

## Classical Jurists' View on the Allocation of Zakat: Is Zakat Investment Allowed?

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**Abstract:** This study examines the views of the classical jurists regarding the allocation of zakat in particular the amount of allocation among the groups of recipients and also to each individual recipient. Comparison with current practices of zakat institutions in allocating zakat revenue are being made to assess real practices in allocating zakat. Insights into the Islamic legal views regarding the allocation of zakat are important to seek whether the classical jurists had made reservations for investment of zakat when they outlined the mechanics to allocate zakat. The findings show that the classical jurists made allocations for zakat investment in their classical works though the types and scope of investment are to a certain extent limited. Furthermore, allocation of zakat for investment purposes can be made only after several fundamentals of zakat distribution are considered.

**Key words:** *Zakat* • *Zakat* investment • Economic development • State Religious Islamic Council • *Kifayat al-'umr*

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### INTRODUCTION

*Zakat* is the third pillar of Islam and it is an obligatory payment that a free and rational Muslim who owns a certain amount of wealth has to observe. Its importance in Islam is manifested by the numerous pairings of its obligation to that of prayer (*salah*) in the Quran. Among the fundamentals of Islam, it has the most direct economic implications on Muslims for it involves the distribution of wealth from the affluent in society to those in need.

Various works have suggested and exemplified the economic values of *zakat* particularly as an effective mechanism to raise the standard of living of the poor, as well as an important source of public revenue in enhancing the expenditure of developing Muslim nations.

According to Ahmad, *zakat* assures the basic necessities of life to those who are in poverty and unable to undertake gainful employment without society's help and assistance [1]. The effect of *zakat* on poverty for Mannan is cumulative. *Zakat* not only increases the income level of the poor in society but also increases the effective demand for basic needs, which in turn

encourages production of socially desired goods and services in the society [2]. Special traits of *zakat* enhance and assure its effectiveness as a source of public revenue. The obligatory nature of *zakat*, its fixed rates, the minimum amount of taxable wealth (*nisab*) and the delineation of *zakat* disbursement, lend elements of continuity and stability to public revenues. Assurance from the collection of *zakat* is particularly useful for the planning and maintenance of public expenditure and the delineation of recipients serves to protect its allocation against the economic, fiscal or political whims of the *zakat* administration [3, 4]. Furthermore, resource allocation in the presence of *zakat*, for Chowdhury and Metwally, is more efficient than other alternatives because of its strong religious incentive which produces other effects, such as motivational effects to invest idle wealth and to participate in the labour force [5, 6].

Even though *zakat* is an obligatory payment on the affluent and a major source of Islamic religious public revenue, it has been found lacking to take full charge of fulfilling the basic needs of the poor [7], especially in low-income Muslim countries [8].

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Scholars conclude that these insufficiencies of *zakat* as an effective public fiscal tool are mainly due to the inefficiencies of the responsible *zakat* institutions in utilizing and managing *zakat*. The institutions are found to be incompetent both in securing and increasing the collection of *zakat* and ensuring the effectiveness of its distribution [9].

One of the many explanations given for the incompetencies is the tendency of the policy makers to narrow the interpretation of the *zakat* principles, the result of which limits the Islamically approved methods in collecting and distributing *zakat*. The coverage of *zakatable* items were found limited to those mentioned in the hadiths, while in reality a variety of new economic activity and wealth emerges. Thus scholars like Kahf, Iqbal and Abu Saud suggest a review of the *zakat* coverage, its *nisab* and rates in accordance to changes in wealth composition over time in order to increase the collection of *zakat* [10-12].

Similarly, narrow interpretation of the *zakat* principles has limited the modes of distribution to the rightful recipients. The majority of the classical jurists view that payment must be made the moment that *zakat* becomes obliged upon the owners of the *zakatable* wealth. The Quran states in *Surah al-An'am*, verse 141, "... And they must render the dues that are proper on the day that the harvest is gathered...". As a result of this principle, *zakat* is most often disbursed to fulfil the immediate needs of the recipients. For the poor and destitute, this is normally a one-off payment whether in money or kinds which assist them to fulfil their demanding basic needs. Similarly, for the rest of the recipients the allocation of *zakat* is made to fulfil their current needs whether to settle their debts, to emancipate them from their bondage, or to pay for the costs of their services.

Some Muslim scholars insist that the practice of distributing *zakat* to fulfil the immediate needs of the recipients alone is not sufficient to realize the above purposes of *zakat*, especially to alleviate the poverty that inflicts a large segment of the Muslim population and to advance overall Muslim development. They suggest that in order to increase the benefits of *zakat*, it is better to diversify the methods of managing *zakat*. *Zakat* as a major source of Muslim revenue should not be limited to distribution to fulfil the immediate needs of the recipients only. It should be at the same time invested for their future benefits [7, 13].

**Investment of Zakat:** *Zakat* investment is an activity which utilizes *zakat* with the aim of increasing the *zakat* recipients' future benefits. Al-Fawzan defines *zakat*

investment as any dealing that involves *zakat* and the benefits of which are reaped by the recipients. Any activity that enhances and makes the available amount of *zakat* to grow also is considered as investment of *zakat* [14]. Similar definitions are also given by Shubayr and Muhammad Farah except that they insist that investment of *zakat* must fully comply with the principles of *zakat* to ensure that the obligation to pay *zakat* is fully performed and executed. This was also reflected in the discussion among Muslim jurists regarding the issue of investing *zakat* on beneficial projects without direct transfer of ownership of *zakat* to the recipients of *zakat* in a seminar held in October 1986 [15-17].

An investment will be considered as *zakat* investment when *zakat* is used to fund the investment whether fully or partly funded by *zakat*. It also includes projects which are initially funded by other sources of financing but at a later stage are paid or bought with *zakat* funds [16].

An important element of investment is relinquishing current consumption for possible returns in the future. Thus *zakat* investment aims for the future benefits of the recipients. An investment of *zakat* excludes expenditures spent to fulfil the recipients' current needs, like the disbursement of *zakat* given to cover basic necessities for current consumption purposes only as for food, clothing, shelter, basic education, transport and health care.

Investment of *zakat* has been undertaken by those responsible in disbursing *zakat* in several ways. For those poor who are capable of working, *zakat* institutions have provided them with capital assistance, physical infrastructure and institutions which enable them to participate in the labour market and earn their own income. In Pakistan, *zakat* funds are allocated for the economic rehabilitation of the poor which enables them to set up small businesses. Most rehabilitation grants range from Rs500 for the purchase of a sewing machine or small tools to Rs5000 for a water buffalo [18]. For the recipients' human capital development, *zakat* is disbursed to the social welfare institutions running the programmes as payments for the fees for vocational training provided for the recipients. *Zakat* also provides for educational stipends to the students indirectly through the local educational institutions [19].

Similar distributions can also be seen in Malaysia where the responsible *zakat* institutions distributed *zakat* that is aimed to achieve long-term developmental objectives for the recipients especially to enable the *faqir* and *miskin* earn their own income in the future. This type of long-term aim distribution include scholarships for tertiary education, capital assistance provided to assist

the *fuqara'* and *masakin* who have insufficient earnings to establish a business (start up capital) or to expand an existing enterprise (operational capital), fees for courses that allow them to acquire specific skills, capital to buy tools, machines and vehicles which enable them to conduct businesses and engage in works [20, 21]. These institutions also invest *zakat* to establish support systems like education and training institutes for developing the skills of the poor and business premises and marketing platforms to ensure the viability of their enterprises [22-24].

Studies have shown that the poor and needy will most likely remain poor because of their limited resources and opportunities. They have limited human, physical and financial capital needed to participate in an economic activity that will provide them with sufficient income. Pramanik and Ahmed believe that *zakat* plays an important role as a source of financing needed to boost the limited resources of the poor and the needy. *Zakat* is also considered as a public source of funds that can empower them with opportunities that enable them to break away from poverty. Pramanik and Ahmed argue that for those who have fewer capabilities to compete due to lack of capital as well as skills, the state must provide not only the basic needs but also adequate opportunities for them to participate in the economy. Such aims can be achieved through development projects financed with *zakat* [25, 26].

Apart from the above type of investment, an investment of *zakat* also occurs when the undistributed amount of *zakat* is invested to avoid the gradual erosion of its value as well as ensuring future returns for the fund. The generated income can also provide an extra cushion for any disruption in *zakat* flows [27, 16].

Even though investment of *zakat*, as shown above, can become a viable vehicle for Muslim development, Muslim scholars still regard its implementation with caution. This is due to the fundamentals of distribution of *zakat* as outlined by the classical jurists which imply that investment of *zakat* may make the payment legally vulnerable from the Shariah (Islamic law) point of view.

The legal implication of *zakat* investment are explicated in many works such as the discussions and articles published in *Majallat Majma' al-Fiqh al-Islami* in 1987 [17], "Istithmar Amwal al-Zakah Ru'yah Fiqhiyyah Mu'asirah" by Shubayr [15], "Istithmar Amwal al-Zakah" by Shaqrah [28], *Istithmar Amwal al-Zakah wa Ma fi Hukmiha* by al-Fawzan [14] and *al-Tawjih al-Istithmar li al-Zakah: Dirasah Iqtisadiyyah Fiqhiyyah Tahliliyyah Muqaranah* by Muhammad Farah [16].

The above works listed several reasons which make an investment of *zakat* as a legal risky endeavour that may affect the validity of *zakat* payment. These include delaying the disbursement, exposing the *zakat* fund to risk, denying individual rights to *zakat* and the violation of trust in the administrator whose role is to keep and not to spend. These works also concluded that in overall *zakat* investment is allowed due to the need to use the *zakat* fund more effectively in fulfilling the needs of the poor.

In an attempt to find an additional opportunity to allow investment of *zakat*, this study examines the allocation of *zakat* among the classical jurists in particular to the group and individual recipients of *zakat* in order to seek whether the classical jurists had made reservations for investment of *zakat* when they outlined the mechanics to allocate *zakat*.

Bearing this in mind, the paper is further structured into four sections. First is the discussion on the mechanics of allocation of *zakat* among the classical jurists. This is further divided into allocations among the groups of recipients and the individual recipients. Some comparison with current practices in some Muslim countries is also presented to compare the classical views with the current practices. Next, the paper examines the implications of these principles on the possibility to invest *zakat*. The third section explores the allocation of *zakat* for investment made by the Malaysian State Religious Islamic Councils (SRICs) before continuing with some conclusion.

### **Classical Jurists' View on the Allocation of Zakat**

#### **Allocations of Zakat among the Groups of Recipients:**

In distributing the collected *zakat*, jurists are unanimous that if the *'amilun* are involved in the collection of *zakat*, they should be paid first from the *zakat* revenue before it is disbursed to the rest of the groups of recipients. The allocation for the *'amilun* is prioritized because the payment is actually a compensation for their efforts in collecting and disbursing *zakat* [29]. As for the rest of the recipients, there is no specific order of distribution though in general, the distribution is encouraged to be based on the recipients' level of need.

According to the Shafi'is, the institution authorized to distribute *zakat* must first spend the revenue to pay the remuneration of the *'amilun*'s with the condition that the allocation for them cannot exceed one eighth of the revenue. The balance after the payment to the *'amilun* shall be distributed equally ( $\frac{1}{7}$  x  $\frac{7}{8}$  of *zakat* revenue) among the rest of the groups of recipients, even in cases

where one group's need is more demanding. For any group whose allocation exceeds its members' needs, the surplus must be equally distributed to other groups of recipients. The institution will then have to allocate the amount received by each group to its entire members and according to each member's need [30, 31].

If the amount allocated to the group is not sufficient to fulfil the need of all the members of the group, then each member will be given the same proportion of *zakat* from the total allocated to the group (The proportion is derived by dividing the available amount for a group over the total amount needed by the group). As an example, say that there are 100 *fuyqara*' eligible for *zakat* and the available *zakat* for allocation for *fuyqara*' out of the total *zakat* revenue is RM4,500. Say that twenty of the *fuyqara*' needs RM50 each to fulfil their needs and the rest needs RM100 each, or, in total, they need RM9,000 to alleviate themselves from poverty. From the *zakat* revenue, each of them will receive half of the amount of their need where the first twenty of *fuyqara*' will receive RM25 each and the rest will receive RM50 each [29]. But if the amount of *zakat* allocated to this group is sufficient to cover the need of all the members of the group, then each individual will receive the amount of *zakat* that can cover his need [31].

In a nutshell, the Shafi`is insist on ensuring that all of the groups mentioned in the Quran receive their equal portions of *zakat*. As for the individuals among the group, in the event that *zakat* is abundant, then allocations for each individual may vary according to each need. In cases where the *zakat* revenue is insufficient to fulfil the need of all of the individual recipients in the group, they emphasize not on the equal amount of allocations for each individual but the equal proportions received by each one of them. In the allocation of *zakat*, all recipients of *zakat* will have a right to *zakat* revenue.

In contrast, for the majority of jurists, allocations are basically left to the discretion of the ruler. He may decide to allocate *zakat* to certain groups of recipients only or to favour certain groups above others. Nevertheless, the level of need of the recipients should guide the allocations [32, 33]. Malik, Ahmad ibn Hanbal and the Hanafis hold that a ruler is allowed to spend the entire *zakat* on a group or selected groups of recipients only, if the need arises [32, 34, 35]. Abu `Ubayd states that some jurists insist that allocations for all groups of recipients should only be conducted when *zakat* revenue is in abundance. When it is limited, allocation to a group will be sufficient [36].

Even though the majority of jurists maintain that some groups may receive more than others according to social priorities and most of them accord a very high priority to the poor and the needy for their demanding needs, they still insist that no category that exists should be ignored altogether if they too need *zakat*. Therefore, even according to the opinions most favourable to the poor, the whole amount of *zakat* must not be transferred only to the poor.

A recent example of where a state or its representative favoured one group above the others is the decision made by the Diwan al-*Zakat* of Sudan to provide or reserve 63 percent of its *zakat* revenue to the *fuyqara*' and *masakin* groups, considering the widespread poverty in the country [37, 38]. Similar treatment was undertaken by the General Department of Zakah in Libya [39].

The disagreement between the Shafi`is and the majority of jurists arises from the conflict regarding a verse of the Quran that states in *Surah al-Tawbah*, verse 60, "*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 wayfarer; a duty imposed by Allah. Allah is Knower, Wise.*"

They disagree whether the allocation of *zakat* to the outlined groups of recipients in the verse shall be interpreted literally or according to the implied meaning of the verse. The Shafi`is, who maintain that the allocation of *zakat* should follow the literal meaning of the verse, insist that *zakat* should be equally distributed among the available groups. But the majority of jurists maintain that the description of the recipients as outlined in the verse is meant only as a guide to differentiate between different categories of recipients entitled to receive *zakat*. The verse's main aim is to impart the underlying cause of distribution which is the elimination of wants [32]. Hence the listing of the eight groups does not necessarily mean that each group has a right upon the *zakat*. Only the group of recipients that need *zakat* deserves an allocation of *zakat* [40].

In Malaysia, the SRICs in allocating *zakat* among the groups of recipients are inclined to favour the view of the majority of jurists. A decree by the state of Selangor exemplifies this when it maintains that it is not an obligation of the Majlis Agama Islam Selangor (MAIS) to distribute equally between each group or among the members in each group. The right to determine the amount of distribution for each recipient is at the discretion of the MAIS or his representative [41]. This view is also supported by some Malaysian scholars who maintain that

*zakat* proceeds are not necessarily disbursed equally among the groups but depend on the needs and welfare of the recipients as well as taking into account the differences in their states' economic and social conditions [42, 43].

#### **The Maximum Amount of Zakat to Each of the Recipient:**

Among the classical jurists there are several views regarding the amount of *zakat* that each of the recipients is entitled to. Generally, each recipient's entitlement to *zakat* depends on the level of his need.

For the *fuqara'* and *masakin*, there are three main views regarding the maximum amount of *zakat* that each of them is entitled to or what can be considered as fulfilling their needs. According to the Shafi'i, *zakat* given to each of the *fuqara'* and *masakin* can amount to the level which can fulfil their lifetime need (*kifayat al-'umr*). This is an amount that will ensure that they would no longer be in need of *zakat* in the future. They propose an amount that may cover their future basic needs and may assist their ability to generate the income needed to pay for their future costs of living, such as tools for crafts, capital for trade or land for cultivation [31].

In describing the amount that can fulfil the *kifayat al-'umr*, al-Ramli maintains that *zakat* provided to the needy does not necessarily amount to the total needed for the rest of their life. Some provisions which enable them to earn their future maintenance would be considered sufficient—for example, capital investment whose returns could cover their needs—provided that the ownership of the property is transferred to them and can be bequeathed to their heirs [44]. Al-Nawawi clarifying the amount of *zakat* that can assist the recipient's work, says, "... the amount that should be given to a poor recipient (in assisting his job) is the amount that can provide him with enough profits to fulfil his immediate need". He also says, "Capability of doing some work of labour means that the work is of his standard and not that which is below his status [31]." This shows that a healthy person capable of doing some work must be given enough *zakat* that enables him to work and earn an income of his standard of living. For the poor who was found to possess the capability to excel in entrepreneurship, for example, sufficient capital could be given to start and operate an enterprise.

According to the Malikis and the majority of Hanbalis, the amount paid to the poor recipients should be limited to an amount needed by an individual and his family to fulfil their needs for a year [29, 45, 46]. Al-Qaradawi, a contemporary scholar, commenting on this

issue maintains that a yearly provision should be the beacon of individual allocation because *zakat* is normally paid once a year and each year needs can be replenished by *zakat* of that year. He supports his argument with the practice of the Prophet who kept in store a year's provision for his family [47].

Both of the above views do not put a maximum limit on the amount of *zakat* that can be disbursed to the *fuqara'* and *masakin*. The maximum amount that they are entitled to, whether for their *kifayat al-'umr* or one year sustenance, depends on the prevalent amount that can fulfil their need.

The Hanafis, on the other hand, put up a certain limit of *zakat* that a recipient is entitled to. Abu Hanifah and his followers discourage payment of *zakat* that is equivalent to two hundred dirhams or more to any poor and needy individual recipient. This is the amount of *nisab* which is an indicator that differentiates between a *faqir* or a *miskin* and an affluent person [35, 48].

For the other recipients, their allocations of *zakat*, according to the classical jurists, are basically based on their needs. Both the *riqab* and the *gharimun* are entitled only to an amount that can settle their bondage and debt. Similarly for the *ibn al-sabil*, they are entitled no more than the amount of money that is needed to cover their lacking journey expenses. The only difference would be the *'amilun*, where their entitlement to *zakat* will be enumerated based on the standard pay of similar services received by other workers [49, 33].

Hence, it can be concluded that allocation of *zakat* to the individual recipient among the classical jurists, in general, depends on his level of need as well as the amount of collection of *zakat* that is available to be disbursed. This is in consonance with the purposes of Shariah (*Maqasid al-Shariah*) in obliging the payment of *zakat* which is to ensure that the needs of the recipients are fulfilled especially to assist their financial predicaments. Furthermore, there is no verse of the Quran that specify the exact amount of *zakat* allocation to each recipient. Thus, it opens the opportunity to the jurists to perform *ijtihad* in determining the appropriate amount of allocation.

## **RESULTS AND DISCUSSION**

**Allocation of Zakat For Investment Among The Classical Jurists:** Based on the above views of the classical jurists regarding the allocation of *zakat* to groups of recipients and to each individual recipient, several deductions can be made on the possible allocation of *zakat* for investment.

If the Shafi'is' view regarding the allocation of *zakat* is to be adapted to financing *zakat* investment, there would be three implications. First is that all of the recipients' needs can only be fulfilled when *zakat* is in abundance and can fulfil all the recipients' need. In this situation, allocations for investment can be made alongside allocations to fulfil consumption needs, like for the recipients' basic needs and their functional needs such as the remuneration of administrators of *zakat* (*'amilun*), settlement of debt for debtors (*gharimun*) and assistances given to those in enslavement (*riqab*) and travellers (*ibn al-sabil*).

Secondly, where *zakat* is insufficient to fulfil all of the recipients' needs, the need of the members from the same group cannot be forsaken to provide an amount greater than the allowed proportion to the rest of the members in the same group. This is so because each individual member has a right to receive an equal proportion of the total *zakat* available. Since the fulfilment of an individual need will depend on the amount available for his group and also the cumulative needs of all the members of the group, the higher the amount needed by the group compared to the available amount, the less *zakat* each individual from the group will receive. In other words, the less the amount of *zakat* available compared to the level of need, the higher the tendency that the allocation of *zakat* will be used to fulfil the most demanding need of the recipients. In this situation, allocation made for the *faqir* and  *miskin* will tend to be spent on fulfilling their most demanding needs which are their basic needs. Allocations for investment can be made when more than enough *zakat* is available at least to fulfil the recipients' basic needs.

Thirdly, surpluses of *zakat* from a group or groups whose recipients' needs are fulfilled are not necessarily available for investment since they have to be channelled and divided equally to the other groups with deficit input. Thus surpluses of *zakat* from a group must first be used to cover other groups' needs. Only when all of the recipients' basic and functional needs are fulfilled will the surpluses become available for investment.

While among other classical jurists allocations for investment are highly probable during both times whether *zakat* is in abundance or in deficit to fulfil all the recipients' need. This is because the rulers or their representatives are given the authority to decide the amount of *zakat* to be allocated to the groups of recipients. Given that allocation of *zakat* is based on the recipients' need, allocation for investment is only possible if investment is considered as a type of need that must be fulfilled for the recipients. The only other constraint is the

amount of *zakat* available for distribution. If the amount of *zakat* revenue is sufficient only to fulfil the consumptive and functional needs of the recipients, then it is very unlikely that allocation will be made for investment.

All in all it shows that even though there are views among classical jurists which allow *zakat* investment, the types and scopes of investment are to a certain extent limited. For the majority of classical jurists, even though they provide the state with the authority to pay *zakat* to some selected recipients only, the allocation for investment is only possible if the collected *zakat* is in abundance and can fulfil the consumptive and functional needs of the recipients. Once both of these immediate needs are fulfilled, only then the surplus of *zakat* may be utilized for *zakat* investment purposes.

It is also noteworthy that even though provision for investment is allowed by the Shafi'is and some Hanbalis in the allocation of *zakat* to the *fuqara'* and *masakin* besides from their consumptive needs, it is limited for the acquisition of working tools and assets that can assist the individual recipients to generate their future income. As for the other recipients, allocation of *zakat* for investment is not really necessary since their needs are mostly functional needs which could to be fulfilled immediately by the *zakat* payment.

#### **Allocation of Zakat For Investment At States' Religious Islamic Councils:**

From the above discussion, it is noted that, in allocating *zakat*, the classical jurists based their views on the available amount of *zakat* revenue. In the modern world, however, particularly when the *zakat* institution is centralized, structured and managed as a modern organization, the allocation of *zakat* is normally made well in advance of its revenue. This is because any typical modern organization will define and plan in advance its strategy or direction. One of the key elements in planning the organizational strategy is the allocation of its resources. Estimation of both the amount of expenses in the future and the expected revenue which can be generated and cover the expenses becomes part of the necessary strategic financial planning of the organization [50].

Similar planning occurs in a modern *zakat* institution that manages *zakat*, where allocations of *zakat* no longer awaits the *zakat* revenue but are made well in advance of the real revenue. Through this process known as budgeting - the process by which an organization identifies and plans the financial resources required to achieve its programmatic objectives - [51] the *zakat* institution will plan how the expected *zakat* revenue for a particular period will be allocated and utilized.

In Malaysia, the MAINs are required to prepare their annual budgets comprising their revenues and the expenditures before the end of the year, normally no later than the 31<sup>st</sup> of October. The budgets will then be endorsed by the ruler of the state and gazetted. As such, all of the expenditures for the following year have been planned in advance according to the revenue estimation. According to the states' Islamic law enactments, the actual expenditures later on must also, in general, be made in accordance to this budget [52]. Thus, each year, the SRICs prepare a planned budget for the expenditures of *zakat* based on the historical *zakat* revenue.

In planning the allocations of *zakat* for investment specifically, there are several methods employed by modern *zakat* institutions. Modern *zakat* institutions allocate *zakat* for investment through distribution of *zakat* via the groups of recipients and also through undistributed *zakat* revenue. There are two ways that the allocations for investment via the groups of recipients are made. First is that the allocations are made based on the expected need of each group. In Lembaga *Zakat* Selangor, a *zakat* institution for the state of Selangor in Malaysia, Department of Asnaf Development, the department responsible for the capital assistance scheme provided for the *fuqara'* and *masakin* will forecast the amount that will be disbursed as capital assistance. This amount will be combined with the other proposed budgets by other departments into one main budget. The process starts in June each year and ends in October. The expected allocations for investment, like the above capital assistance scheme, is not fixed to a certain amount but based on the recipients' applications as well as the department's decision [53].

Second, the allocations for investment are made by fixing a specific retention ratio from the total distributed *zakat* to each of the groups of recipients. The Diwan al-Zakat of Sudan allocated on average 60% to the *fuqara'* and *masakin*. It allocated 40% of this portion specifically to assist them to earn their own living and the rest was spent for food, healthcare, shelter, etc. [37].

Modern *zakat* institutions also fund *zakat* investment from undistributed *zakat* revenue. The allocations can either be made from the available excess of *zakat* revenue or from a purposely retained amount allocated specifically for investment. In Pakistan, not all of the *zakat* revenue is distributed by the Central *Zakat* Fund. Some portion of the *zakat* proceeds is retained for investment in non-interest basis investment vehicles [18].

There are also other methods of allocations suggested by Muslim scholars. Muhammad Farah suggests that allocations for investment should be specifically made in the *zakat* institution's budget. The suggestion is that a certain percentage of *zakat* revenue will be specifically allocated to fulfil the investment need of the recipients, besides from the typical allocations for their consumptive and functional purposes. He, however, cautions that this method of financing will sometimes affect the recipients and is better used as a supplementary method of financing especially during which the recipients need is not very demanding [16]. The idea was shared by Pramanik [24]. A good example is the retaining of 20% of *zakat* revenue to invest in real properties which will earn rents for the *zakat* fund and only the rest of the revenue will be distributed to the recipients. This type of allocation, according to Muhammad Farah, is best made when the revenue is expected to exceed the amount needed to fulfil the recipients' needs. The reason for this requirement as described by Muhammad Farah is that the recipients' rights may be affected when such allocation is made without the presence of an excess [16]. This is because some recipients' basic needs will have to be forsaken to allocate *zakat* for investment activities.

According to Abdul Jalil Hassan, a specific allocation for investment can be made by retaining a specific portion of *zakat* revenue from distribution. He suggests holding the allocations made for specific groups of recipients like for the groups of *gharimun*, *riqab*, *mu'allafat qulubuhum*, *ibn al-sabil* and *fi sabil li Allah*. The retained amount can be invested and only the benefits of the investment will be later disbursed to them [54].

## CONCLUSION

The main issue in allocating *zakat* for investment is the availability of the *zakat* fund and the types of needs that should be prioritized whether between the groups of recipients and also among the individual recipients. In cases where the *zakat* is in abundance, allocations for *zakat* investment will not be a problem for surpluses of *zakat* can be mobilized for investment purposes. But in the situation where *zakat* revenue is not enough for every recipient, the types of need which should precede one to another become a concern.

From the above discussion regarding the allocations of *zakat* among the classical jurists, it may be concluded that the allocations are basically left to the ruler or its

representatives and in this case the *zakat* institutions or managers, to decide. Nevertheless, the rule of thumb should always be which type of need is more demanding at the time of decision, whether for consumptive, functional or investment purposes and which group should precede another. A similar principle is also applicable in planning the allocations for individual recipients where provision for investment for the individual recipients should not be fixed but varied based on each individual's level and type of need in each period.

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