefit or to settle disputes.
- *Zakāh* is considered one of the state's financial resources, but it has a special budget and specific recipients. The government's role is limited to collecting and distributing *zakāh* to the rightful beneficiaries. The government cannot control these funds and deprive the rightful beneficiaries from receiving the *zakāh* funds to pay off their accumulated debts.

Performing the *zakāh* obligation in the right way can indirectly help reduce the severity of the government's indebtedness by addressing some of the underlying causes that lead to debt accumulation. This will be discussed in the following section.



7. The Role of Zakāh in Indirectly Reducing the State's Debt Burden

After it has been established that the government cannot utilize *zakāh* funds directly to pay off its debts because it is not considered one of the recipients of *zakāh*, nor can it be considered under the category of those who are incapable of settling their debts, the following sub-sections will explain how properly performing the *zakāh* obligation can help reduce the severity of the government's debt burden indirectly.

7.1 *The role of zakāh in reducing the debt burden of the state*

Zakāh is an obligatory charity imposed on the wealthy to provide for the poor, who have a high marginal propensity to consume and a low marginal propensity to save. As previously mentioned, one of the duties of the Islamic state is to collect *zakāh* and distribute it to its eight eligible recipients. Four categories of recipients can be categorized as social in nature: the poor, the needy, those incapable of settling their debt, and the wayfarers.

Suppose the *zakāh* obligation is properly implemented by collecting it from the wealthy and distributing it to the poor. In that case, it will alleviate the burden on the state, which would have been required to spend a lot of financial resources on various social projects. This, in turn, will reduce the pressure on the budget and its deficit and significantly impact the solidarity and compassion among members of society. Consequently, it will lead to an increased desire in the private sector to support the state's budget. (Al-Mumnī, Muḥammed, 2014).

The problem of poverty can be addressed through *zakāh*, depending on the reason behind it. If it is due to unemployment despite having the ability to work, *zakāh* should be given to this poor person to provide him with a tool or teach him a craft that would enable him to work and transform him from a needy person to a productive one. If they cannot earn a living, *zakāh* should be given to them to meet their needs.

Addressing poverty solves many other problems, such as diseases associated with poverty. As the standard of living rises, people have access to good nutrition, healthy housing, and the ability to seek medical treatment when needed. This will limit the spread of diseases and solve the illiteracy problem rooted in poverty. The poor cannot afford to educate themselves or their children.

The problem of homelessness (Qāshī Khalid, 2012) and other related problems can also be solved simply by addressing the problem of poverty. This will, in turn, address the problems that burden the state and increase its debt, which leads the state to resort to borrowing to solve these problems and consequently increase its indebtedness.

7.2 *The role of zakāh in solving the economic problems that lead to state indebtedness and achieving economic development*

After it became clear that one reason for the state's indebtedness is economic problems and misallocation of resources to achieve economic development, the researcher will explain the role of *zakāh* in solving these economic problems and thus reducing the severity of the state's indebtedness.

First: The role of *zakāh* in solving the economic problems that lead to the indebtedness of the state



- The role of *zakāh* in addressing economic recession

Some believe the main cause of economic recession is the lack of effective demand. In contrast, others believe that an increase in the inventory of goods and merchandise and the failure of traders to fulfil their financial obligations are also causing.

Some of the provisions of *zakāh* have an impact on reducing economic recession. As we have mentioned earlier, among the *zakāh* recipients are those incapable of settling their debts, which targets those who borrowed to perform a public service, such as those who act as intermediaries between people and incur some debts due to that. Their debt can be settled in this case, even if they can settle their debt to encourage acts of charity, benevolence, and reconciliation among people. One researcher has shown that this category includes those whose shops burned down, whose goods were lost at sea, whose factory was damaged, and everyone who suffered a loss after wealth and prosperity to compensate for their loss and pay off their debt. Thus, *zakāh* helps alleviate financial distress by enabling financially distressed individuals with a trade or business to continue working. The national economy would benefit from utilising these idle resources, which can be transformed into productive output. Additionally, the income generated by individuals practising their trades and businesses, thanks to *zakāh*, creates additional demand, which results in increased spending, increasing production output. This, in turn, helps to revive the economy and reduce economic recession. (Burdīsh, al-Zahrah, 2012).

- Contributing to the elimination of inflation

Inflation refers to an increase in demand over total supply. One of its main consequences is volatility in the value of currency, which causes prices to rise. This results in hoarding goods and disposing of currency, leading to an increase in aggregate demand over aggregate supply. *Zakāh* is applied to idle means of production, including money, to utilize it in economic activities instead of hindering the use of such resources. Therefore, *zakāh* directs money towards production so that it is a part of the profits, not the capital. Since *zakāh* stimulates the production cycle, this would result in production increases, and as production increases, prices decrease. Therefore, *zakāh* contributes to addressing the problem of inflation.

The authority responsible for collecting *zakāh* can also collect it in cash instead of tangible goods, which would absorb large amounts of cash from circulation. They can then distribute *zakāh* to deserving individuals in kind. This increases demand for these goods, causing an increase in their production. If production increases in the country, prices will decrease, and inflation will be eliminated. (Abū Ṣafīyah, Fakhīr Khalīl, 2020)

- The Impact of *Zakāh* on Employment and Eliminating Unemployment

Zakāh leads to an increase in investments, which opens new investment opportunities that require more labour, thus increasing employment opportunities and reducing unemployment. Additionally, *zakāh* leads to direct consumption, increasing demand and production to meet the demand for consumer goods. This leads to an increase in demand for labour. Moreover, *zakāh* does not contribute to increasing unemployment as some may believe, because every Muslim must seek employment opportunities. (‘Abd Rabah Nashwā Muḥammed, 2003).

- The Impact of *Zakāh* on Reducing Savings

The saving rate in Muslim society tends to be low, and this is achieved when *zakāh* is imposed and collected accurately from all members of the society. We notice that saving decisions in Muslim society are accompanied by investment decisions, and it can be said that saving and investment are interdependent. In other words, the impact on one affects the other. (Razīq Kamāl, 2012).



Second: The Role of Zakāh in Achieving Economic Development by Reducing State Indebtedness

Zakāh can alleviate the burden of the general budget of a country by its effective contribution in financing economic development. *Zakāh* is an effective tool to achieve this by providing a large and renewable financial resource, and its financing role does not stop at its collection limits. Still, it extends to what it can free from frozen and hoarded money, since *zakāh* is imposed on all types of wealth that can grow, whether invested or not. Therefore, the part of the financial resources the state allocates to finance economic development, which *zakāh* funds cover, can then be used in other fields such as investment projects (Bin Şaghīr, ‘Abd al-Mu’min, 2014).

- The Role of *Zakāh* in Financing Economic Development

The financing role of *zakāh* is illustrated through the following two channels:

- The direct role of *zakāh* in financing economic development (Bin Şaghīr, ‘Abd al-Mu’min, 2014).

1. Providing productive tools

Based on some opinions of certain scholars who expanded the scope of the category of (spending in the cause of Allah) to include not only the preparation of armies but also anything that will result in goodness and benefit, it would be possible to rely on this opinion in carrying out infrastructure projects such as construction of roads, canal extension, and the construction of public buildings and bridges. Moreover, Abu Yusuf mentioned that one of the *zakāh* categories is a category dedicated to the repair of roads, which falls under the main category of (wayfarer), which also supports the idea of using *zakāh* funds to provide basic infrastructure through paved roads and transportation networks. Therefore, it can be said that the two categories of *zakāh* recipients, namely (in the cause of Allah) and (the wayfarer) can contribute to economic development through the establishment of vital institutions and facilities that are necessary to encourage the beginning and continuation of development by reducing the expenses of establishing and operating productive projects, which is a phenomenon known as external economies of scale.

2. Financing military and strategic industries

The category of spending in the cause of Allah can be utilized to finance military and strategic industries and invest in the military sector. The military sector is considered one of the main axes that can contribute to driving economic development, especially since this sector has been absorbing an important part of the state's financial resources. Thus, freeing up those financial resources and utilizing them in investment projects would benefit the public.



3. Scientific development of production quantitatively and qualitatively

The category of spending in the cause of Allah refers to all forms of struggle (*jihād*), whether intellectual, social, economic, political, or militaristic. Therefore, one of the aspects of jihad in the cause of Allah is intellectual jihad, without which progress in other types of jihad cannot be achieved. In this context, intellectual jihad means spending on students of knowledge, research centers, training, and funding scientific research that serves society, especially in light of the constantly evolving technology witnessed by the world, which drives Muslim countries to import it at exorbitant prices. (Bin Şaghīr, ‘Abd al-Mu’min, 2014).

4. Creating a suitable climate for economic development

Protect society as a whole by using *zakāh* funds allocated for spending in the cause of Allah, which includes military jihad. Establish confidence in the economy by benefiting from the *zakāh* funds allocated for those who recently reverted to Islam. A contemporary example is the aid provided by rich countries to poor ones. (Bin Şaghīr, ‘Abd al-Mu’min, 2014).

5. Human capital development

Improving the quality of human capital, increasing its productivity, introducing new elements in production, and organizing relationships between them so that all of these elements contribute to increasing the domestic product and distributing it in a way that contributes to economic development. (Bin Şaghīr, ‘Abd al-Mu’min, 2014).

- The indirect role of *zakāh* in financing economic development (Bin Şaghīr, ‘Abd al-Mu’min, 2014).

Zakāh provides the necessary financial resources to achieve economic development by effectively combating hoarding and through the multiplier effect of *zakāh*.

- Combating hoarding:

The annual implementation of *zakāh* on cash at a rate of 2.5% practically leads Muslims to avoid this potential loss of their wealth by investing it in a way that covers at least the *zakāh* rate. Therefore, *zakāh* is considered one of the means of combating hoarding and reducing its risks to economic activity.

- *Zakāh* multiplier effect:

The role of *zakāh* in financing development does not stop at the initial stage, which directly finances all aspects of the developmental process. Still, it leads to multiple increases over the amount spent initially. It can be said that paying *zakāh* leads to annual increases in economic activity levels ranging from 0.25% to 1% of the initial output value, depending on the *zakāh* amounts determined for different types of wealth. Therefore, it becomes clear that *zakāh* plays a significant role in solving many economic problems that lead to the state’s indebtedness if the *zakāh* funds are collected correctly and delivered to its rightful recipients. By solving these problems, this indebtedness indirectly decreases. It is noteworthy to highlight how important and essential *zakāh* is in financing economic development and that utilizing the funds allocated for the two categories of spending in the cause of Allah and on the stranded traveller has a significant role in relieving the burden on the state's budget



and freeing up funds that would have been otherwise spent on equipping military industries, infrastructure, and road repairs. Instead, these extra financial resources can be used to repay the state's debt or establish investment projects that stimulate production activities.

7.3 Investment of *zakāh* funds to reduce state indebtedness

7.3.1 The role of *zakāh* in promoting investment:

Zakāh can be an engine for real development in the state, as it motivates the wealthy to invest their money so that it is not consumed by *zakāh*. Moreover, *zakāh* fights hoarding and drives capital into the field of economic activity. It also encourages investment with high and reasonable profitability. In other words, if someone's profit on their wealth is only 2.5%, then this would be considered a low-profit rate since the person would not gain any increase in his wealth as the *zakāh* will take this amount anyway. Therefore, a person intending to profit from an investment must search for highly profitable projects. As a result, *zakāh* forces individuals not to leave their wealth stored and unused for investment; otherwise, it will continue to decrease (Muḥammed Falāḥ Samā'ī Ṣaliḥah, 2012). Therefore, the impact of *zakāh* on investment stimulates production and, in turn, affects all economic problems that cause the state's indebtedness. Increasing production leads to increased exports, reduced imports, and achieving self-sufficiency for the state. This raises revenues and reduces the debt ratio.

After considering the impact of *zakāh* on investment and how it encourages it, can a portion of *zakāh* funds be directed towards investment? The real reason for the problem of the deficit in *zakāh* revenues is the failure to compel Muslims who are obligated to pay *zakāh* to fulfil this obligation and the lack of regulation concerning its collection and how it is spent. To address this problem, it was necessary to consider investing a portion of *zakāh* funds to provide sufficient liquidity to meet the growing need for *zakāh* funds (Wasīlah Haniyyah & Bu Ḍiyāf Samiyyah Ḥajjāj, 2012). In response to this pressing issue, the Islamic Fiqh Academy allowed investing *zakāh* funds according to specific guidelines.

Based on the above, if a Muslim state has funds exceeding its urgent needs, it can use the collected *zakāh* funds to establish factories, real estate, and commercial enterprises and transfer the ownership of all or some of these properties to the poor to generate sufficient income for them. The Islamic Fiqh Academy of the Organization of Islamic Cooperation approved in its third session held in 1406 A.H., the employment of *zakāh* funds in revenue-generating projects without transferring the ownership of such projects to eligible recipients, or they can be under the supervision of the entity responsible for collecting and distributing *zakāh*, provided that such use of the *zakāh* funds is only done after meeting the urgent and immediate needs of the eligible recipients and providing sufficient guarantees to avoid losses. This decision is crucial and opens up wide horizons for *zakāh* to participate in economic development (Razīq Kamāl & Mu'amar Faṭūm, 2012).

The fatwa of the third conference on contemporary *zakāh* issues addressed this issue by stating that it is permissible to invest *zakāh* funds with certain conditions, which are as follows (Razīq Kamāl & 'Umr Muḥyī al-Dīn, 2012):

1. There should be no urgent expenses requiring immediate distribution of *zakāh* funds.
2. *Zakāh* funds should be invested through legal methods.
3. Measures should be taken to ensure that the invested assets and profits remain subject to *zakāh* rulings.
4. The initiative should be taken to liquidate the invested assets if the *zakāh* beneficiaries need them.



5. Efforts should be made to ensure that the investments in which *zakāh* funds are placed are viable, secure, and liquidable if needed.

6. The decision to invest *zakāh* funds should be made by those entrusted with the collection and distribution of *zakāh*, in line with the principle of legal representation. The supervision of the investment should be entrusted to those with sufficient competence, experience, and honesty.

7.3.2 Zakāh Investment Strategy:

The process of investing *zakāh* funds can either be carried out directly by the beneficiaries or by *zakāh* institutions, as follows (Razīq Kamāl & Mu‘mar Faṭūm, 2012):

1. Investing *zakāh* funds by the beneficiaries:

The poor and needy may invest the *zakāh* funds given to them since it became under their full ownership, and they have the right to dispose of them as they wish, like any other property. They have the right to establish investment projects, purchase crafts, and so on without interference from the state. This method will allow these groups to become *zakāh* payers in the future as they engage in profitable investments, making them part of the contributing class rather than the receiving class.

2. Investing *zakāh* funds by the *zakāh* institution:

- First method: The *zakāh* institution invests the *zakāh* it provides to the eligible recipients on their behalf and transfers the outcome of the investment to them in the form of institutions and productive units. Regardless of whether the purpose of the investment is individual or collective ownership, it leads to achieving the goal of *zakāh*, which is to alleviate the recipients' poverty and increase investments that will exist in society, resulting in increased employment and production.

- Second method: The *zakāh* institution invests the surplus funds only and distributes the profits later to the eligible recipients if any. As we know, the *zakāh* institution is responsible for speeding up the distribution of *zakāh* funds to the eligible recipients, whether through aid or investment leading to individual or collective ownership. However, *zakāh* funds may also not be divided but invested if such an approach is considered necessary to secure fixed financial resources for the eligible recipients and provide job opportunities for the unemployed among them by establishing productive and service projects that generate profits to the *zakāh* institution, which will later be disbursed to other eligible recipients.

After clarifying the possibility of investing a portion of *zakāh* funds subject to the fulfilment of the urgent needs of its recipients, it becomes apparent how important its investment is in stimulating productive activity and establishing investment projects that solve a significant amount of economic problems such as unemployment by employing *zakāh* recipients in these projects, thereby turning them from *zakāh* recipients into *zakāh* providers. This, in turn, will increase production, thereby reducing inflation so that supply becomes balanced with demand and easing economic recession and other economic problems that lead to an increase in debt. By solving these economic problems and achieving economic recovery, the country can rid itself of debt and its consequences.



8. Conclusion

The study has shown that the state's financial resources and budget are entirely separate from *zakāh* funds, which are earmarked for specific beneficiaries as dictated by Sharī'ah principles. Therefore, *zakāh* funds cannot be diverted to recipients other than those outlined in Sharī'ah. This reinforces the importance of adhering to the prescribed guidelines in *zakāh* distribution. Moreover, it is worth noting that the state, as an entity, does not fall within the category of individuals struggling to settle their debts, given that the eligible recipients of *zakāh* are individuals and not entities. Consequently, the study highlights the importance of redirecting *zakāh* towards its rightful beneficiaries, such as the impoverished and the needy. Additionally, *zakāh* can be used to finance infrastructure and military expenditure, alleviating the state's financial obligations in these critical areas. Redirecting the *zakāh* funds towards these areas allows the state to free up financial resources. These resources can then be allocated towards reducing the state's indebtedness or financing vital investment projects, thus promoting financial stability. The study emphasizes *zakāh's* potential to address economic challenges that lead to indebtedness, promote economic development, and encourage investment. By facilitating economic recovery, *zakāh* contributes to increased state revenues and gradual debt reduction.

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