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Abstract

Social entrepreneurship is an emerging area of research that examines businesses that are significantly influenced by entrepreneur's or society's social motives instead of being purely economically driven. As business values are in general moving towards greater attention to social concerns, this area of research has been identified as needing further studies. Social entrepreneurial applications in the Islamic context in this regard is least explored. In light of this, present study explores social entrepreneurship in the context of Islamic philanthropy whose value is estimated even as USD 1 trillion in annual funds amongst the 20 per cent Muslims globally. Such a magnitude of *Islamic Philanthropy* and wealth of investments are likely to have profound influences on various entrepreneurial and innovation domains. Therefore, Islamic philanthropy provides a study context that can be expected to be especially revealing in terms of the features of social entrepreneurship and provides a basis for examining also national innovation policy drivers. This study, therefore, explores how social entrepreneurship permeates within Islamic philanthropic context. The study primarily focuses on the concept of Zakat and aims to holistically analyse its influence on social entrepreneurship in the Islamic and in the Gulf Cooperative Council Context, in particular. The study aims to contribute both to our understanding of social entrepreneurship, in general, and its determinants and drivers in the Islamic contexts, in particular.

Keywords: Social Entrepreneurship, Islamic Philanthropy, Zakat, Policy making, GCC, UAE, Abu Dhabi

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1. INTRODUCTION

Social entrepreneurship is an emerging area of research that examines businesses that are significantly influenced by entrepreneur's or society's social motives instead of being purely economically driven. As business values are in general moving towards greater attention to social concerns, this area of research has been identified as needing further studies. Social entrepreneurial applications in the Islamic context in this regard is least explored. In light of this, present study explores social entrepreneurship in the context of Islamic philanthropy whose value is estimated even as USD 1 trillion in annual funds amongst the 20 per cent Muslims globally. In particular, the present study examines traditional Islamic tool of poverty alleviation called Zakat and its links and policy implications to entrepreneurship, innovation within the Gulf Cooperative Council (GCC) context. Islamic view of poverty alleviation is based on Islamic social justice system where poverty is defined as 'a state whereby an individual fails to fulfil any of the five basic human requirements of life: i) religion; ii) physical self; iii) intellect or knowledge; iv) offspring; and v) wealth' (Hassan 2010).

It is stated that no reliable statistics exist for the magnitude of philanthropic giving in Muslim communities and the practice of philanthropy and accompanying institutional arrangements being vastly different in each context (Alam 2005). However Alam estimates the total Islamic philanthropy to be between USD \$250 billion and \$1 trillion. Charity Commission which collects annual returns for the UK's 1,332 registered Muslim charities statistics report: 2006 total income of UKP 214.7 million and respective expenses of UKP176.6 million; and 2006 income of UKP 203.6 million and respective expenses of UKP 159.8 million.

Islamic philanthropy provides a study context that can be expected to be especially revealing in terms of the features of social entrepreneurship and provides a basis for examining also national innovation policy drivers. This study, therefore, explores how social entrepreneurship permeates within Islamic philanthropic context and focuses on the concept of Zakat and aims to holistically analyse its influence on social entrepreneurship in the Islamic and in the Gulf Cooperative Council Context, in particular. Study aims to contribute both to our understanding of social entrepreneurship, in general, and its determinants and drivers in the Islamic contexts.

The debate of philanthropy in general – western & eastern – and of charities and its efficient and effective distribution of funds has been a heated topic in the western philanthropy for quite some time. The present study examines traditional Islamic tool of poverty alleviation called Zakat and its links and policy implications to entrepreneurship, innovation within the Gulf Cooperative Council (GCC) context.

2. THEORETICAL FRAMEWORK

Philanthropy in general – western & eastern & its i) charitable verses ii) social entrepreneurial applications and iii) innovative implications. The debate of charities and its efficient and effective distribution of funds has been a heated topic in the western philanthropy for quite some time. The concept of poverty is defined as ‘the denial of opportunities and choices – most basic to human development – to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and respect of others’ (ILO 1986; UN 1996; UNDP 1991, 1997, 1998; World Bank 1990); deprivation of wellbeing (Kusuma 2010); close to the condition whereby poor are weak and vulnerable to hostile factors and events beyond their control (Basu 1984); lack of goods and services which are needed to reach the proper standard of living (Levitan 1980); incapability to have proper goods and services to fulfil limited social needs (Schiller 1979).

Gunawan Sumodiningrat classifies poverty into five kinds: two kinds based on income level and three kinds based on the casual factor (1998 *cited in* Bangi 2010). *Absolute poverty* is when income level is under poverty line and income is not enough to fulfil the minimum life needed. *Relative poverty* is when the income level is higher than the poverty line however poorer than any other society group.

Among others poverty has been explored in various themes, for example: human poverty defined as ‘the lack of essential human qualities such as being literate or adequately nourished’; income poverty defined as ‘the lack of minimally adequate income or expenditures’; and absolute poverty as ‘level below a fixed income standard ... below \$1 a day poverty line’ (UNDP 1998; Sadeq 2002).

According to the *United Nations Development Program (UNDP 1998)*, ‘fifty years after adoption of the *Universal Declaration of Human Rights*’, one-third of the developing world’s people are still enslaved by a poverty so complete that it denies them fundamental human rights. Poverty is viewed more comprehensively beyond simply income, to include a multi-dimensional phenomena (Sadeq 2002); and is a widespread and growing problem even amidst the countries that are considered to be doing better (Ariffin 1994).

According to Table 1, 1/3 of the people in developing countries and 45% of South Asian population live in absolute poverty of less than \$1 a day; In South Asia, half of children under 5 years living in being malnourished, 35% of children entering primary schools never reaching grade 5, and 2/3 of female population being illiterate. Characteristics of poverty-related phenomena are listed as low income; non-income factors such as poor health and low literacy; and lack of access to opportunities such as physical facilities, resources and employment (Sadeq 2002).

2.1 Western philanthropy – Social entrepreneurship

“Managers who fail to provide proper leadership and to institute systems that facilitate ethical conduct share responsibility with those who conceive, execute, and knowingly benefit from corporate misdeeds” (Lynne Sharp Paine, Managing for Organizational Integrity, Harvard Business Review).

The concept of social entrepreneurship originates from mainstream entrepreneurial developments. Entrepreneurship is seen as one of the most powerful economic forces known to mankind in the last century permeating every aspect of business thinking and planning. (Kuratko & Hodgetts 2004). Entrepreneurship is considered to aid in national economic performance and sets new directions for public policy with positive links to capital and regional economic performance. Entrepreneurship traditionally emerged out of for-profit-organizations with strong ties to bottom line and profit-drive. Within this traditional context, there was little attention given to social applications and social benefits of commercial entrepreneurship within corporations. As one of the leading 20th century economist – Milton Friedman – comments, corporations only social responsibility was to its stockholders’.

However, eventually the scope of commercial entrepreneurship permeated across to social applications in exploring and exploiting numerous ‘social benefits’ within the commercial entrepreneurship. Social Entrepreneurship Monitor (2005), defines social entrepreneurs as a ‘distinct group with more positive attitude than the general population’ and ‘with less positive attitudes than mainstream entrepreneurs’. Due to social entrepreneurship been seen as a less than attractive career choice, it is often viewed as a secondary concept and a less important path as compared to the commercial entrepreneurship.

Social entrepreneurship is ‘the combination of the resourcefulness of traditional entrepreneurship with a mission to change society’; it is used to refer to rapidly growing organizations with business models, catering to basic human needs that existing markets and institutions have failed to satisfy (Seelos & Mair 2005). Within the social entrepreneurial settings, it is primarily about social objectives, whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners (Social Entrepreneurship Monitor 2005).

Social Entrepreneurship (SE) – similar to *Mainstream Entrepreneurship* – is also a generally misunderstood concept. The concept of social entrepreneurship ‘means different things to different people’: i) ‘not for profit alternatives in search of alternative funding strategies or management schemes to create social value’ (Austin, Stevenson & Wei-Skiller 2003; Boschee 1998); ii) ‘socially responsible practice of commercial businesses engaged in cross-sector partnerships’ (Sagawa & Segal 2000; Waddock 1988); and iii) ‘alleviate social problems and catalyse social transformation’ (Alvord et al 2004) *cited in* (Dees 1998). *Peredo & McLean* state that social entrepreneurship is ‘not a tidy concept’ (2006, p. 63); “currently lacks awareness and credibility due to still being in its infancy stage” (Roberts & Woods 2005, p. 45). Social entrepreneurship is often related to *Corporate Social Responsibility (CSR)*, where *CSR* is defined as “a concept whereby companies integrate social environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Prieto-Carron et al 2006, p. 977).

Social Entrepreneurship is defined by various scholars as: “ethical obligations to customers, employees, and the general public” (Longnecker et al 2003 p. 774); “rapidly growing number of organizations that have created models for efficiently catering to basic human needs that existing markets and institutions have failed to satisfy, combining the resourcefulness of traditional entrepreneurship with a mission to change society” (Seelos & Mair 2005, p. 1); ‘phenomenon of applying business expertise and market-based skills in the *non-profit* sector such as when *non-profits* develop innovative approaches to earn income’ (Reis 1999; Thompson 2002); ‘Drive for creating social value, rather than simply personal and shareholder wealth’ (Zadek & Thake 1997); ‘activity characterised by innovation, or the creation of something new rather than simply replication’ (Austin, Stevenson & Wei-Skillern 2006). Examples of social entrepreneurial organizations include *The Institute for One World Health*, first US based non-profit pharmaceutical company; and *Sekem*, an *Egyptian* based poverty eradicating organization.

A fuller, widely accepted definition of ‘Social Entrepreneurship’ offered by *Dees* (1998) is presented as follows:

“Social entrepreneurs play the roles of change agents in the social sector, by:

i) *Change agents in the social sector* {Joseph Schumpeter}

Social entrepreneurs are the reformers and revolutionaries described by *Schumpeter*, but with a social mission. They try to make fundamental changes in the way things are done by attacking the causes of problems, rather than simply treating the symptoms. They seek to create systematic changes and sustainable improvements. While social entrepreneurs may act locally, their actions and ideas have the potential to stimulate global improvements.

ii) *Adopting a mission to create and sustain social value (not just private value)* {John Baptist Say}

This is essentially the classic difference between *social* and *business* entrepreneurs. For Social entrepreneurs, the social mission is fundamental, where the mission cannot be reduced to creating private benefits (financial returns or consumption benefits) for individuals. Social impact itself, rather than profits, wealth or customers becomes the gauge – where they look for more than a ‘quick-hit’; wanting to create lasting improvements.

iii) *Recognizing and relentlessly pursuing new opportunities to serve that mission* {Peter Drucker}

Where others see problems, entrepreneurs see opportunity. It is important to note that social entrepreneurs are not simply driven by the perception of social need or by their compassion, rather they have a vision of how to achieve improvement and they are determined to make their vision work. Persistence combined with willingness to make adjustments is a key element of social entrepreneurs.

iv) *Engaging in a process of continuous innovation, adaptation and learning* {Joseph Schumpeter}

Entrepreneurs are also innovative – break new ground, develop new models, and pioneer new approaches. While innovation can include *inventions* (inventing something wholly new), entrepreneurs often take advantage of others’ inventions in innovative ways. Hence it is not just a one-time burst of creativity, rather a continuous process of exploring, learning, and improving. Entrepreneurs have a high tolerance for ambiguity and treat failure as a learning experience rather than a personal tragedy; hence seem to have the ‘gift’ of managing the inherent uncertainties and risks associated with innovation quite well.

v) *Acting boldly without being limited to resources currently in hand* {Howard Stevenson} and

Social entrepreneurs are skilled at doing more with less by attracting resources from others; by using scarce resources efficiently; by drawing in partners and collaborations; by exploring all resource options, from pure philanthropy to the commercial methods of business sector. They are certainly not bound by sector norms or traditions; and can develop resource strategies that are likely to support and reinforce their social missions. They also understand the risk tolerance of their stakeholders and use this to spread the risk to those who are better prepared to accept it; hence take calculated risks and manage the downside, so as to reduce the harm resulting from potential failure.

vi) *Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created*”

Social entrepreneurs seek a sound understanding of the constituencies they are serving by correctly assessing the needs and values of the people and having close connections with the communities in which they operate. They also understand the expectations and values of their ‘investors’ (people who invest money, time, and expertise) and try to provide attractive (social/ financial) return to their investors. Their accountability therefore extends to a fit between *investor value* and *community need*. Sometimes they create market-like feedback mechanisms to reinforce this accountability – E.g. NGO ‘X’ where 89.3% of donor money is directly invested in local communities seems more efficient than NGO ‘Y’ where only 61.4% of donor money is invested. Essentially NGO ‘X’ has administrative outgoings of about 10.7% compared to NGO ‘Y’s 38.6%. It is important to note that Social entrepreneurs should not be classified or included solely into business entrepreneur groups, charities, social change organizations or charities. They are a unique type and a special breed and they should be recognized as such.

3. RESEARCH DESIGN AND METHODOLOGICAL CONSIDERATIONS

This research was conducted in a qualitative manner, using a field study/ case study approach in collecting primary data as well as analysing several secondary data sets. Within this study we explored the concepts of Islamic philanthropy within a lens of social entrepreneurship and we found that the literature within this domain is still being developed and considered to be in its infant stages. This ‘fragmented’ and ‘infant’ stage of the literature is best researched through qualitative means – based upon exploratory means – is most likely to shed new insights and discover various untapped and unexplored entrepreneurial findings.

As pointed out by *McNamara & Carter (2007)*: case studies, observations and interviews are ‘time consuming to study’. This study extended from 2009 through 2012 where authors were exploring global prior attempts in presenting social entrepreneurship within Islamic philanthropic settings. It was a constant struggle to seek out academic papers written in this particular domain and also the interpretations of various Islamic countries in their adaptation of zakat and waqf further complicated the situation.

Due to the nature of the subject matter being highly embedded within the Islamic context, prior studies had to a large degree isolated in-depth studies in Islamic philanthropy using social entrepreneurial tools. In addition most scholars in the area of Zakat and Waqf research typically originate from Islamic religious context and therefore the studies are non-academic in nature. In this study having one of the authors as an expert of Islamic philanthropy from a religious perspective, yet at the same time the three authors utilizing and objective and critical view on the subject matter; there was an attempt made to acquire an *insider’s* point of view, due care was taken to maintain the analytical perspective or distance of an *outsider*.

The interviews conducted differ from typical survey research interviews. For example, the interview questions were *in-depth*, *non-directive* and *unstructured*. It was in fact a joint production of the researcher and the participants. The questions used were tailored to fit within Islamic paradigms, yet at the same time fit into academic context. Interviews were conducted at various locations including Finland, United Arab Emirates, Qatar and Bahrain.

4. ISLAMIC EMPIRICAL CONTEXT

Islamic philanthropy – Zakat (Compulsory charity)

The magnitude of Islamic philanthropy in Muslim communities is estimated around USD 1 trillion annually and in spite of having such a huge contribution and a wealth base; the application and execution of those funds are either mismanaged or misappropriated Alam (2005).

Bremer further illustrates this challenge highlighting poor governance, mismanagement, non-strategic planning, staffing issues, financing misalignment and outcome measurability/evaluation problems (2004). As such, it seems that the distribution of philanthropic funds and its efficient and effective utilization is also a heated topic in the Islamic context – for example in the cases of zakat and waqf.

Zakat is defined as ‘having the primary goal of poverty eradication through wealth creation and fair redistribution’ (Oran 2009); ‘blessing, purification, increase in goodness where the wealth from which it is taken and protects it from misfortunes; fundamental principles of every eligible Muslim is bound to obey due once a year’ (Mahmud et al 2006). According to Mahmud, its salient features include: full ownership, growth of wealth, minimum wealth requirement or Nisab, stocks and shares, exceeding basic needs, lapse of a full year, public wealth, endowments and charitable properties.

According to Suhaib (2009), there is a significant relationship between zakat and social-economic development – having negative impact on concentration of wealth and positive impact on the circulation of funds. Thus zakat acts an anti-poverty instrument and is defined as ‘one of the major financial obligations which every Muslim has to pay once a year if fitting into *Sahib-i-Nisab*’, a minimum prescribed amount by *Shariah* Quranic 9:60-9-103 (Suhaib 2009).

According to Alam the real challenge is executing the resources to achieve sustainable development,

strategies in moving away from dependency models and knowing how exactly to solve the issues of community development at its heart (2005). Within the core of this discussion concerns of sustainability and capitalizing future growth is highlighted. More specifically, it seems that from an agency theory point of view, in the cases where the funds are being managed by its founders; superior management practices are being subdued, thus neglecting systems efficiency and effectiveness and accelerating poor governance.

By definition charity is one of the five pillars of faith and obligatory for Muslims and it is intended to serve the purpose of narrowing the social distance and reduce inequality (Alam 2005). Islamic approach to poverty alleviation is multi-dimensional and comprehensive (Sadeq 2002). In this sense charity is simply one form of poverty alleviation strategy/policy where a prescriptive crash programs are directed towards hard core poverty; yet at the same time complimenting with systematic approaches in alleviating *nisab*-defined general poverty. As such, Islamic philanthropy seems to closely aligned with social entrepreneurial mindset in alleviating poverty.

According to the Islamic system, if a person meets all his basic needs and has a surplus of income and wealth below *nisab*, he is still considered a poor person and as such is entitled to receive *zakat*. Here, the compulsory nature of *Zakat* deals with poverty issue within a re-distributive approach.

It is important to note that there are other terms and processes within Islamic philanthropy such as *Infak* defined as ‘additional to Zakat, volunteer giving or voluntary gift for restricted purpose’ (Alam 2005) and *Sadaqah* defined as ‘additional to Zakat, volunteer giving or voluntary or discretionary charity, not necessarily monetary in nature for unrestricted purpose’ (Alam 2005) – concepts that closely relate to zakat and waqf. However for reasons of parsimony the authors limit the discussion of this paper to zakat and waqf concepts only.

The uniqueness of Zakat lies in the following facts: i) it is mandatory; ii) it has a time limit tagged to the Lunar year – which is 11 days less than a calendar year; iii) it is limited to one geographical zone and only after this area is full saturated it can further expand its geographical boundaries; and iv) the receiver evaluation is expected to happen at both distribution level as well as individual self-conscious level – where it is common for receivers to refuse the grant or the entitlement of Zakat upon their individual subjective financial position. Zakat is often considered to be one that could make a quick impact on society in reducing poverty and minimising the wealth gap amongst the community members.

Zakat is defined as ‘a donation and an obligatory form of charity equal to 2.5 per cent of annual income who have resources remaining after meeting the basic requirements of their family’ (Alam 2005). According to Abu Bakar (2011, p.237), zakat is ‘an Islamic institution anchored within the Islamic economic system to cater for the Muslims’ social welfare’ with primary objective of eradicating poverty and in ensuring rightful recipients could achieve a minimum quality of life. Zakat fund is considered to have the ability to transform lives of the poor and the needy (Al Qaddhawi 1987; Sahata 2003; Zuhaily 2005).

Zakat

Zakat is considered to be a socially oriented, financial system uniquely suited to dealing with the problem of poverty and need in Muslim society. Alongside alms, gifts, presents and other forms of giving, it represents a superior system for bringing the poverty that all societies suffer from, to an end.

That is readily apparent from the many types of wealth and the myriad needs of a society, for zakat is due on gold, silver, animals, crops, metals that are mined and extracted from the earth and ancient buried treasure when it is dug up and recovered.

Zakat may be paid to one of the eight categories of people in any society that have need of it. Allah says, “Zakat is for: the poor, the destitute, those who collect it, reconciling people's hearts, freeing slaves, those in debt, spending in the Way of Allah, and travellers. It is a legal obligation from Allah. Allah is All-Knowing, All-Wise.” (Quran 9:60). This noble ayat makes it clear which categories of people are eligible for zakat.

And, according to the best known position, the only reason the fuqara (poor) are mentioned first before all the other categories is because they have a greater need than the rest of them - their poverty is more severe and their need more pressing. The masakin (destitute) are much like the poor in that their income is not enough to cover their most basic needs, the difference between them is that the poor are silent about their poverty and do not beg or ask for people's help, while the destitute do go among the people and beg.

As for the 'amiluna 'alayha, they are the zakat collectors and inspectors, and for that work, they merit a portion of it. In terms of the mu'alifat qulubuhm, they are divided up into a number of categories: One is those to whom zakat is given in the hope that they will enter Islam, as when the Prophet, peace and blessings be upon him, gave Safwan ibn Umayya some of the booty from the battle of Hunayn, despite his having been an idolater at the time. In the Sahih of Muslim, it is narrated that Safwan ibn Umayya said, "On the day of the battle of Hunayn, the Messenger of Allah, peace and blessings be upon him, who at that time was one of the people for whom I had the greatest hatred, gave to me and continued giving to me until he became one of the people for whom I had the greatest love." (Muslim 4/2806, number 2313); another are those to whom zakat is given to strengthen their Islam and firm up their resolve, like when the Prophet, may Allah bless him and grant him peace, again on the day of the battle of Hunayn, gave the leaders and noblemen of the tulaqa 100 camels (each), saying, "I give to one man despite others being more beloved to me, out of fear that Allah might throw him into the Fire." (Bukhari 1/18, number 27; Muslim 1/132, number 150); another is those to whom zakat is given in hope that people like them will become Muslim; and another is those to whom zakat is given so that he will then collect zakat from those beside him, or so that he will protect the territory of the Muslims, from harm coming from outside its borders. The classification into these divisions is found within the books of Fiqh.

As for the riqab, they are male and female slaves upon whom zakat money is spent in order to buy their freedom. As for the gharimun (those in debt), they are divided up into a number of categories: one is for those who act as guarantors for other people's debt and then are forced to pay that debt out of their own pocket, thereby using up all of their own money; another is for those who are themselves in debt and need help to pay off that debt; and another is for those who incur a debt through having committed an act of disobedience and then repenting. Zakat may be paid to all of these categories. The basis for this may be found in the hadith of Qabisa ibn Mukhariq in which he said, "I came to the Messenger of Allah, peace and blessings be upon him, carrying the burden of (another's) debt, and begged him for some help in paying it. So he said, "Wait until some zakat comes our way, at which point we will command that some of it be given to you." Then he said, "Qabisa, begging, is not lawful except in three cases: for one who has taken on the burden of (another's) debt - it is lawful for him to beg until that debt is paid off, at which point he must stop; for one whose property has been destroyed by a calamity - it is lawful for him to beg until he gets what is sufficient to support his life or give him a reasonable level of subsistence; and for one who has fallen into poverty, the genuineness of which has been confirmed by three men of discernment among his people - it is lawful for him to beg until he gets what is sufficient to support his life or give him a reasonable level of subsistence. Under any other circumstances, Qabisa, begging, is forbidden, and anyone who engages in it consumes what is forbidden." (Muslim: 2/722, number 1044).

As for fi sabili-llah (spending in the way of Allah), they include warriors who receive no stipend from the treasury, i.e. those who do not take anything from the Bayt al-Mal. Such people are given zakat to help them prepare for jihad, to buy their weapons and whatever else they need to go to war.

As for ibnu-s-sabil, they are travellers who have crossed over into a foreign land and have no means left available to them to make their return journey. Such people are given enough zakat to enable them to get back to their homeland, even if they have their own wealth there. This is also the ruling for those who have nothing when they commence their journey – they are given enough zakat money to enable them to go and come back. The proof for that is found in the ayat as well as in what Abu Dawud transmitted from Abu Sa'id al-Khudri when he narrated that the Messenger of Allah, peace and blessings be upon him, said, "The proceeds of zakat are not lawful for the wealthy except in five cases: when a person collects it, when a person fights in the way of Allah, when a rich man buys it with his own wealth, when a poor man receives it

and then gives it to a rich man, and when a person is in debt.” (Abu Dawud: number 1635).

Then Allah says, (faridatan mina-llah) “It is a legal obligation from Allah,” i.e. it is a ruling that has been established by Allah’s Decree, a legal obligation and Divine division. Then Allah says, (wa-llahu ‘alimun) “Allah is All-Knowing,” i.e. He knows what is manifest in all things and what is hidden, and He knows what is in the best interests of His slaves.

Then Allah says (hakim), “All-Wise,” i.e. there is wisdom in all that He says and does, and in all of the laws and rulings that He legislates. There is no god except for Him and no lord other than Him.

In the language of the Arabs, the word zakat means increase and growth. In legal terms, however, it is defined as, ‘A predetermined part of one’s speaking wealth (animals), silent wealth (gold and silver), crops, and what one takes from the earth of treasure and mined metals, if that wealth reaches the minimum threshold (nisab).’ With respect to speaking and hidden wealth, it is stipulated that a full year passes by with that wealth being in your possession. But that is not stipulated when it comes to crops on account of the fact that Allah says, “and pay their due on the day of their harvest.” (Quran 6:142).

It is stipulated that, for zakat to be due on a person’s wealth, that person’s wealth must have reached the level where it has become what is considered to be riches. That level is referred to by the people of jurisprudence as being the nisab, and in gold and silver it is approximately 85 grams of gold. If it reaches or surpasses that level, then one fortieth of it must be paid in zakat. If it falls short of that level, then nothing is owed.

Whoever owns (at least) forty head of sheep or goats, five head of camels, or thirty head of cattle, must pay zakat. And the amount of zakat they must pay depends on the number and type of animal. These four types of animal: sheep, goat, cow and camel, are referred to as (al-an’am) and are the only animals upon which zakat is due.

Whoever has a volume of agricultural produce (dates, raisins, wheat or barley) that reaches (or exceeds) five wasaqs (a wasaq is sixty sa’, and a sa’ has a weight of approximately two and a half kilograms), (750 KG) then he must pay zakat. If his harvest reaches or exceeds that level, then he must give zakat equivalent in value to a tenth if no irrigation is required, and to a twentieth if he has the additional cost of irrigating his land, as is made clear by the words of the Prophet when he said;

“If a piece of land is irrigated by rain water or natural water channels or if it is ‘athariyan (i.e. naturally damp and requiring no irrigation), then a tenth is due on it. But if the land must be sprinkled and watered (nadh), then only a twentieth is due on it.” (Bukhari: 2/540, number 1412).

The word (‘athariyan) indicates land that is wet and fertile and does not require irrigation, due to the veins of water that run through it, or the rain, or because of its proximity to rivers and other water sources. The word (‘athariyan) derives from the word (‘athura’), a hole that is dug into the ground in the hope of finding water in the bottom of it. As for the word (nadh), it means by him having to sprinkle the water himself and go to some level of expense in order to bring that water to the crops.

If the harvest does not, however, reach five wasaqs, then no zakat is due on it, because of the words of the Prophet;

“There is no zakat on any quantity of dates less than five wasaqs, there is no zakat on any quantity of silver less than five awaqs, and there is no zakat on less than five camels.” (Bukhari: 2/529, number 1390; Muslim: 2/673, number 979).

As for treasure, metals that are extracted and mined from the earth and petrol, a fifth is due on whatever is extracted because of the words of the Prophet;

“On rikaz, there is a fifth.” (Bukhari: 2/544, number 1428); (Muslim: 3/1334, number 1710).

Rikaz is treasure that was buried in the time of the Jahiliyya. And when he says, a fifth, he means that a fifth of it must be given to the Bayt al-Mal (the treasury) and the remainder may be kept by the one who found it.

Many of the jurists view mined metals (ma‘dan) as being analogous to buried treasure, due to the fact that there is no stipulation that it must first be in your ownership for a full year before zakat is due on it. However, there are some who do consider it just like any other form of acquired wealth, and as a result do stipulate that it must first be in your ownership for a full year.

Allah has made zakat obligatory on the wealthy so that the needs and requirements of the poor are met. But no one should think that the existence of zakat is a call to people to stop working and earning a living – that is a totally false understanding, for Islam forbids strong people with the capacity to earn from asking for any portion of zakat or relying on it, as is clear from what the Prophet said to the two men came to him while he was in the process of distributing the zakat and asked him for some. He looked carefully at them and then said;

“If you are in want, then I will give some to you, but there is no portion in it for the rich nor for those who are strong and have the ability to earn.” (Sunan Abu Dawud: 1/513, number 1633).

And it is narrated by ‘Abdullah ibn ‘Amr that the Prophet said;

“Zakat is not lawful for the wealthy nor for the strong (dhu mirra) and able-bodied (sawi).” (Sunan Abu Dawud: 1/514, number 1634; at-Tirmidhi: 3/42, number 652)

Dhu mirra is a synonym for strong. As for sawi, it means straight-bodied and well-proportioned, and in this particular case refers to one whose limbs are healthy and sound and is thus able to work and earn a living. Anyone who finds himself in a state such as this, whereby he is able to earn enough to meet the needs of himself and those who rely on him, for such a person, asking for zakat is unlawful. But if his income is not sufficient to meet the needs of himself and those who rely on him, then he is considered to fall within the category of those who are poor or destitute and for whom zakat is completely lawful.

Meta Analysis: Islamic Zakat Philanthropy

{Insert here table after extensive literature review of both journals and other regional Islamic documents e.g. Jordan based journals, Kuwaiti and Qatar official documents, religious documents etc ... try to show different in applications of Gulf context, Iranian context, Malaysian-Indonesian context, Indian-South East Asian contexts, US-Europe context of Muslims living in different regions and how they interpret this ..}

5. DISCUSSION AND ANALYSIS

5.1 Comparison analysis of Western and Islamic Philanthropy

As compared to Venture Capital (VC) in the western and entrepreneurial context, Venture Philanthropy (VP) is at the heart of Islamic giving and Islamic investments whereby it serves the purpose of generating both financial and social returns for Muslim communities. As opposed to VC which provides returns on investments to original investors, returns from VP are reinvested back into the fund for further expansion in line with Shariah based guidelines.

Venture Philanthropy is defined as ‘the use by grant-makers and investors of certain principles traditionally associated with venture capitalists to either build the capacity of a non-profit organization or to invest in a social purpose business venture’ (The Institute of Social Entrepreneurs); ‘a process whereby (usually wealthy) individuals invest time and money in voluntary organizations and social enterprises’ (Alam 2005).

Discuss here within the conceptual framework how social entrepreneurship relates to ZAKAT and WAQF.

So the contribution of this paper is simply the attempt to connect and show how social entrepreneurship links with each concept of zakat and waqf.

- And also the creation of the meta-analysis of zakat and waqf literature to date
- And also the clarifications and literature gap identification and identifying of next research needs for future research
- Next step is to explore this paper in 2 empirical contexts: i) in Kuwait where zakat is thriving; and ii) in Qatar where waqf is thriving ...

5.2 Concept of Zakat

The unique nature of Zakat ensures a quick impact on society:

- If appropriate, the first recipients are the next of kin followed by closest relatives and then radiates out into the general society.
- It is geographically specific, beginning with the locality, and then extending out as necessary, so that the money made in one region serves the people of that region, warranted through their help in creating that very wealth.
- It is taken annually, once a lunar year, and must be given away without delay.
- Those understanding the rules of zakat will ensure that only those entitled to it will receive it; in this way it will go only to the needy.
- It is mandatory, with the giver realizing that it is the poor share of his wealth, and the taker, that it is his entitlement.
- Rather than helping the poor to eat, it helps to kick start careers; the money received helping someone without a profession, for example, by being given his needs for one year at a time. For someone with a profession, equipment or capital, however expensive, he can be provided to help restart the business. Alternatively, it can be used to prepare and teach communities and families to be productive and to start earning money through programs such as tailoring, decoration, carpet making, typing, electronic or electronic maintenance, etc.; or even helping the society through charitable foundations such as the educating of students or treating the poor and needy.
- (Algharimeen) If someone loses his trade through natural causes, he will be entitled to Zakat to pay any debts and to start again. Even those prevented by a recession from paying their debts can be helped to start up again. It is recognized that the traders' knowledge of their own particular trade would help to reduce the impact of the recession and therefore not only benefit that category of traders to reengage, but also to help the community get out of recession.
- (Alamileen) The motivation for whoever works with Zakat is obviously that the better job he does, the better will be his bonus.
- It is a unique and good way of distributing wealth among the society.

Such are some of the impacts that Zakat can make on society, and given the fact that not everyone pays his zakat, one can only imagine what the impact would be if people were forced to pay it, as with other taxes.

5.3 Economic Impact of Zakat

Since the 1940s and especially since the mid-1960s, a wealth of pamphlets, articles and books appeared of what is now known as 'Islamic economics' (Kuran 1986).

The main objective of zakat in Islam is to ensure a more equitable distribution of wealth/income and the creation of a social and economic safety net thereby promoting social and political stability. In realizing these goals, zakat plays a positive economic role through its impact on:

1. Consumption
2. Investment
3. Employment
4. Economic growth

5. Income distribution
6. Business cycles and inflation
7. Economic, social, and political stability

The following is a brief discussion of these impacts.

5.3.1 Impact on consumption:

Zakat increases the money supply, which, in turn, increases the demand for final goods and services. This ultimately leads to an increase in the demand for intermediate goods and services, increased employment, and enhanced economic growth.

When zakat is distributed from eligible individuals to low income groups whose marginal propensity to consume is high, and through the multiplier effect, those needy individuals/families will spend most, if not all, the zakat on basic necessities such as food and clothing. This translates as an increase in demand for these necessities, for which producers will necessarily expand and utilize some of the idle resources in the economy. This in turn will generate more employment opportunities, which will lead to a greater demand for goods and services. This will ultimately lead to economic growth.

5.3.2 Impact on investment

Capital assets are exempt from zakat in Islam, which implicitly encourages investment in such assets. Zakat also indirectly encourages Muslims to invest their savings, instead of keeping them liquid or idle, something which only results in their declining year on year. To avoid such a decline in wealth, many will prefer to invest their savings and instead pay zakat on their earnings.

5.3.3 Impact on employment

When zakat leads to an increased demand and consumption of goods and services, the result is an increase in the demand for productive resources and investment, all of which lead to establishing more job opportunities and a decrease in unemployment, thus reducing its psychological and political effect on the society.

5.3.4 Impact on economic growth

As zakat is aimed at people with a high Marginal Propensity To Consume, it causes an increase in demand for both the consumption and production of goods as well as encouraging investment, which in turn translates to higher rates of economic growth.

5.3.5 Impact on income distribution

The giving of zakat by eligible individuals to those in need means wealth is transferred from the rich to the poor. Zakat also provides some debt relief for low-income groups, since Islam directs Muslims to pay their Zakat to Zakat funds in order to give it to those who are in debt and are not able to pay back their debts. All of this alongside the indirect, positive effects of zakat on employment result in a more equitable distribution of income.

5.3.6 Impact on business cycle

Creating a “Zakat Fund”, where zakat is collected and not all of it distributed in times of prosperity but saved for difficult times can help societies during recession and ease adverse business cycles. Also, providing zakat to those in debt helps stabilize the banking system and financial markets, with the decline in the default rate contributing to a more stable economy.

5.3.7 Impact on economic, social, and political stability

All the above positive impacts of zakat on demand, investment, employment, economic growth, income distribution and the business cycle will help to promote economic stability. Economic stability through a more equitable distribution of income will in turn promote social and political stability. What's more, if its recipients use zakat in productive activity, or when the zakat fund is used to educate the poor or provide them with health services, it serves to promote human dignity and the potential for self-sufficiency; the result of all of which is greater social stability.

i) *Change agents in the social sector*

Social entrepreneurs are the reformers and revolutionaries described by *Schumpeter*, but with a social mission. They try to make fundamental changes in the way things are done by attacking the causes of problems, rather than simply treating the symptoms. They seek to create systematic changes and sustainable improvements. While social entrepreneurs may act locally, their actions and ideas have the potential to stimulate global improvements.

ii) *Adopting a mission to create and sustain social value (not just private value)*

This is essentially the classic difference between *social* and *business* entrepreneurs. For Social entrepreneurs, the social mission is fundamental, where the mission cannot be reduced to creating private benefits (financial returns or consumption benefits) for individuals. Social impact itself, rather than profits, wealth or customers becomes the gauge – where they look for more than a ‘quick-hit’; wanting to create lasting improvements.

iii) *Recognizing and relentlessly pursuing new opportunities to serve that mission*

Where others see problems, entrepreneurs see opportunity. It is important to note that social entrepreneurs are not simply driven by the perception of social need or by their compassion, rather they have a vision of how to achieve improvement and they are determined to make their vision work. Persistence combined with willingness to make adjustments is a key element of social entrepreneurs.

iv) *Engaging in a process of continuous innovation, adaptation and learning*

Entrepreneurs are also innovative – break new ground, develop new models, and pioneer new approaches. While innovation can include *inventions* (inventing something wholly new), entrepreneurs often take advantage of others’ inventions in innovative ways. Hence it is not just a one-time burst of creativity, rather a continuous process of exploring, learning, and improving. Entrepreneurs have a high tolerance for ambiguity and treat failure as a learning experience rather than a personal tragedy; hence seem to have the ‘gift’ of managing the inherent uncertainties and risks associated with innovation quite well.

v) *Acting boldly without being limited to resources currently in hand and*

Social entrepreneurs are skilled at doing more with less by attracting resources from others; by using scarce resources efficiently; by drawing in partners and collaborations; by exploring all resource options, from pure philanthropy to the commercial methods of business sector. They are certainly not bound by sector norms or traditions; and can develop resource strategies that are likely to support and reinforce their social missions. They also understand the risk tolerance of their stakeholders and use this to spread the risk to those who are better prepared to accept it; hence take calculated risks and manage the downside, so as to reduce the harm resulting from potential failure.

vi) *Exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created”*

Social entrepreneurs seek a sound understanding of the constituencies they are serving by correctly assessing the needs and values of the people and having close connections with the communities in which they operate. They also understand the expectations and values of their ‘investors’ (people who invest money, time, and expertise) and try to provide attractive (social/ financial) return to their investors. Their accountability therefore extends to a fit between *investor value* and *community need*. Sometimes they create market-like feedback mechanisms to reinforce this accountability – E.g. NGO ‘X’ where 89.3% of donor money is directly invested in local communities seems more efficient than NGO ‘Y’ where only 61.4% of donor money is invested. Essentially NGO ‘X’ has administrative outgoings of about 10.7% compared to NGO ‘Y’s 38.6%. It is important to note that Social entrepreneurs should not be classified or included solely into business entrepreneur groups, charities, social change organizations or charities. They are a unique type and a special breed and they should be recognized as such.

Results and Implications

As compared to Venture Capital (VC) in the western and entrepreneurial context, Venture Philanthropy (VP) is at the heart of Islamic giving and Islamic investments whereby it serves the purpose of generating both financial and social returns for Muslim communities. As opposed to VC which provides returns on investments to original investors, returns from VP are reinvested back into the fund for further expansion in line with Shariah based guidelines (Alam 2005). So the contribution of this paper is an attempt to connect and show how social entrepreneurship links with each concept of zakat and waqf within a scope of a meta-analysis of zakat and waqf literature to date; clarifications and literature gap identification and identifying of next research needs for future research; evaluation of two empirical contexts: i) in Kuwait where zakat is thriving; and ii) in Qatar where waqf is thriving.

Social entrepreneurial discussion of Islamic philanthropy was extended in exploring economic impact of zakat from seven elements: Consumption; Investment; Employment; Economic growth; Income distribution; Business cycles and inflation; and Economic, social, and political stability. Using Dees widely accepted definition of social entrepreneurship, we further explored social entrepreneurial applications and its limitations within the Islamic context in the areas of: i) change agents in the social sector; ii) adopting a mission to create and sustain social value (not just private value); iii) recognizing and relentlessly pursuing new opportunities to serve that mission; iv) engaging in a process of continuous innovation, adaptation and learning; v) acting boldly without being limited to resources currently in hand; and vi) exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created”.

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