

ZAKAT AND SOCIAL CAPITAL: PARALLELS BETWEEN ISLAM AND THE WEST

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ABSTRACT

In Western social and economic thought, the spiritual and the secular are sharply separated. In Islam they are indivisible. Islam has become a source of Western anxiety as the *Other*, the *Shadow*. Raising the Shadow to consciousness by pointing up correspondences is a matter of some urgency.

We view social capital as an essential component of both western and Islamic societies. In Islam, Zakat embodies social capital. Rather than Islamic and western values (Modernism and Postmodernism) being irreconcilable opposites, we see them as having a common core, embedded in Zakat and social capital respectively.

I. INTRODUCTION

Tensions between Westernⁱ and Islamic traditions are very much in evidence currently. Many see the two systems as irreconcilable and conflict between the two as inevitable (Huntingdon and Berger, 2002). Said (1995) notes that the Orient, in the sense of the Middle East, is adjacent to Europe and has been the source of its richest colonies, an integral part of European civilization and culture, Said writes, “*one of the deepest and recurring images of the other.*” In other words the Orient has exercised conflicting reactions, ranging from fascination to fear. From the seventeenth century onwards, the Orient has, to a high degree, been invented by Western writers’ archaeologists, linguists, historians and politicians in a manner that says more about the West and its fantasies, than about the East. So Americans, formerly associated mainly with the Far East (China, Indo China and Japan), but with a greatly expanded political and economic role in the Middle East since the Second World War, in their classification of some Islamic populations there as Rogue States, part of an Evil Empire, are following a long Western crusading tradition with respect to the *Other* (Said, 2002; Chomsky, 2001), as the Self’s shadow (Spivak, 1999).

To see Islamic and Western traditions as polar opposites is to ignore their co-evolutionary past. The influence of Islam on the West, founded on trade was, in fact, strengthened by the crusades. The two societies were influenced by co-migration. European notions of Chivalry, Courtly Love and Romanticism emanated from Islam in the twelfth century. Dante’s poetry drew deeply on the Quran. Islamic states have been influenced by Western economics and politics, through imperialism, the discovery of oil and other natural resources in the Middle East and North Africa. Europe has sizeable indigenous Muslims population. Muslim students, poets, writers and scholars have been deeply influenced by Western Education. Middle Eastern wealth is deposited in Western industrial companies and financial institutions. It is hardly surprising that common traditions and values should exist: more surprising that they have been overlooked. The legal traditions of Islam and the West emanate from different sources: Sharia and Roman law. However, when we compare the three religions of the book, Judaism, Christianity and Islam it is impossible to deny that that their respective messages coincide substantially.

Since the advent of Islam in 622 A.D., Zakat has been practiced in Islamic countries and continues especially where there are governments that follow Islamic principles although arrangements for distribution differ. It is voluntary in Indonesia, West Africa, parts of the Middle East and in many of the major cities of Europe and North America, Bangladesh, Kuwait, Malaysia, Sudan and Pakistan from 1947 – 1980. Saudi Arabia appears to follow the principles of Zakat as set out in the Quran to the letter. Currently the Constitution of Pakistan includes provisions for the proper distribution of zakat (Richardson, 2004).

The approach to Zakat as set out in the Quran is in one sense entirely pragmatic. This holds with respect to attention to the personal circumstances. Income below the *nisab* (the minimum level of wealth) is exempted: so is the cost of a minimum standard of

living. According to most scholars debts and production costs are deducted from Zakatable assets thus maintaining overall wealth. As a Pillar of Islam, the distributional function of Zakat is intertwined with a spiritual and symbolic function of cleansing in the sense of *fana*.

The binary opposition between Islamic and the Western values are, in fact, part of a triad of tensions: between Modernism and Postmodernism in the West, and between each of these with faith. We are particularly concerned with the Islamic version of faith, partly because this is representative of faith generally as a mode of apprehension, and partly because, for obvious reasons, currently Islam is a central Western concern, a source of fear, as the *Other*, the *Shadow* of the Self. Raising the shadow to consciousness by pointing to its relationship of correspondence with the traditions of Modernism and Postmodernism is therefore a matter of some urgency for scholars. To carry out this task we use Ernest Gellner's (1992) assertion that the three traditions are irreconcilable, as our null hypothesis. A less compromising hypothesis now underlies attitudes and policy to Islam.

a) *Religion and Social Capital*

There is little work on religion as a source of social capital, perhaps because religious associations share many characteristics with other types of associations. But they are distinctive. Putnam (2000; 66) says that faith communities in which people worship together are arguably the most important repository of social capital in America.

In the USA churches are the most common form of association. They provide care, social support and social networks. Beliefs shape the level, form and the goals of associative life. They also affect attitudes to other faiths, political priorities and personal agendas. Churches contribute to social capital formation, to volunteering, charitable contributions, acts of mercy, safety nets (Miller, 1998). Wood (1997) notes that religious institutions have flourished whilst others have declined; unions, blue collar workplaces, cultural associations, families. Miller (1998) maintains that religious institutions are among the few that are still trusted.

The paper proceeds as follows. First we sketch the essence of the tension between the triad, Modernism, Postmodernism, Fundamentalism and faith as expressed in Islam. Second we outline of the notion of social capital. Third, we describe key elements of Zakat in relation to social capital. Fourth we discuss common elements that exist in the triad of relationships. Finally we outline some implications.

II. CONFLICTING PARADIGMS

Gellner (1992) emphasize conflicts between modernism, postmodernism and faith at the ideological level resemble the irresolvable children's game: scissors, paper stone; scissors cuts paper, paper wraps stone, stone blunts scissors.

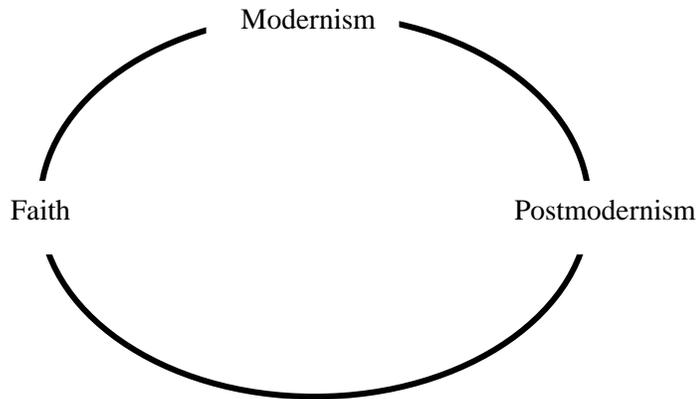


Figure 1

Gellner acknowledges variations within Western values but his sentiments prefigure more apocalyptic post 9/11 versions (for example Lewis, 1994). For Gellner, irreducible methodological tensions exist between

- *modernism* as expressed in the *enlightenment project* that produced modern science and technology
- *relativism*, as expressed in *postmodernism*
- *faith* as expressed in *fundamentalist* interpretations of religion

Gellner's hypotheses amounts to the assertion that the three categories are disjoint sets and that areas A, B, C and in particular R are empty sets. We summarize his position in the next few paragraphs.

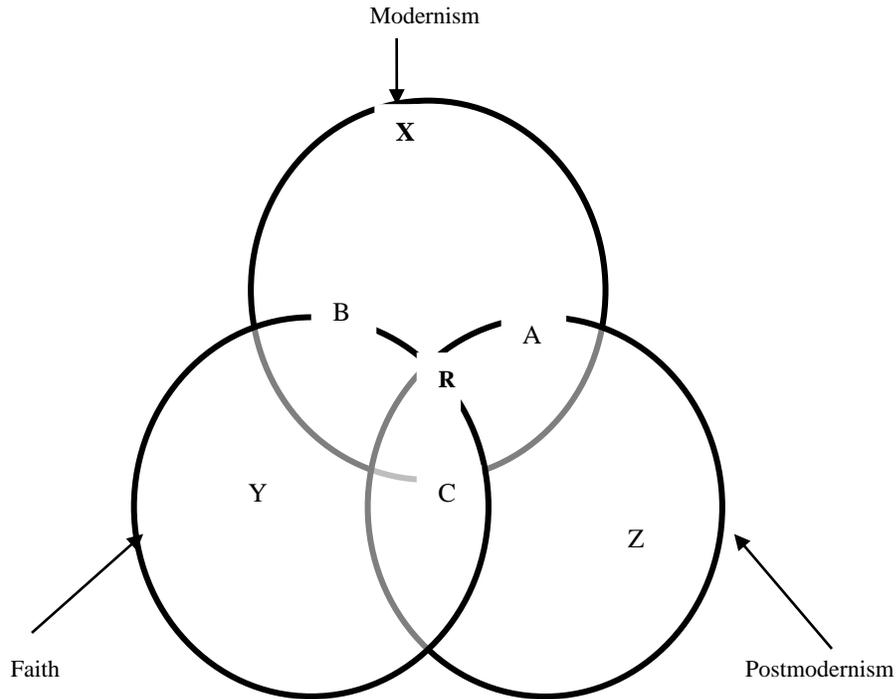


Figure 2

He is concerned with broad definitions of the three categories, rather than fine distinctions. Modernism is reflected by the omnipotence of science, technology and materialism that has brought great wealth but also, for many Muslims, a sense of spiritual void. Understanding positivism as an extreme version of the modernist perspective (Ahmad, 1947; Chapra, 2000; Khurshid, 1994) only scientifically verifiable truths have meaning and religion, in particular faith is strictly speaking nonsense. On this view A, B and R are indeed empty sets.

Relativism is reflected in the postmodern distrust of the grand narratives and rejection of the notion that absolute truths exist; it emphasizes the influence of discourse upon reasoning and its role in reinforcing power structures. Postmodernists oppose the grand narratives and what they see as the search for universal truths in modern science and academia. Everything according to postmodernism is coloured by attitudes, language and discourse of the observer. Taking an extreme view, perhaps the view parodied by Sokal (1997) but unconsciously endorsed by Gellner, then A is reinforced as an empty set. So is R and C if we take the view that absolute truths are laid down in the scriptures.

Those driven by faith seek universal truth in the scriptures, are likely to oppose the emphasis upon materialism identified with Western values. Faith is a means of filling spiritual void, the refuge perhaps of those who see themselves as marginalized by globalization and Western values. Thus on this interpretation, C is established as an empty set: the emptiness of R and B is also reinforced.

Of course we have to an extent parodied the three views: faith as so interpreted is not unique to Islam most scientists acknowledge the role of indeterminacy, probability, language, subjectivity or discourse in the definition and interpretation of data; complexity science and evolutionary approaches modify strict causality or verification, the Sokal episode is a joke rather than a parody. Nevertheless we assert that the incompatibility of faith (commonly interpreted as Muslim faith) has become part of conventional wisdom. In terms of Figure 2, faith at least as interpreted by Gellner, constitutes a disjoint set. We now address this interpretation. We recognize the existence of disjoint subsets (areas X, Y and Z in figure 2). We focus on the non emptiness of B and C and especially of R (as a subset of A, B and C). That is we see commonalities between what Gellner interprets as Islamic faith is compatible with both modernism and relativism. In this paper we are only incidentally interested in A, the relationship between modernism and postmodernism. We discuss area R as reflection of social capital and zakat

III. SOCIAL CAPITAL

Social capital generally refers *to trust, concern for one's associates and willingness to live by the norms of one's community and to punish those who do not*: in emphasizing punishment, Gintis and Bowles (2000) provide a (perhaps unintentional) Foucaudian twist in their classic definition. Social capital describes relationships among people. It focuses attention on what groups do rather than what people own, and upon social justice. Many people believe that failures in global capitalism, in markets generally and the financial sector particularly, are the rule rather than the exception and that governments and international institutions like the World Bank and International Monetary Fund are neither sufficiently informed or sufficiently accountable to correct all market failures (Brenner, 2002; Stiglitz, 2003 ; Soros, 2003). Social capital is a schema that underlies the development of business systems and their norms and behavior. Without it, market systems cannot flourish because transactions costs would soar in the absence of rudimentary trust. In the global sphere social capital is relatively underdeveloped, but part of a coevolutionary process, resulting from the interchange between nations and ethnic groups. The cultural aspects of social capital hold empires and organizations tenuously together.

Social capital generally is understood as providing a capacity for individuals to secure benefits by virtue of membership of social networks. A recent origin of the term is the work of Bourdieu (1985), who used the metaphor of capital to discuss the instrumental benefits for individuals by virtue of their being involved in groups. Adam Smith's notion of the invisible hand might be interpreted as a version of the same idea, but a *deus ex machina*, rather than a set of norms that evolve as part of a

social process. In Bourdieu, who prefers the term cultural capital, modernism and postmodernism are intertwined. Through cultural capital, individuals potentially gain access to real capital (economic resources), or they can increase their store of cultural capital through contacts with experts or through participation in prestigious associations. Coleman (1998) refines the concept, by suggesting that the most useful relationships for individuals are those that act as a form of social insurance: they provide communication, information networks and create the norms and sanctions that facilitate social action. Coleman (1988) distinguishes between three groups of social capital: (a) obligations, expectations and trustworthiness expressed in structures and norms, (b) effective sanctions and (c) information channels. Matthews (2003) sees social capital as part of a grammar on three dimensions (formal informal, personal social and internal external to organizations).

In a Kantian procedurally rational mode, Woolcock (1997) argues that definitions of social capital should focus on its sources (internal ethical) rather than its consequences (or performativity), just as it is important to distinguish a stock (social capital in its unobservable essence) from a flow (added value). It is easy to argue that people will invest in social capital if their benefits exceed their cost a rational utility maximization motive. This is an instrumental motivation: *But what motivates people to create social capital for others, which benefit others, if there are not immediate (instrumental) returns to the individual* (Portes, 1988). Putnam (1993) asserted that norms and trust are the source of social capital people learn to do the right thing from a process of socialization. These deeply internalized norms are called *consummatory* by Portes (in contrast to *instrumental*) and come from the experience of a *shared destiny*. Adopting social capital norms of course has an *instrumental* (as well as a *consummatory*) dimension when a person considers the consequences of sanctions by the community in *dyadic social exchange*. It can also have an emotional element: commitment to a cause. People go beyond narrow self-interest to help those they have affinity for moral value and caring can be a motive with the characteristics of capital. In a manner quite consistent with a modernist philosophical stance, people usually act from a mixture of motives, instrumental and caring.

Both Putnam and Fukuyama (1995) emphasize the role of trust in the emergence of social capital.

“Social capital is a capability that arises from the prevalence of trust in a society or in certain part of it ... Trust is the expectation that arises within a community of regular, honest and cooperative behaviour, based on commonly shared norms, on the part of other members of that community”. (Fukuyama, 1995, p 26).

In other words, if you expect others to do the regular, honest, and cooperative thing, you are trusting. While trust is surely an expectation, it also leads to action. A person who trusts another will place resources at risk to the possible opportunistic behaviour of others. North (1990), emphasizes the important factor in economic development policy is the ability to ‘trade at a distance with strangers’ the ability of a

principal to trust an agent can be an important result of social capital, table 2 showS the origins of trust.

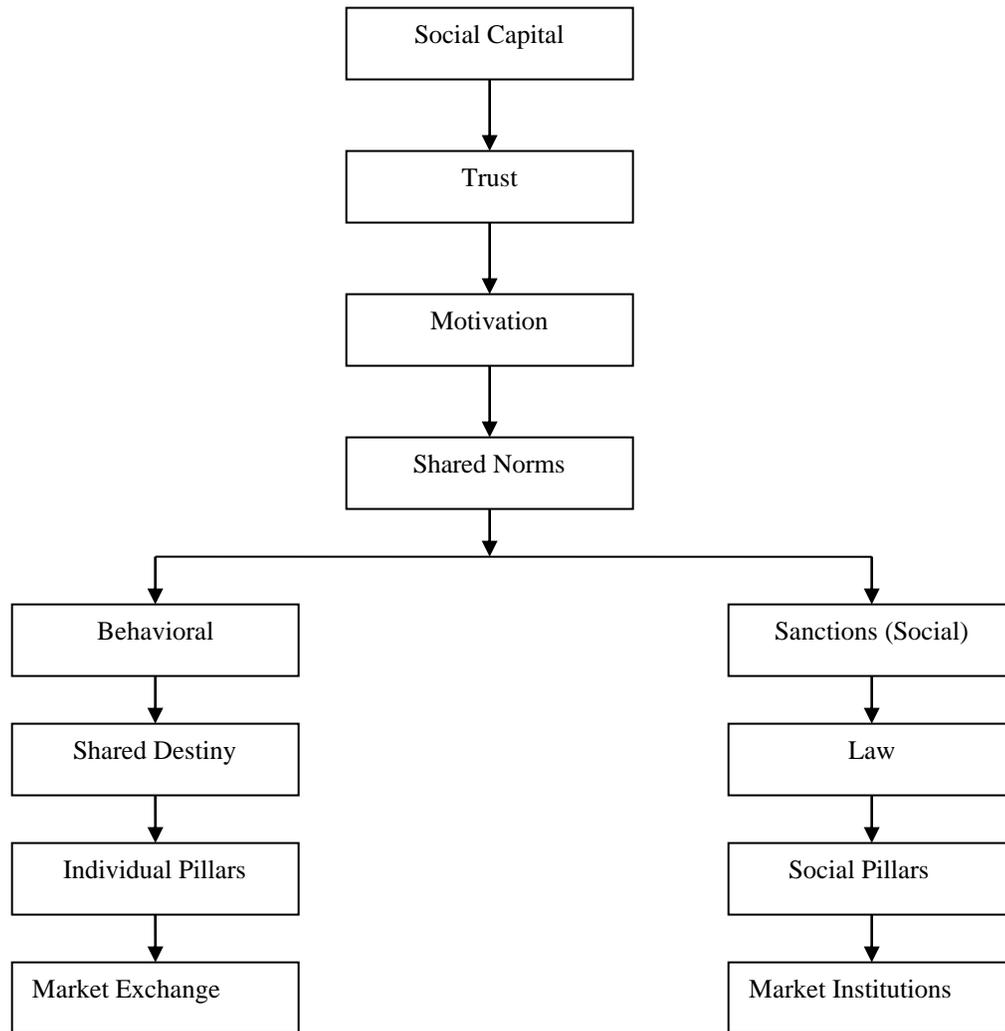


Table 2

Social capital is a subset of civil society; social capital is what makes civil society work. It binds anonymous individuals together into communal relationships. Civil society denotes forms of communal and associative life that are organized neither on the basis of self interest (market) nor by the coercive potential of the State (Wolfs, 1998).

Trust and reciprocity are likely to be facilitated by frequent contact. Thick trust occurs in communities with intensive and frequent contact, in homogeneous societies, isolated geographically, or on some other basis, where sanctions can exist. Modern societies tend to generate thinner forms of trust and weaker social ties, though these can be powerful in complex modern societies (Granovetter, 1973)

a) *Traditions of Social Capital*

There are three traditions of Social Capital.

Based on Bourdieu; The aggregate of actual or potential resources which are linked to the possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition....to membership of a group- which provides each of its members with the backing of collectively owned capital (1986; 248). It is a credential giving access to collectively owned credit; the capital of social connections, honorability and respectability (1984; 122). He elaborated on different forms of capital, social, economic, cultural. Bourdieu wanted to make social capital the basis of social stratification; symbolic capital and critical theories of class. Portes (1998) elaborated this as the ability to secure benefits through membership of networks and other structures.

Coleman; Social capital is defined not as a single entity but a variety of different entities having two characteristics in common: they all consist of social structures, and they facilitate certain actions of actors – whether persons or corporate actors- within a structure (1988: S98). It is productive, and Coleman stresses outcomes for groups, organizations, institutions and societies. They include social obligations and expectations, which are often reinforced by norms and sanctions – forgoing individual interests in the interests of community.

Putnam; Social capital here refers to features of social organization, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated actions (1993: 67). Putnam (1995a) contends that the vibrancy of American democracy has declined because Americans are less inclined to interact with one another than they were and he associates this with their increasing disinclination to trust governments. Social capital promotes spontaneous co-operation. Reciprocity denotes the probability that good deeds will not go unnoticed. They will be repaid although the re-payer may not be the original recipient of the good deed. We now explore social capital in the context of Islam, specifically in Zakat.

IV. ZAKAT AS SOCIAL CAPITAL

Zakat is one of the five pillars of Islam. At the centre of the religion. (Al-Baqara, 267; Al-An'am 34, 60 and 103).

Al-Baqara

Verily, those who have attained to faith and do good works, and are constant in prayer, and dispense charity - they shall have their reward with their Sustainer, and no fear need they have, and neither shall they grieve.

إِنَّ الَّذِينَ آمَنُوا وَعَمِلُوا الصَّالِحَاتِ وَأَقَامُوا الصَّلَاةَ وَآتَوُا الزَّكَاةَ لَهُمْ أَجْرُهُمْ عِنْدَ رَبِّهِمْ وَلَا خَوْفٌ عَلَيْهِمْ وَلَا هُمْ يَحْزَنُونَ (2:277)

It is second only to prayer it is an essential Article of Faith. Non observance is tantamount to negation of Faith: “Knowest thou not that prayer and the Zakat are complementary and the one is not accepted without the other.” (Abu Bakr,)

a) What is Zakat?

In Arabic linguistics, *Zakat* is the infinite of the verb *zaka*, meaning 'to grow and to increase'. When said about a person, it means 'to improve, to become better.' Consequently, *zakat* means 'blessing, growth, cleanliness or betterment'.

In the *Shari'a* (the Islamic law) the word *zakat* refers to the determined share of wealth prescribed by Allah to be distributed among the categories of those entitled to receive it. It is also used to mean the action of payment of this share. Ibn Taymiyya (1328) said that “*the inner soul of the zakat payer becomes better, and his wealth becomes cleansed.*”ⁱⁱ Growth and cleanliness are not restricted to the assets from which *zakat* has been taken, but affects the person who pays *zakat*, in accordance with the verse, “*Take zakat from their wealth to purify and cleanse them.*”ⁱⁱⁱ Al-Azhari says that “*it makes the poor grow too*”, meaning that *zakat* creates psychological and material growth for the rich in his soul and wealth.

Instructions from the Holy Prophet indicate that Zakat as a transfer of the excess wealth is a foundation social justice. The principle of free unobstructed circulation of wealth; avoids class hatred a terrible evil borne of social injustice.

“It induces the social group to think and feel as a whole, to realize in fact that the prosperity of the group is the best safeguard for the prosperity of the individual and that the poverty of the individual inevitably jeopardises the prosperity of the group. It establishes the maxim that all social ills present within the group must be remedied from within the group itself if the remedy is to be of a permanent nature; in other words, that, as a living, thinking and acting organism, the social group bears the responsibility for its own welfare.

The emphasis is on rehabilitation, enabling the impoverished to return to self sufficiency and to become again a productive member of the group. Zakat is assistance from Muslim to Muslim.

Farrukh notes that after a brief period, when the early Muslims established relations among themselves and with their creator on the basis of Quranic principles, Islam fell into decline. People became dominated again by self interest and greed, ignoring the right teachings and this gave rise to decadence. Muslims sought to evade the

obligations laid on them by the third Pillar of Islam and poverty and ignorance once more became rampant.

“That which you give in usury that it may increase on (other) peoples wealth has no increase with Allah; but that which you give as Zakat, seeking Allah’s Countenance, has increase manifold.”

Fluctuations in monetary values are irrelevant. The Prophet laid down proportions rather than rates. The desire was not to impose excessive burden. If Zakat does not cover needs than the state may levy taxes.

b) Purposes of the Law

1. Devotion; Rational acts do not reveal devotion. Real devotion is shown by blind obedience to commandments.
2. Rational: honouring debts, living properly in a society.
3. Composite: rational and devotional.

Inwardly the purpose of Zakat is; commitment (giving up something in order to serve God); giving up niggardliness, which involves paying on time, and secrecy
But if ye hide it [almsgiving] ...it is better for you (2: 273).

c) Relationship between Zakat and Social Capital

To understand the relationship between Zakat and social capital it is necessary first to ask the question: *What is capital?* Capital is a source from which emanates a flow. Using the terminology of game theory, speak of a flow of payoffs. Capital then is a source of a flow of payoffs that can be distributed among people, in current terms, among stakeholders. We are not primarily speaking of monetary payoffs appertaining to the material world and wellbeing: more important is the purification of the individual at the level of spirit and soul

Zakat sets out rules for the distribution of payoffs from a particular source of capital monetary wealth or wealth that can be measured in monetary terms. This is perhaps the least important aspect of Zakat, but a very important one for social capital. In a perfect system, distribution would be perfectly decentralised with no need to incur the costs of state intervention and enforcement in welfare. It would be achieved completely voluntarily. Real societies and human nature rarely conform to such an ideal. But the existence of Zakat and a degree of voluntarism goes some way, perhaps a considerable way, to reducing the costs associated with creating a degree of fairness and equity in society: an important function of social capital.

In its instrumental and consummatory roles, Zakat benefits both the giver and the receiver. As such it is a form of social capital in Woolcocks, (1997) terms as a consequence and as a source. As a consequence it results in a stream of benefits both the giver and the receiver. Since Zakat is institutionalized it is a source of future benefit because it breeds trust and a sense of community in its high role, Zakat is a source of spiritual purification, the result of being materially poorer. Ibn Taymiyya, (1328) said that “*the inner soul of the zakat payer becomes better, and his wealth*

becomes cleansed.”^{iv} "Take zakat from their wealth to purify and cleanse them.”^v Al-Azhari says, “it makes the poor grow too”.

d) *Is Zakat a tax or a charitable donation? Is Zakat an income or wealth tax?*

Zakat is a yearly premium on all forms of accumulated productive wealth and on a variety of agricultural products. It is calculated at various rates according to the nature of the wealth and is due to the needy individuals of the Muslim community for their rehabilitation. It is the third of the five pillars of Islam and the counterpart of the Christian tithe in that it is destined to eight classes of the needy as defined by the Quran. No part of it must go to the state. The function of the state is to supervise its levy, custody and distribution. The tithe on the other hand went to the Church which distributed it as it deemed fit.

Zakat is neither an income tax nor a tax at all in modern terms. It is an obligatory social tax in the form of surplus wealth of lasting value (Zayas 1960; 4). Zakat is not imposed by the state nor destined for the state. The role of the state is supervision rather than control. The main responsibility falls on the individual not on the state. It seems that the State has the role of enforcing payment according to Quranic Law to ensure smooth running but not to modify the rate or rules.

The generally accepted definition is that it is a wealth tax so what forms of wealth are taxable? It is usually levied on liquid assets and not on investments in real estate or businesses. Zakat is levied on agricultural produce, pasturing of domestic animals, media of exchange and money invested in trade or savings in the form of cash.

The definition of wealth, as set out for the purposes of Zakat has Physiocratic overtones: the idea that true wealth stems from agriculture. However, the exclusion of investments introduces an industrial edge. That investments are excluded indicates a concern with growth as well as distribution. Savings invested in trade – what can this be?

Wealth productivity in the Quran is either potential or actual. Potential wealth exists in gold, silver, money kept as savings. Actual productivity exists in agricultural products pasturing domestic animals, invested money in trade and articles of trade (working capital). The cause of the act of Zakat is the productivity of wealth according to the Muslim jurists existing in quantity number and value over and above the established minimum taxable limits; over and above the minimum requirements for human existence. The emphasis seems to be upon surplus wealth. An essential condition is the possession of surplus wealth for a period of more than one year.

e) *How is the Nisab calculated?*

Nisab the limit at which taxable Zakat begins. Sufficient to satisfy the yearly necessities of the average family. Wealth must have been in the possession of the owner for a full year.

And Allah does not want his servants to be oppressed in any way (50:31)

Allah hath not laid upon you in religion any hardship (2: 219)

The category of Zakat free wealth includes wealth spent within the year of acquisition which falls short of the Nisab, foodstuffs for personal use, household furniture and utensils, clothing, books, buildings (private or public), land, water, perishable foodstuffs, trees, wood, firewood, seeds kept for sowing, wild produce, game, medicines, machinery, tools, vehicles, arms, weapons and wealth set aside to cover the first pilgrimage.

f) *Is the Nisab the same in rich countries (UAE or Qatar) as in poor countries (Bangladesh, Afghanistan)?*

If it is calculated relatively how can this be done in the absence of detailed data on the distribution of income and wealth? And indeed how can it be calculated even absolutely unless income and wealth can be clearly defined. But there is consideration for the personal circumstances of the zakat payer:

- the exemption of what is below the nisab (the minimum level of wealth) from Zakat
- the cost of a minimum standard of living is also exempt from Zakat
- debts are deducted from zakatable assets according to the majority of scholars, production costs are deducted from zakatable income

g) *How is Zakat administered?*

On no interpretation of the law can Zakat be construed as a tax paid to the state.... [it is] a tax paid through the state to the lawful beneficiaries. It may not be used for any purpose not specified by the Quranic verse (Fayas 282).

The alms are only for the needy and the destitute, and those who collect them, and those whose hearts are reconciled to Islam, and to free the captives and the debtors, and for the cause of Allah, and for the wayfarer; a duty imposed by Allah. Allah is the Knower the Wise (9: 60)

The State is authorised to compel payment. But Zakat must be kept separate from other State revenues.

h) *Ratios of Zakat (sanctions)*

Lower rates apply when the production process requires more human effort. Accordingly, the rate of Zakat is 10% on grains and fruits watered by rain or river, and 5% when water must be carried mechanically, 20% on found treasures which require little human effort, while the rate on earned wealth is only 2.5%. The system of Zakat is almost unique in these variations of rates according to effort spent in production.

i) *How can payers be confident that the Zakat funds are properly used – as*

intended in a Sharia compliant manner?

Zakat money fund may be used for the following purposes:

- a) to provide assistant to the needy, the indigent and the poor (particularly the orphans and widows), the handicapped and the disabled and those eligible to receive Zakat under sharia for subsistence or rehabilitation such educational institutions, public hospital...ect.
- b) can be used for administrative expenses on selective basis, as a rule, these expenditures are financed by the government.
- c) fund may be allocated for any other purpose permitted by sharia

Allah (swt) has described eight (8) categories of recipients

- Poor (Faqir pl Fuqara)
- Needy (Miskin pl Masakin)
- Those employed in Zakat administration
- Those reconciled to the truth (Mu'allafat ul Qulub)
- Freeing of those in bondage (Fi-al-riqab)
- Those in debt (Gharimin)
- In the cause of Allah (Fi-sabil-Allah)
- The wayfarer (Ibn-al-sabil)

Zakat financially aids reformers and mediators of disputes in the sense that it enables them to fulfill the social and moral objectives of an Islamic society. It has a moral purpose with respect to the individual. The social objective of Zakat is to eliminate poverty and the desire for personal accumulation at any cost and to encourage socially orientated behavior. Instructions from the prophet Mohammed (pub) indicate that Zakat in Islam is simply a transfer of the excess wealth, but the foundation of Zakat is justice, a concept whose meaning essentially corresponds to Western notions of social justice in the sphere of distribution. The principles underlying Zakat support both private ownership and commercial capital, which according to Schumpeter (1943) are foundations of capitalism. Thus Zakat embodies the egocentric aspect referred to earlier, which forms the basis of laissez faire capitalism, but also provides the sociocentric function of trying to ensure a fair division of income and wealth: social insurance.

In principle Islam is dedicated to universal brotherhood, social and economic justice, equitable distribution of wealth, and to individual freedom within the context of social welfare. Zakat has a spiritual and materialist aspect: social and economic standards are interwoven.

Privately owned economic assets in the Islamic system, are considered as a trust from God, because everything in the heavens or the earth belongs to God and man enjoys the right of ownership only as a trustee. Wealth should be acquired in accordance to

the teachings of Islam and should be used for the objectives for which it has been created. The prophet is reported to have stated:

This wealth is certainly green and sweet: but he who acquires it rightfully and uses it rightfully, for him it is an excellent assistant, while he who acquires it without his right, is like one who eats but never satiates.^{vi}

Though the ‘free market’ system has been recognized by Islam, it is not to be considered sacred and unalterable. In this respect, its political orientation is neither left or right. The market system is only one way to attain the goals of Islamic society. Laissez faire must be modified in order to make it conform to the ideals of Islam. The goal of Islamic social capital is to create universal brotherhood community and social economic justice.

V. PRINCIPLES UNDERLYING ZAKAT

Al-Baqara

And be constant in prayer, and render the purifying dues; for, whatever good deed you send ahead for your own selves, you shall find it with God: behold, God sees all that you do.

وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَمَا تُقَدِّمُوا لِأَنفُسِكُمْ مِنْ خَيْرٍ تَجِدُوهُ عِنْدَ
اللَّهِ إِنَّ اللَّهَ بِمَا تَعْمَلُونَ بَصِيرٌ (2:110)

With Islam’s intense and unique commitment to human brotherhood, economic justice, inequalities of income and wealth are contradictory to its spirit. These inequalities could only destroy rather than foster the feelings of brotherhood that the religion tries to create. Thus, the religion emphasized ‘distributive justice’ of wealth and incorporates in its system a method for redistribution of income and wealth. This is done so that every individual is guaranteed a standard of living that is humane and respectable, and in harmony with the teachings of Islam. This programme for redistribution consists of three parts:

- the teachings imply the rendering of assistance in finding gainful employment to those working.
- it emphasizes the payment of ‘Zakat’ for redistribution of income from the rich *Have* to the poor *Have Not*, who because of personal disability, handicaps or conditions external to them, are unable to attain a respectable standard of living by their own efforts, so that in the words of the Quran: ‘wealth does not circulate only among your rich’^{vii}
- the estate of a deceased person is divided, in accordance with a given formula, among a number of individuals in order to intensify and accelerate the distribution of wealth in society.

a) Universal Brotherhood Community (shared destiny)

“O mankind! We created you from a male and a female and made you into nations and tribes that you may know each other. Verily, the most honored of you before God is the most righteous of you; surely God is knowing, aware”^{viii}.

Islamic society is not bound by any geographical boundaries and encompasses the whole of mankind and not any one familial group, tribe or race. The Qur’an states, “say o mankind! Surely I am a messenger of God to you all”^{ix} and the prophet Mohammed (pub) stated “I have been sent to all alike, the red or the black”^x.

A natural effect of this concept of universal brotherhood, in principle, is mutual co-operation and help. The prophet also stated: “Mankind is the family of God and the most beloved of them before him is one who is the best to his family....Be kind to those on earth and he who is in Heaven will be kind to you”^{xi}. Closely linked to this concept of brotherhood is the emphasis on justice. It is declared in the Qur’an to be one of the principle objectives of the teaching of all God’s prophets.

The *consumatory* aspect of social capital, as embodied in Zakat stretches across national boundaries.

b) Economic Justice (shared destiny)

The concept of brotherhood and equal treatment of all individuals within society and before the law is not meaningful unless it’s accompanied by a form of economic justice so that everyone gets his dues for his contribution to society as to the social product and that there is no exploitation of one individual by another the Qur’an urges Muslims to ‘Withhold not things justly due to others’^{xii} Implying that every individual must get what is due to him, but at the same time should not deprive others of their fair share. This warning against injustice and exploitation is designed to protect the rights of all individuals in society regardless of whether they are consumers, producers, or distributors and to promote general welfare.

c) The Reduction of the Socio Economic Gap

Zakat aims for the reduction of socio-economic differences by providing support and financial help to the have-nots to bring them closer to the haves. Islam tackles this problem with much of its legislation, social institutions and economic directives in order to achieve justice both in the distribution of wealth and the distribution of income.

‘Whatever booty Allah give to his messenger from city dwellers belongs to Allah and to the messenger and to near relatives and orphans and the very poor and travelers, so that it does not become something which merely circulates among the rich among you.’^{xiii}

d) The Principle of Social Insurance

Zakat is the cornerstone of Islam's social insurance system. The mutual insurance that Islam ordains goes beyond the mere material aspect to include the spiritual, psychological, moral, cultural and civic aspects of a person's life, and to foster solidarity and mutual co-operation among members of Islamic society. In short, mutual social care in Islamic society extends to all branches of human life. The concept of equality in the distribution of income and wealth and the concept of economic justice does not require that everyone be regarded equally, irrespective of his contribution to society. The religion tolerates some inequalities of income because all 'men are not equal in their character, ability, and service to society' thus, the distributive justice within Islamic society does allow differences in earnings as long as they are in keeping with the differences in the value of the service one contributes to society as a whole.

e) The Principle of Certainty

Stability of the taxation system, like stability of business law, help build confidence in the system and its future, and thus in the prosperity of economic activities. Some taxation specialists, like Canard, believe that every old tax is good and every new tax is dubious. All the basic rulings of Zakat are fixed and unchangeable by any human effort. Knowing these basic ruling is obligatory for every Muslim as part of the religion of Islam.

g) The Principle of Justice

The principle of justice, according to Adam Smith, means that all citizens of the state must share in financing government expenditure, each according to his ability, i.e. in proportion to his income, which is protected by the state. This principle is consistent with the Sharia (Islamic law) in general and with Zakat itself. Justice is a general principle in Islam.

As the religion considers mankind as one family, all its members are alike in the eyes of God and before the law revealed by him. There is no difference between one's wealth, one's status, or one's colour. The only criterion of a man's worth is his character, ability, and service to humanity. The holy prophet stated: "*Certainly God looks not at your face nor your wealth: instead, he looks at your heart and your deeds*".^{xiv}

VI. CONCLUSION

Perhaps the real significance of the act of Zakat can only be realised through poetic language or the language of mysticism. Focusing merely on the instrumental and consummatory aspects of Zakat suggests that the act of paying Zakat is an act of spiritual materialism: that is the kind of spirituality that is designed to produce

payoffs. If someone gives Zakat according to the principle of spiritual materialism, that is to benefit him or her spiritually, then he or she, in a sense, gives nothing (injunction not to let others know when good deeds are performed by oneself). To avoid spiritual materialism, the act of Zakat must contribute nothing to social, or in a manner of speaking, spiritual capital, available to the giver. It must be given without the hope of reward material or otherwise. And if there is personal reward, this must be returned completely. The point about the act of Zakat is that it must leave the giver truly poorer, and society, by which we mean all the community sentient beings, the richer.

The inner meaning of Zakat is associated with knowledge expressed mystically by the observation 'Man is asleep, and wakes up only at death' and the injunction 'die before you die': both of which are summarized by the Sufism term *Fana* which is the necessity, in the process of understanding in the sense of direct perception, to die to one plane of understanding, before you can move to the next and in succession, you must die to the next.

Currently in the west ignorance exists about Islamic economic system but there is a desire for increased understanding. Islam has its own well-developed forms of social capital, in particular Zakat which is a pillar of Islam. Zakat is social capital in the form of social insurance and justice in Islam. It is mutual insurance that goes beyond material aspects to include the spiritual value, psychological, moral, cultural and civic aspects of life. It aims to foster solidarity and mutual co-operation among members of society. Zakat as such covers the areas called social insurance and security, but the ethical principles underlying Zakat cover all forms of mutual social care in Islamic society.

Similarly there is a feeling in Islam that its own traditions are unique. The principle of justice, which is widely accepted by most states, implies that citizens should share in financing government expenditure, each according to his/her ability and in proportion to income, which is protected by the state. This principle is consistent with the Sharia (Islamic law) in general and with Zakat itself. The evolution of the global economy as a complex adaptive system has made it increasingly difficult to distinguish between Islam and the West.

We argue that the principles underlying Zakat are consistent with any sensible conception of social capital. The only economic system that conforms to a certain degree to the Islamic way of life is capitalism. The market mechanism is an important part of the Islamic economic system for three reasons. Firstly, the institution of private property is not workable without it. Secondly, it offers consumers a chance to express their desire for the production of goods of their liking by their willingness to pay the price. And finally, it gives resource owners an opportunity to sell their resources in accordance with their free will. Though Islam recognizes freedom of enterprise, the institution of private property and the profit motive, it does not mean that the Islamic system is identical to capitalism, which is based on freedom of enterprise. The difference between the two rests on two

foundations. First, though property is allowed, the Zakat system underwrites government in its roles of social reformer and mediator. It also has a moral and spiritual purpose, absent in secular societies. The objective of Zakat is to cleanse and purify the souls of the rich from selfishness and desire for accumulation. It aims to train the rich to sacrifice and contribute to the welfare of other people.

We argue, not that social capital and Zakat are identical, but that both refer to trust, concern for one's associates and willingness to live by the norms of one's community and to punish those who do not: encompassing social justice, fairness and equality, principles underlying modern state. In practice, fundamentalist versions of Islam lie in area Y, reject modern science area B and everything but their own grand narrative, area C. Zakat is, however, a form of social capital. Area R is a non empty set. Assent to this denies both Gellner's relatively harmless stone scissor paper, and more harmful resuscitation of Islam as a new Evil Empire.

NOTE

ⁱ We mean by western society: an attitude of mind which we summarize under the heading of modernism and postmodernism. We are not referring to geographical entity. Clearly the west as geographical entity contains many millions of Muslims.

ⁱⁱ The collection of fatwa sheikh al-Islam Ibn Taymiyya, col. 25, p.8.

ⁱⁱⁱ The holy Qur'an 9:103.

^{iv} The collection of fatwa sheikh al-Islam Ibn Taymiyya, col. 25, p.8.

^v The holy Qur'an 9:103.

^{vi} Chapra the economic System of Islam, Oxford press, Lahore 1970.

^{vii} The holy Qur'an 59:7.

^{viii} The holy Qur'an 49:13

^{ix} The holy Qur'an 9:11

^x Chapra.M. "The economic system of Islam" Oxford press, Lahore, 1970

^{xi} Chapra.M. "The economic system of Islam" Oxford press, Lahore, 1970

^{xii} *ibid* page 11.

^{xiii} The holy Qur'an 59:7.

^{xiv} *ibid* page 11.

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