



## A PROPOSED FRAMEWORK ON ZAKAT IN THE HEALTHCARE SYSTEM FOR THE POOR

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### ABSTRACT

The healthcare system has been struggling since its inception due to a shortage of funding. *Zakat* has the potential to offer a solution to the funding issue of the healthcare sector. The purpose of this study is to explore the utilization of *zakat* funds for the healthcare services in the private sector and to propose a conceptual framework for managing *zakat* funds as financial aid in the healthcare services. Efficient management of *zakat* institutions is needed to resolve the underlying issues and to optimize the usage of *zakat* funds in the healthcare sector. Literature has shown that there are many sectors that utilize *zakat*, but the impact of *zakat* in the healthcare sector is yet to be realized. The proposed conceptual framework holds significance in improving the livelihood of *zakat* recipients and leading the country towards poverty eradication by improving the quality of healthcare services. The study also urged establishing a *zakat* institution that adopts the proposed model and working on the *zakat* collection technique to channel the *zakat* fund in the healthcare sector.

**Keywords:** zakat, healthcare, impact, poor, asnaf.

### INTRODUCTION

*Zakat* is one of the fundamental pillars of the Islamic faith. It is a sign of justice for the Islamic economy that guarantees equitable and reliable distribution of resources. *Zakat* is an act of socio-financial worship obligatory for every eligible Muslim based on the Quran, Hadith and Ijma. Minimum standard of living and development of economic activities can be achieved through this wealth-sharing

mechanism for the Muslim community. *Zakat* could also act as a financial tool for the needy and the poor to improve their living standards. However, the importance of *zakat* can be seen socially in many ways, including strengthening social relations between rich and poor, reducing injustice, resolving social problems, transforming souls, and mitigating the causes of conflict and disagreement between societies (Akram and Afzal, 2014). As stated in the Qur'an, there are eight categories of *zakat* recipients and many of them have limited access to the *zakat* fund.

A decent sum of money is elevated every single year through the *zakat* collection process. The Islamic foundation's Zakat Fund collects *zakat* via district committees, and they are disbursing half of the *zakat* money to local poor people based on their policy. On the other hand, the rest of the funds are distributed among others like a child clinic, sewing school education allowance, rehabilitative services of the disabled and needy. Healthcare has been provided either through government-run hospitals or through the private sector and yet it appears scarcity especially to the facilities in rural areas. People in rural areas are excessively affected by shortages from human resources in the healthcare system. According to the Health Ministry of Bangladesh, a medical facility in rural communities needs to be addressed notably in lack of human resource retention in rural areas, infrastructure facilities and inconsistent regional distribution of healthcare providers (Darkwa et al., 2015).

However, inadequate, underdeveloped medical equipment and lack of infrastructural services in hospitals, especially remote areas need to be addressed notably since the government medical support has not reached yet in some of the remote regions. Thus, it has been affecting the lives of poor and needy people while the *zakat fund* has the potential to build a healthcare center by providing fund assistance. The question of insufficient equipment and services was also addressed by medical professionals. Most of the infrastructure needs to be redeveloped along with establishing a new medical facility in a remote area (Darkwa et al., 2015). Although the Government of Bangladesh invests considerable amounts of money in health services, frustration is often expressed with the availability and high cost of the services. There has been a lot of debate in recent times about high fees and dubious treatment in the private sector. A few hospitals have been investigated based on complaints made by distressed patients and relatives (Bay, 2018).

The study aims to explore the utilization of *zakat* funds for the healthcare services in the private sector and to propose a conceptual framework for managing *zakat* funds as financial aid in the healthcare services. This study focuses on improving the quality of life for poor people by providing good

healthcare facilities. This approach allows the *zakat* recipients to get access to the healthcare facilities even in the private medical center at a reasonable cost.

### **ZAKAT AND THE IMPACT TO THE ECONOMIC GROWTH**

Contemporary and classical scholars have defined *zakat* in various ways in line with the *Shari'ah* principles which gives relatively similar meaning. According to previous literature, *zakat* can be defined as “A due right on particular asset/property objects, in specific amounts concerning the specific asset/property items passage of one year and satisfaction of *nisab* status” (Ahmed, 2004). In Islamic law, the definition of *zakat* is a mandatory specific amount of money paid to the selected group of people by every grown individual, Muslim, male and female, mentally healthy, free and financially capable (Abu Bakar et al., 2014). On the other hand, *zakat* is also described by the Malaysian Accounting Standard Board (MASB) as an obligatory donation that is calculated based on specific assets possessed by a Muslim along with certain criteria before being allocated to designated groups of recipients. (MASB, 2006). However, *zakat* is an act of financial worship obliged by Allah S.W.T for the Muslim to assist unprivileged people of the community. *Zakat* is listed as the third fundamental pillar of Islam and a substantial obligatory act being prescribed through various verses of the Quran and hadiths.

There are several purposes for the obligation of *zakat*. One of the goals of *zakat* is to cleanse and heal the soul and property of the asset. The second important aim is to ensure the rights of beneficiaries are given appropriately as specified in the Qur'an. In addition to that, *zakat* also serves to transfer the wealth as a way of income by wealthy Muslims to the poor. Out of the other four pillars of Islam, *zakat* is the only pillar acting as a social security tax charged on the wealthy person in the Islamic community and successful companies to narrow the distance between the wealthy and the poor (Awang and Abdul Rahman, 2003). Scholars from different schools of thought conceded that *zakatable* wealth is not limited to those expressly addressed in the Qur'an and Sunnah. Income and investment are new forms of wealth considered being listed under *zakatable* items by many contemporary Islamic scholars including salaries, earnings that are owed different accommodations, profits and other incentives or something else that can be assessed as sales such as rent and dividends (Al Qardawi, 1973).

*Zakat* is measured if the *zakatable* items value reaches the amount of *nisab* as prescribed in Sunnah. *Nisab* relates specifically to the minimum value of *zakatable* wealth applicable to *zakat* payment. After the passage of one lunar year, certain items are due to *zakat* such as livestock, gold and tradable goods whereas agricultural items are due at their harvest time. Depending on the form

of properties, three types of rates are applicable on *zakat*. The *zakat* rate is set at 2.5% for currency, gold, silver and commercial products. On the opposite side, on agricultural goods that are rain-fed or by streams and springs, the *zakat* ratio is 10 percent. The rate of *zakat* is 5% if agricultural goods are harvested by water drained from dams by humans or other animals or machinery (Khan, 1995). In light of the Quran, *zakat* is entitled to a specific group of people called *asnaf*. *Zakat* was described as a major source for the Muslim community's economy since its effect the life of *zakat* recipients'. *Asnaf* is categorized into eight groups that are derived from the Quran (Tawbah: 60).

The vulnerable and needy are listed at the top as those who are unable to meet their essential needs. *Zakat* will help them attain satisfactory living conditions and basic needs, such as food, housing, clothes, health care and schooling. Anyone who returns to Islam is entitled to obtain *zakat* either rich or poor since *zakat* is provided to support this group of recipients morally and financially. The next category no longer exists these days but the early days of Islam, when there was a slavery regime *zakat* fund used to pay slave masters to free hired slaves. The Islamic State must create a *zakat* institution to receive and manage *zakat* as practiced by the era of Prophet S.A.W. The individuals who are in debt and those Muslims fighting in the way of Islam mentioned before including travelers. Although, the last categories are also excluded from *zakat* recipients by many scholars due to the modern day's advantage of transportation and banking services (Abu Bakar et al., 2014).

*Zakat* is one of the important pillars of Islam that play emphasizes the socio-economic growth of a nation. Islamic economics introduces *zakat* in such a comprehensive way so that it can maximize beneficial effects on the Muslim community. It may also be incorporated into the overall development strategy of any country. According to (Kashi, 2017), the *zakat* concept can transform and makes people responsible and compassionate. Through the spirit of *zakat* society can be able to develop generosity, solidarity, and unity among the Muslim community. He also demonstrated that the *zakat* also determines an effective and efficient character in the socio-economic growth and the divine understanding of Muslim communities. *Zakat* is one of the potent financial instruments in Islam to distribute the treasure from entitled rich individuals to unfortunate people of the community for maintaining equality among the society. Furthermore, *zakat* ensures social wellbeing through equitable allocation to the poor and needy could lead to sound economic opportunity and meaningful social improvements and inequality (Dimas and Raditya, 2010).

In the concept of asset acquisition, *zakat* operates as a balance of generating equality according to Islamic guidelines. In the given context, (Shabri, 1998) also states that *zakat* has certain strengths and has its influence. It helps to

bring Muslims together, develops stronger connections among them, and enables Muslim people to operate collectively. *Zakat* not only acts as a humanitarian mechanism for overcoming social and economic problems but also as a way of sustaining the Muslim economy. Thus, *zakat* progressively establishes a conduit to reduce the gap of income level between the poor and rich. Husein (2003) also provides a similar opinion; *zakat* is not only regarded as the way for increasing the quality of living to the recipients but also enables the beneficiaries of *zakat* as productive citizens within the society.

*Zakat* can merely seem like charity instruments, but it provides easiness and seeing as a channel to support the sourcing of ingredients and supplies. So that, they can make their livelihood through attaining sustenance by themselves. In terms of economic perspective, *zakat* has a multidimensional impact on both micro and macroeconomic levels. The aggregate supply could also be influenced by *zakat* in these three following ways, respectively supply of labor, supply of capital and allocation of the source. *Zakat* provides an impact to the supply of labor, and it improves the health and nutrition of labor including other challenges related to human life. Consequently, it would increase the productivity of labor by making significant impacts on the supply of goods produced in an economy. Likewise, *zakat* also promotes the demand for goods to fulfill the standard criteria for the poor and reduces the need for luxurious products for the elite class. The growth in aggregate consumption and *zakat* revenues delivers resources to recipients with capital reflection as an improvement in aggregate demand (Kahf, 1997).

Azam et al. (2014) finds that *zakat* contributes a positive effect on the micro plus macro-economic level through the well-being of household members and resulting in continuous development in Pakistan. *Zakat* fund may also serve as a social insurance to assist the jobless, refugee children, divorced women, intellectually handicapped, sick, and disabled and so many more (Zulkifly et al., 2002).

The main objective of *zakat* would not be realized until economic equality and fair treatment for the *zakat* recipients is being restored, which leads the beneficiaries of *zakat* to be motivated and encouraged to be self-sufficient and sustained before using the *zakat* reimbursements entirely (Abu Bakar and Abd Ghani, 2011). Similar to a study by Debnath (2015), *zakat* scheme makes modest utilization of the fund and implies to be more impactful than microcredit. He further included that *zakat*-based poverty alleviation scheme must be given priority in terms of earnings since the *zakat* scheme has more capability regarding household income to enhance living conditions of the poor in comparison to the microcredit program.

## CONCEPTUAL FRAMEWORK

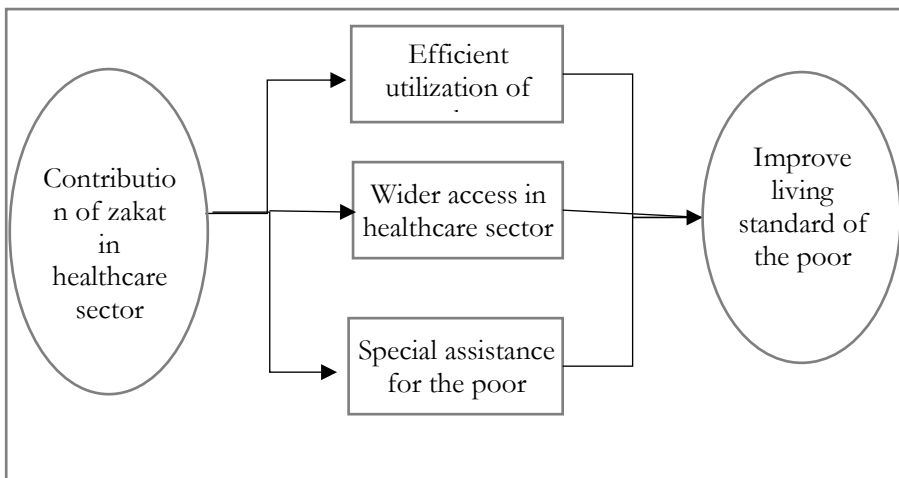
Previous research provides a summary of *zakat*, including literal and *Shari'ah* meanings, *zakat* calculation, and asset classifications. *Zakat* refers to an individual's obligation to donate yearly a set proportion of their wealth to specific groups of people mentioned in the Quran. According to the Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI), *zakat* is a right owed to specific categories of wealth and is transferred to specific groups of beneficiaries. It is a duty after the prerequisites are fulfilled (AAOIFI, 2015).

Furthermore, *zakat* is regarded as one of Islam's most fundamental pillars. *Zakat* may appear to be simply charitable contributions, yet it has the potential to have a significant positive impact on the Muslim community. It can help the *asnaf* overcome their obstacles and become self-sufficient. Through the well-being of *zakat* recipients, it can make significant effect on both the micro and macroeconomic levels and assist for developing Muslim economic wellbeing. *Zakat* is a powerful tool for contributing to a nation's economic progress. According to (Mannan, 1989 and Sadeq, 1990) *zakat* results in a better and healthier flow of money, ensuring the continuous expansion and prosperity of an Islamic economy. *Zakat* is expected to stimulate investment by penalizing the idleness of resources.

However, *zakat* administration offers lots of room for development, which the government can use as a key economic policy tool. Even the health budget changes generally do not lead to changes in access to affordable healthcare, quality of treatment or treatment adherence. Additional analysis, such as improving supply chains and qualities of the health system and reduced inequality from administrations also required to recognize policies that contribute to more effective *zakat* fund utilization. Nonetheless, the public at large is not concerned about *zakat's* true positions and philosophies. Thus, *zakat* is not effectively adapted to the people's maximum advantages despite the majority of Muslim population. Understanding and introducing effective measures and policy reforms that encourage the most efficient use of *zakat* funds in healthcare services. It would enable the countries to make greater use of the limited resources of the *zakat* fund to strive towards affordable healthcare and improved quality of life for *zakat* recipients. Efficient usage of *zakat* fund is considered a crucial concept allowing *asnaf* to get access to all kinds of services related to healthcare.

Furthermore, this paper proposes a framework of a study that contains effective and efficient aspects of *zakat* fund utilization after emerging a thorough literature analysis. Since the analysis is inclusive, the effective aspects listed for the *zakat* fund in this study may not be definitive and complete, whereas more

analytical studies are required to test the effective components before developing a framework to utilize the *zakat* fund efficiently.



**Figure 1: Conceptual Framework**

### CONCLUSION

The paper addresses some of the recommendations including future study proposals based on the findings from the earlier discussion and conclusions. To achieve the quality living standard, the study recommends establishing a *zakat* healthcare institution using the proposed model. Furthermore, to best execute the proposed model of *zakat* management, human resources must be prepared with knowledge of Islamic rulings, management skills, advertisement skills and related requisite information to handle all the concerns raised in the study. The government needs to take more initiative and offer lucrative incentive to attract more Muslims towards *zakat's* contribution. All *zakat* institutions could allocate the *zakat* funds to support government healthcare programs for resolving any pandemic challenge. Alongside, campaigns at the national level should begin with conferences, research projects, commercial advertisements, and public gatherings to spread the knowledge of *zakat*.

The countries must raise knowledge about the importance of paying *zakat* collectively rather than individually, to achieve significant *zakat* goals. *Zakat* institutions must collaborate with other relevant entities such as *waqf* and charitable groups. Based on a detailed examination of the literature, the study designed a framework that includes effective components of *zakat* institutions for ongoing studies. Since there is a huge opportunity for *zakat*, it can be stated

that the application of the described model benefits *zakat* recipients' livelihood, particularly in the healthcare sector for hardcore needy and poor people, apart from the potential increase in *zakat* collection. Nonetheless, the countries can minimize the poverty rate as well by offering a healthy lifestyle and promoting the well-being of the *asnaf*. The *zakat* institutions should be directed to support government projects to resolve the health crisis as well. On the other hand, these projects will create jobs in the health sector as well as other associated industries including health and medical supplies, construction, and manufacturing. However, strong management and administration are required to engage more individuals in realizing *zakat* as the most important aid to society.

Future studies can be conducted for empirical investigations to analyze the suggested effective components required for developing a strong foundation for a viable *zakat* system. This paper also suggests that implementing the applied research could make *zakat* operations more efficient and effective.

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