

## Zakat as an Effective Strategy for Poverty Alleviation in Zanzibar

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### ABSTRACT

*It is well known that the basic objective of paying Zakat is to create a balance in society and never let the poor and needy suffer or die. In simplicity, the wealth is transferred from the hands of the rich to the poor to stabilize society's economic condition. It ensures that each person is benefitted from the wealth. The main purpose of this paper is to see how Zakat is used as an Islamic instrument for poverty alleviation in Zanzibar. A quantitative approach was used in this study, where a sample size of 287 heads of households was used. A survey questionnaire was used as a data collection instrument. Structural Equation Modeling (SEM), based on maximum likelihood estimation, and relevant analyses were used to analyze the collected data from relevant respondents to achieve a credible study. The results indicate that people have access to and use Zakat funds. However, there is no impact on their quality of life due to several challenges, such as low distribution and poor management of the Zakat fund. These findings imply that if the head of households voluntarily excluded themselves from the Zakat fund, such decisions would affect their business. The business would lack the needed capital to grow but would not impact poverty life. Therefore, the study has offered several recommendations concerning the means and practices of poverty alleviation in Zanzibar via the Zakat fund.*

Keywords: *Zakat Fund, Accessibility, Poverty Alleviation*

### INTRODUCTION

Zakat, as one of the Five Pillars of Islam, is a religious obligation for all Muslims who meet the necessary wealth criteria. It is not a charitable contribution and is compulsory for those who meet the requirement for the payment. The payment and disputes on Zakat have played a major role in the history of Islam. Today, in most Muslim-majority countries, Zakat contributions are voluntary, while in a handful (Libya, Malaysia, Pakistan, Saudi Arabia, Sudan, and Yemen), Zakat is mandated and collected by the state.

The history of Zakat coincides with the entry of Islam into Zanzibar. Muslims in Zanzibar have been giving and receiving alms in the past, although extensive research on this issue is pending. It is said that clerics often were in charge of these activities to

collect Zakat and distribute it to the characters. To bring efficiency in the operations of Zakat, the former President of Zanzibar and Chairman of the Revolutionary Council AL hajj Aboud Jumbe Mwinyi created the Zakat and Sadaqa Committee of Zanzibar at the end of 1970s. This committee was under Chief Kadhi, and his secretary was the late Sheikh Muarab Khalfan, who also included scholars, businessmen and academics. The committee has done a lot, but the sustainability of the Zakat procedure could not be effective. Act No 5 of 1980, Waqf and Trust Commission (WTC), were established and set one of the responsibilities of this office is to manage the activities of Zakat. Many efforts were made to maintain Zakat's good management, including establishing Baitul-Maal. In addition, few people were using WTC to pay

Zakat, and most of them distributed themselves by using scholars and jurists who believed or did not give at all. Also, the distribution of Zakat through the Commission was not well understood and not relies on Sharia law. However, it was distributed as a charity, even though the group fed the granting of Zakat was given priority.

According to Act No. 2 of 2007, the Waqf and Trust Commission reviewed, and the issue of Zakat is given more importance. Part VI of the law, sections 60 and 61, have declared that the Commission must supervise the activities of Zakat. The Commission is required to ensure the following.

- Society as a whole has proper and adequate knowledge related to all aspects of Zakat
- Someone who is able and wants to implement the obligation of Zakat is assisted in fulfilling its obligations as per Sharia
- Zakat properties are managed well and used based on Sharia and religious traditions existing; and
- Financial statements of Zakat are presented to the community showing collections and uses.

The institution of Zakah plays a crucial role in alleviating poverty in society if administered properly and professionally. In 2012, Islamic financial analysts estimated that annual Zakat spending exceeded US\$200 billion annually, estimated at 15 times global humanitarian aid contributions. Islamic scholars and development workers state that much of this Zakat practice is mismanaged, wasted or ineffective. About a quarter of the Muslim world continues to live on \$1.25 a day or less, according to the 2012 report. According to Shirazi (2014), widespread poverty persists in the Islamic world despite yearly Zakat collections. Over 70% of the Muslim population in most

Muslim countries is impoverished and lives on less than US\$2 per day. Shiraz states that in over 10 Muslim-majority countries, over 50% of the population lived on less than \$1.25 per day income. In Indonesia – the world's most populous and predominantly Muslim country – 50% of Muslims live on less than \$2 per day. This suggests large-scale waste and mismanagement by those who collect and spend Zakat funds. Given the widespread poverty among Muslim-majority countries, the impact of Zakat in practice, despite the theoretical intent and its use for centuries, has been questioned by scholars. Zakat has failed to relieve large-scale absolute poverty among Muslims in most Muslim countries.

Positive, preventive and corrective measures have been suggested to alleviate poverty through Zakat institutions. Alpay et al. (2015) and Sadeq (2002) reveal that society can take such positive measures related to income growth and fair and just income distribution for the interest of all as one dimension towards poverty alleviation. Similarly, there is a need for preventive measures focusing on prohibiting practices leading to income concentration and deprivation (Sadeq, 1997). Another dimension captures corrective measures with compulsory transfer payments through Zakat and recommended transfers through charity (Sadeq, 1997).

Zanzibar has taken various measures to address ignorance, disease and poverty as the main development challenges. The revolution Government of Zanzibar believes that the institution of Zakat can support the government's endeavor to reduce poverty in Zanzibar's economy. However, it cannot take over the responsibilities and tasks which are supposed to be done by the government. This means there is a lack of studies concerning poverty alleviation in Zanzibar through Zakat institutions. There is a need to carry out research that can

contribute to an expansion of knowledge that explains the essence of the payment of Zakat in the efforts to alleviate poverty; hence, this study intends to fill the gap.

Based on the abovementioned situation, this conceptual paper will examine the role of Zakat in alleviating poverty in Zanzibar. It examines the impact of accessibility and uses of Zakat funds on reducing poverty in Zanzibar. Additionally, Zakat institution's effectiveness in improving social services was determined. Apart from the introduction, the paper will address a literature review on the related terms. Besides, it has the methodology section and expected contribution; the last part is the conclusion.

## LITERATURE REVIEW

### *Zakat: Meaning, Definition and Significance*

Zakat is a certain fixed proportion of the wealth and of every kind of property liable to Zakat of a Muslim to be paid yearly for the benefit of the poor in the Muslim community. The payment of Zakat is obligatory as it is one of the five pillars of Islam. Zakat is the major economic means for establishing social justice and leading Muslim society to prosperity and security. (Sahih Al-Bukhari, Vol. 2, Book of Zakât (24). If Muslims paid Zakat properly regarding Islamic shari'ah, hardcore poverty could be removed. The individual must own a specific amount of wealth or savings (after living costs, expenses etc.). This is called Nisab and the threshold at which Zakat becomes payable. The amount of Zakat to be paid is 2.5% of Nisab. Allah (SWT) encouraged the believer in Islam;

*“The Believers, men and women, are protectors one of another: they enjoin what is just and forbid what is evil: they observe regular prayers, pay their Zakat and obey Allah and His Messenger. On them will*

*Allah pour His Mercy: for Allah is exalted in power, Wise?”* (Al-Taubah 9:71)

The consideration is that Zakat is not for everyone; specific people in the community are supposed to receive Zakat. The Qur'an is clear about who may receive Zakat, and there are eight groups of people on whom Zakat should be spent, as mentioned in the Quran

*"The alms are only for the Fuqara' (the poor), and Al-Masakin (the needy) and those employed to collect (the funds); and to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and for Allah's Cause, and for the wayfarer (a traveler who is cut off from everything); a duty imposed by Allah. And Allah is All-Knower, All-Wise."* [Al-Quran 9:60]

According to Hoque et al. (2015) said that Zakah has a significant bearing on the conditions of Zakah recipients and lays the foundation for developing small business entrepreneurship by mobilizing Zakah as seed money (investment) and not as spent money (consumption). Zakat institutions can be used as one of the strategies for the reduction of poverty in a community, and the most important is that the department members who collect and disburse Zakat must have qualified knowledge of Islamic shari'ah to ensure that they are spending Zakat funds in a reputable manner. For example, in 2012, Islamic Relief used Zakat funds to feed schoolchildren in Gaza, equip health clinics in conflict-torn Libya, build water systems in mountainous China and give Pakistani families livestock and farming kits to revive their farms and feed their families.

In the time of leader 'Umar ibn 'Abdul 'Aziz, it is said that the Zakat distributors traveled far and wide but could not find anybody poor enough in the region to receive the Zakat. This shows the true power of Zakat: if everyone paid and the

funds were used wisely to change the root causes of poverty, global hunger and destitution could be ended.

Dutsinma & Dansabo (2017) discuss Islamic strategies for poverty alleviation in Nigeria in their paper. The poverty situation in Nigeria seems that people live on less than 1\$ a day and rank among the 25 poorest nations in the world, below Kenya, Ghana and Zambia. Conventionally, several strategies have been used to alleviate poverty, but poverty has continued to pose formidable threats to the welfare of Nigerians and the country's sustainable development. The paper has suggested an alternative means of poverty alleviation in Nigeria: Islamic strategies, including waqf, Zakat and Islamic microfinance. Previously, Onisabi (2011) from his paper suggested that the governments of various countries of West Africa should endeavor to integrate Zakah and Waqf into their poverty alleviation programs by borrowing a leaf from several countries in Africa and Asia that have integrated these Islamic institutions into their poverty alleviation programs. They have started to reap the positive result from the policy. The goal here is to check who has grown up as a progressive in using Zakat as one way to reduce poverty.

At the same level, Olanipekun et al. (2015) conclude that the institutionalization of Zakat as an alternative strategy would provide the foundations for sustainable development and good life (*hayat tayibah*) since Zakat is seen as a right of the poor and a debt upon the rich in Islam. Both are aware of who pays and who receives.

The most important thing to consider is that if a Zakat manager wants to succeed in operating a Zakat fund, do not try to go against Islamic Sharia. Adebayo (2011) strongly recommends that the government of Nigeria could borrow a leaf from the institution of Zakat as enshrined in the

Qur'an and Sunnah of the Prophet and practiced by the companions. This ranges from the issues of Nisab, the percentage to be deducted, its distributions and the mode of collection. The effectiveness of the Zakat institution depends on how the collector and distributor use Islamic shari'ah. The company could be destabilized regardless of the terms of distributing alms to know which one is granting tithes. By referring to the study of Nadzri et al. (2012) said that, In Malaysia, Majlis Agama Islam Negeri and Zakat Institutions have existed since 1915. There are still many issues hindering the potential of Zakat in combating poverty. However, there are limited resources in ZI. Hence, the paper suggests that ZI must collaborate with other agencies, such as government agencies, NGOs, microfinance institutions, business corporations, and tertiary institutions, to improve their efficiency further. Measuring the effectiveness of Zakat is very important. Dogarawa (2009) from his paper posits that Zakah serves as a unique mechanism of compulsory income and wealth transfers from the haves to the have-nots in the community. Through Zakah, every individual is assured of minimum means of livelihood, which provides a social security system in an Islamic society.

#### *Zakat: Society Development*

Zakat is a means of social solidarity in Islamic societies. It is considered a strong tributary of the economy and a great assistance to the needy and economically incapacitated categories, thus strengthening their ability to work and produce. If Zakat institutions are managed well, they will bring development to society. The study of Ibrahim (2015) concludes that the Zakat should be institutionalized and properly managed by the Islamic states and various Muslim communities. The use of charity organizations will be helpful in places where

there is no Islamic state. In a place like Zanzibar, where 99% of the population are Muslims, Zakat institutions can create a righteous setting to eliminate various social problems by establishing a harmonious atmosphere for the rich and the poor. This system guarantees that every individual can get the basic needs of life. However, the basic difference between Zakat and other charities is that it stands obligatory along with other voluntary sadaqat. Zakat enables the poor segment of society to participate in economic activities and makes them a useful part of society. Consequently, they feel their importance as a part of the society. Through Zakat, the poor segment of society participates in economic and social activities with full responsibilities.

The IDB has been innovative and successful in utilizing the institutions of Zakat, Awqaf and Sadaqa to alleviate poverty, but their potential has not been fully tapped. The Islamic State's responsible for collecting Zakat and distributing it through the mentioned eight distribution channels. As stated in the Qur-an, Allah (SWT) said that;

*“Alms are for the poor and the needy, and those employed to administer the (funds); for those whose hearts have been (recently) reconciled (to Truth); for those in bondage and in debt; in the cause of Allah. And for the wayfarer: (thus is it) ordained by Allah, and Allah is full of knowledge and wisdom (Al-Taubah: 60)”*.

By doing that in Islamic states or Muslim-majority countries, the problem of poverty will be reduced, and the gap between social classes will be minimized. In their study, Abdullah & Suhaib (2011) came up with the idea that it is very clear. He proved that the System of Zakat plays an effective and successful role in developing Muslim society's social life and moral values. It must be clear that Zakat is a portion of a charity system of Islam;

otherwise, there is a good range of ‘Sadaqa’, i.e., those alms which are not.

#### *Zakat: Poverty Alleviation*

Zakat is an old institution established by the Prophet Muhammad (Sallallahu A’alaihi Wasallam) as the third “Pillar of Islam. Today it can be an effective tool for alleviating poverty in Muslim communities and Muslim-majority countries. Humanity's most widespread and dangerous problems are poverty, hunger and starvation, whereas Islam provides solutions to all humanity's problems. The institutionalization of Zakat as an alternative strategy would provide the foundations for sustainable development and good life (Hayat tayibah) since Zakat is seen as a right of the poor and a debt upon the rich in Islam (Olanipekun et al., 2015). However, Zakat can help small business entrepreneurs promote and develop their businesses. The study of Hoque et al. (2015) indicates that Zakah has a significant bearing on the conditions of Zakah recipients and lays the foundation for developing small business entrepreneurship by mobilizing Zakah as seed money (investment) and not as spent money (consumption).

The obligatory Zakat imposed by Islam can easily solve the problems of poverty and starvation in society. Kasri (2014) suggests that the Zakah institution has contributed positively to reducing the hardship of the recipients, whose poverty is likely to be related to large household size, lack of assets and certain characteristics of heads of households. Specifically, the incidence, depth and severity of poverty amongst the households have decreased due to the contributions from Zakah organizations. Through Zakah, every individual is assured of minimum means of livelihood, which provides a social security system in an Islamic society. The study of Nadzri et al. (2012) concludes that, due to the limited resources in Zakat Institution,

there is a need to collaborate with other agencies such as government agencies, NGOs, microfinance institutions, business corporations, and tertiary institutions to improve their efficiency further. By collaborating with these agencies, it is expected that the issues of inefficiency, resource limitation, understaffing, and lack of expertise in ZI will be addressed and reduced.

If Zakat is not collected and distributed properly, it cannot act as a tool for poverty alleviation in a particular place. In some areas, even for most Muslims, the outcome of Zakat cannot be seen because of improper management of Zakat collection. According to Isiaka (2015), Zakah and its institution are not significantly related to and effective in reducing poverty among the poor Muslims in Kwara State, Nigeria. This is because no basis or yardstick is used to distribute Zakah. In this respect, Zakah money by a private individual or any Imam is inappropriately distributed to the recipients. At the of the study, the author recommends introducing the standard institution of Zakah in the state to assist in poverty reduction among poor Muslims. Hassan & Khan (2007) studied Zakat and external debt as a poverty reduction strategy in Bangladesh. Some of the findings of this study revealed that neither government nor the International Monetary Fund/World Bank sees the need to include Zakat as a poverty-alleviating instrument.

It is evident that the Zakat institution is well known in Islamic-majority countries and is very effective. There are many studies concerning the effect of Zakat around the world. However, a study is needed in

Zanzibar to address the roles of Zakat in poverty alleviation in Zanzibar.

### *Conceptual Framework*

Figure 1 below is used to present the diagrammatic representation of the logical paths of this study. The interconnections among the various latent variables are shown with the single-head arrows. Only one dependent variable, Poverty Alleviation, and two independent variables, Access and Use.

The access represents people's likelihood of access to Zakat funds based on cost, eligibility, or awareness. This variable has been mentioned by Park & Mercado (2015) explain that people sometimes are involuntarily excluded from participating in financial inclusion opportunities due to the cost involved. Also, eligibility to receive Zakat is connected to the Islamic religion. Some specific people are eligible to receive Zakat. For example, a household head may need money for his/her business, but people consider him/her not fukarah/poor (a key criterion). Similarly, lack of awareness is the main reason people are excluded (no access) from receiving Zakat (Clamara et al., 2014). The implication of being included in receiving Zakat funds can lead to poverty reduction and vice versa.

Regarding use is the situation where peoples already have access and then need to use the fund. Adeyemi et al. (2012) state that people voluntarily exclude themselves from Zakat funds based on location, debt phobia, and cultural capital. Nevertheless, if the Zakat fund is properly used, it can be one of the strategies for poverty alleviation in Zanzibar.

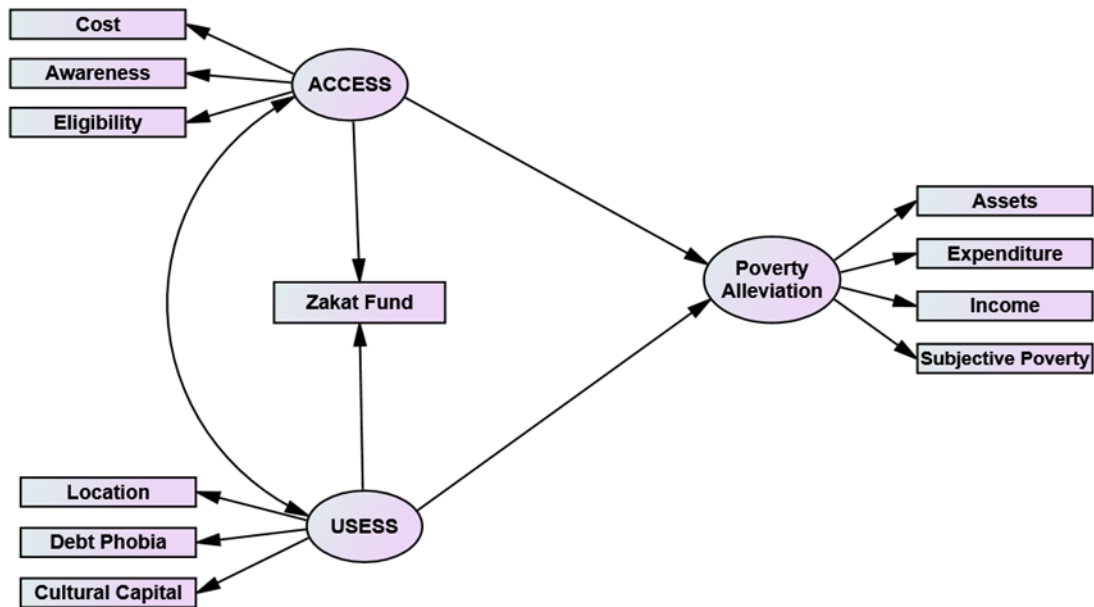


Figure 1. Conceptual Framework

*Hypotheses Development*

According to the conceptual framework above, this study is directed by the following hypotheses stated in the null.

- There is no significant relationship between accessibility to Zakat funds and poverty alleviation in Zanzibar
- There is no significant relationship between the uses of the Zakat fund and poverty alleviation in Zanzibar.

**METHODOLOGY**

The main idea of this research was to see how Zakat can be used as an effective strategy for poverty alleviation in Zanzibar. So the methods used to complete this paper are explained in this section. In terms of design, a quantitative research design was used in this study in order to explore a phenomenon and explain and interpret the data widely and easily. The rationale for choosing this research design was to enable

the researcher to solve the issue at hand and to show the impact of the Zakat instrument on poverty alleviation in Zanzibar

The target population was the head of household in Zanzibar. The reason for selecting the head of households is because there is usually only one person assuming the role of head in a household who takes key decisions relating to residency requirements, economic, production, food consumption, inheritance, child rearing, and a combination of income or production decision (Beaman & Dillon, 2012)

The exogenous variables of this paper are access and use of Zakat funds, and the endogenous variable is poverty alleviation. If the people have access to and uses of Zakat fund, it will help them to have capital and establish a business, and finally, their income will improve, and poverty can be reduced in the country.

Two hundred respondents were involved in providing information about

the study investigation using a stratified random sampling technique. Primary data was collected using a questionnaire survey from the targeted respondents to know the reality of what is happening to them at a point in time is preferred. The questionnaire is developed based on a Likert scale (from 1 to 7) because it includes questions that require the respondents to indicate how much or to what extent they agree or disagree with the given statement on each construct

Structural Equation Modeling (SEM), which refers to a diverse set of mathematical models, computer algorithms, and statistical methods that fit networks of constructs to data, was used. SEM includes confirmatory factor analysis and the full-fledged structural model. The data were analyzed with a statistical package of social sciences (SPSS) software version 23 and AMOS v23.

## RESULT

### *Demographic of the Respondents*

In social sciences research, the personnel characteristics of respondents have a very significant role in expressing and responding to the problem. For the sake of this study, the following demographic, such as age, gender, education, marital status, occupation and income of the 287 respondents, have been examined and presented below.

Table 1 Demographic of the Respondents

Variable	Category	Percentage (%)
Gender	Male	47.5
	Female	52.5
Age	18-29	14.5
	30-39	29
	40-49	31
	50 and above	25.5

Marital Status	Married	75.6
	Single	12.5
	Divorced	12.5
Occupation	Self-employed	34
	Public sector	27
	Private sector	14
	Others	25
Income	100,000-250,000 (Tshs)	69
	260,000-550,000 (Tshs)	26
	560,000 and above	5

Table 1 above summarises the demographic information about the respondents. Remarkably, the number of female household heads is quite higher compared to male heads of household. This is because the population of women in Zanzibar who represent their family as a head is also high due to either death of their husband or polygamy. Through the age of the respondents, the age level of 30-39 and 40-49 represent 54.7 percent. At these ages, levels indicate that most heads of household are economically active labor force and can manage the Zakat fund well after receiving it and taking care of their family. Although more than half of the total respondents (75.6 percent) were married, this implied that this study considers the aspect of adults in social science research. Through the occupation aspect, many heads of household were self-employed, representing 34 percent of the total respondents. Followed by the respondents who were engaged in government and private sectors were 27 percent and 14 percent, respectively. The remaining household heads who were not working or not employed represented 25 percent of the total respondents. This result implies that 59 percent of the total respondent, which is more than half, comprised self-employed others who needed to receive the Zakat fund. This is supported

by the official information that the unemployment rate in Zanzibar is 34 percent, with a much higher real unemployment rate and joblessness estimated at 85 percent. Lastly, only 5 percent of the total respondents show that they at least can service with their income level. The remaining 95 percent of the total respondents suffered from what they earned. This result shows the household heads are in a critical condition regarding income gained.

*Structural Equation Modeling (SEM)*

SEM is a multivariate statistical analysis technique to analyze the structural

relationship between measured variables and latent constructs. Unlike other multivariate techniques that ignore measurement error by not modeling it explicitly, SEM offers additional advantages in this context. For the sake of this study, the researchers first examine the model's fitness and then identify the relationship between the variables. The fitness of the model was assessed by considering some of the statistics, such as the Comparative fit index (CFI), Tucker Lewis index (TLI: also known as non-normed fit index), and the standardized root mean residual value (SRMR) as previously mentioned.

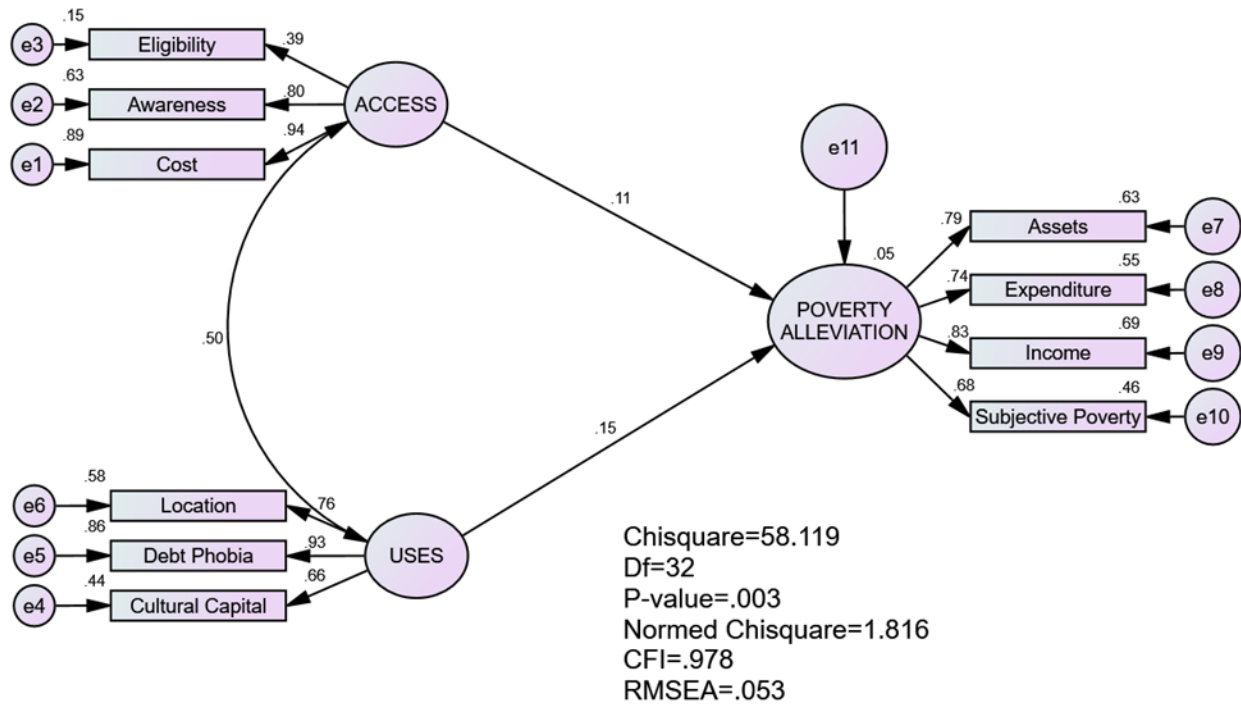


Figure 2 The Standardized Estimate for Structural Equation Modeling

*Fitness of the Model*

The goodness-of-fit test statistics are displayed below. Note that the Chi-square test statistic is significant at 0.05, suggesting

that the model fitting is unacceptable. However, this should not be used to drop or reject a model because the chi-square is too sensitive to sample size. As a result, it is not recommended to rely on chi-square only

when the sample size is larger than 200. Therefore, other indices recommended for this decision are the Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Adjusted Goodness of Fit

Index (AGFI), and Comparative Fit Index (CFI). Table 2 below shows the result of these measurement indices for the goodness of fit test.

Table 2 Tabular Presentation of Measurement Model Criteria Compared to Model Output

<b>Fir Indices</b>	<b>Recommended range</b>	<b>The Model Output</b>	<b>Status</b>
RMR	RMR<0.10	0.059	Accepted/Fit
GFI	0 < GFI= 1	0.963	Accepted/Fit
TLI	TLI >.90	0.969	Accepted/Fit
CFI	CFI >.90	0.978	Accepted/Fit
PCFI	PCFI >.50	0.695	Accepted/Fit
RMSEA	RMSEA ≤ 0.08	0.053	Accepted/Fit

Apart from the Chi-square index, the results of other fit indices support the proposed model. The RMR value is .059, which is less than a significant level of 0.10; the GFI value is 0.963, which is also greater than 0.90, confirming that the model has a good fit. Furthermore, the baseline fit indices exceed the 0.90 cut-off point specified in most SEM studies. The CFI = 0.978 and TLI = 0.969 indicate a good structural model fit in this case. The RMSEA value of 0.053 is also less than the cut-off points of 0.08. Therefore, the structural model is well-fitted.

### Structural Testing Relationships

In this stage, the objectives/ hypotheses of this study were tested. A total of two hypotheses included in this study are:

- H0 1: There is no significant relationship between accessibility to Zakat funds and poverty alleviation in Zanzibar
- H1 1: There is a significant relationship between accessibility to Zakat fund and poverty alleviation in Zanzibar.
- H0 2: There is no significant relationship between the uses of the Zakat fund and poverty alleviation in Zanzibar.
- H1 2: There is a significant relationship between the uses of the Zakat fund and poverty alleviation in Zanzibar

The following table below shows the result of these two hypotheses.

Table 3 Regression Weights: (Group number 1 - Default model)

			<b>Estimate</b>	<b>SE.</b>	<b>CR.</b>	<b>P</b>	<b>Label</b>
POVERTY_ ALLEVIATION	<---	ACCESS	.119	.083	1.441	.150	par_9
POVERTY_ ALLEVIATION	<---	USES	.204	.112	1.829	.067	par_10
Cost	<---	ACCESS	1.000				
Awareness	<---	ACCESS	.878	.076	11.564	***	par_1

Eligibility	<---	ACCESS	.504	.081	6.250	***	par_2
Cultural	<---	USES	1.000				
Debt_Phobia	<---	USES	1.184	.103	11.494	***	par_3
Location	<---	USES	1.031	.093	11.139	***	par_4
Assets	<---	POVERTY_ALLEVIATION	1.000				
Expenditure	<---	POVERTY_ALLEVIATION	.963	.078	12.422	***	par_5
Income	<---	POVERTY_ALLEVIATION	.985	.072	13.763	***	par_6
Subject	<---	POVERTY_ALLEVIATION	.866	.077	11.264	***	par_7

Table 3 above shows that the first hypothesis, there is no significant relationship between accessibility to Zakat funds and poverty alleviation in Zanzibar. This is because the p-value of 0.150 is greater than the significance level of 0.05. Therefore, the researcher fails to reject the null hypothesis. This means that if the head households have access to Zakat funds, they will still not affect their economic life standard, leading to running away from poverty.

For the second hypothesis, the p-value is also greater than the significant level of 0.05 and as such, the researcher fails to reject the null hypothesis. This implies that no significant relationship exists between the uses of the Zakat fund and poverty alleviation in Zanzibar. This indicates that the people get Zakat funds but still suffer from poverty between the uses of Zakat funds and poverty alleviation in Zanzibar.

In reality, people need money to engage in economic activities or business but not just for eating. That is why it will affect their business and asset if they have

access to and uses of Zakat fund. Theoretically, in order for micro-entrepreneurs to grow, it is envisaged that they need to have capital derived from debts or equity (Jacobson, 2017). So, if the head of households voluntarily excluded themselves from the Zakat fund, such decisions would affect their business. The business would lack the needed capital to grow but would not impact poverty life.

*Poverty Alleviation*

Based on structural equation modeling, all indicators used to measure poverty have high loadings. For example, the factor loadings for income, assets, expenditure and subjective were 0.833, 0.794, 0.740 and 0.676, respectively (see table 4 below). The factor loading for income is relatively higher compared to others. This shows that the income indicator is more sensitive to persistent poverty (Adewale, 2014). In addition, the result of this study shows that all indicators are statistically significant at  $p < 0.05$ .

Table 4. Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
Poverty_Alleviation	<---	USESS	.145
Poverty_Alleviation	<---	ACCESS	.113
Eligibility	<---	ACCESS	.388
Awareness	<---	ACCESS	.795
Cost	<---	ACCESS	.945
Cultural	<---	USESS	.663
Debt_Phobia	<---	USESS	.930

			<b>Estimate</b>
Location	<---	USESS	.760
Assets	<---	Poverty_Alleviation	.794
Expenditure	<---	Poverty_Alleviation	.740
Income	<---	Poverty_Alleviation	.833
Subject	<---	Poverty_Alleviation	.676

## CONCLUSION

Since the main concern of this paper was to examine how the access and uses of the Zakat fund can help to alleviate poverty in Zanzibar, the study has reached the following conclusion. The hypotheses of this study are greater than 0.05, making the researcher fail to reject the null hypothesis for all of them. It is concluded that both access to and uses of Zakat funds impede the financial inclusion of the poor in Zanzibar. This is due to a combined effect of a lack of awareness about Zakat on the one hand and the cost assigned to it on the other hand. However, this study concludes that the use of Zakat funds has great implications for business operations but not for the direct poverty alleviation.

### *Recommendation*

Almost 100 percent of the Zanzibar population are Muslims, but Zakat fund collections and distribution are ineffective. The problem of lack of access and misuse of the Zakat fund can be solved if the methods of collection and distribution of Zakat are clearer and more transparent. It is recommended in this study that the Zanzibar government, through Waqf and Trust Commission Zanzibar (WTCZ), should review Zakat collection and distribution methods to be more convenient and favorable. When this happens, many households would be able to participate, and collections would be optimized; as such, there would be increased access to finance and probably raise the economic welfare of people

experiencing poverty through effective disbursement.

### *Effective Zakat Model for Poverty Alleviation in Zanzibar*

WTCZ permits more than four agents to collect Zakat and Sadaqah on its behalf. However, unfortunately, after the collection, they distribute the amount to the needy/poor without informing the main body (WTC) how such collections are distributed. To this extent, it is recommended here that WTCZ should have a good strategy that would enable all these agents to report the amount of Zakat collected to the main office for further processing. To support this argument, the study of Johari, Ab. Aziz and Mohd Ali (2014) state that a clearer form of Zakat collection and distribution provides a valuable tool to modern Islamic countries for poverty alleviation.

More importantly, WTCZ distributes Zakat funds to individuals and groups who can either be in Savings and Credit Cooperative Societies (SACCOS) or Small and Medium Enterprises (SMEs). The amount distributed to them must be fair enough for the beneficiary to create economic activities rather than distributing a small amount of money at a time. It is well understood that the purpose of Zakat is to help people experiencing poverty not to become poorer; therefore, the distribution should be done so that the people in need today should not be in need next time. The following figure below represents the recommended model to be

used by Waqf and Trust Commission Zanzibar to comply with Zakat's aim in

Islam.

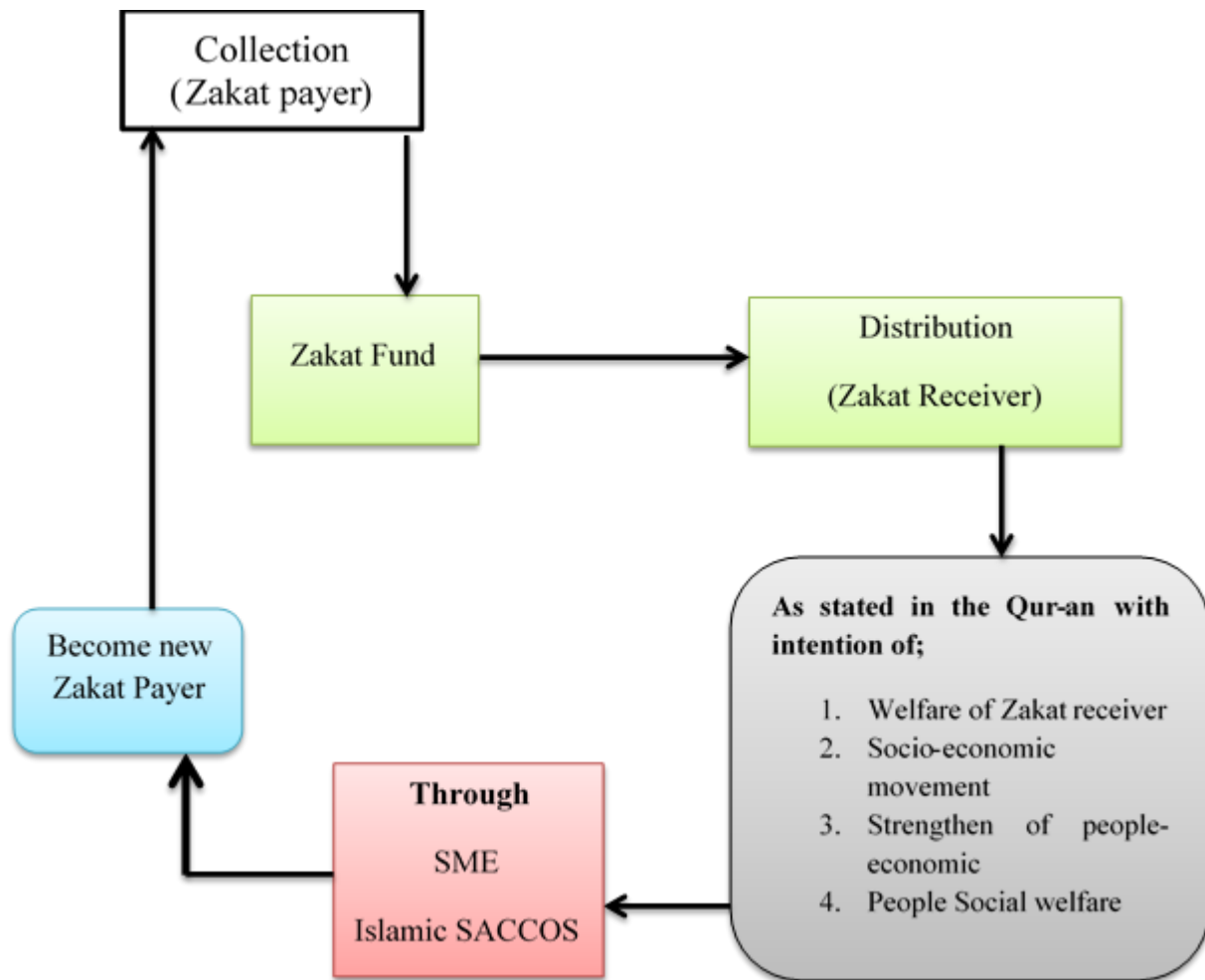


Figure 3. The proposed model for effective Zakat collection and distribution for poverty alleviation was adopted by Dajani & Mohamed (2017) and modified by the Authors.

The main purpose of the model is to make sure that the economic well-being of the beneficiaries is improved and encourage financial inclusion of the lower income level so that they can establish or expand new or existing business.

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