



Examining Credibility of Zakat System in Pakistani Society

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Abstract

As a Muslim state, the Islamic finance system should be core to the economy of Pakistan. However, so far, the Islamic finance system has not been adopted effectively. In consequence, the Islamic finance system could not make its credibility in a true sense before the masses. Zakat is one of the major pillars of Islam and has the potential to end major social problems facing Pakistani society. However, the main issue of concern is whether the Zakat system is credible or not. In this way, this research tried to analyze the credibility of the zakat system in Pakistani society, highlight a brief account of details about the Zakat mechanism in Islam and Pakistan, and then suggest suitable measures to improve the studied phenomenon. Methodologically, this study was conducted simultaneously in four provinces: Punjab, Sindh, Balochistan, and KPK, Pakistan. Data was taken from 150 respondents from each province, which made a total of 600 respondents. The findings of the study are shown by the Corporate Credibility Scale responses of two constructs: trustworthiness in all provinces, i.e., 38.78 percent, and expertise, i.e., 41.40 percent. In this way, both constructs fall in average credibility. Considering the findings, the core reasons for lower statistics are bad governance, lack of skill, sons, and lack of welfare spending. So, it is suggested that the government of Pakistan should increase its welfare spending and take emergency measures to reform the outdated system of service delivery that caused the low credibility of the Zakat system in Pakistan.

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Introduction

Zakat is amongst the major financial obligations every Muslim has to pay at a certain time if he is a Sahib-i-Nisab, a minimum prescribed amount determined by Shariah on which Zakat is obligatory. The mechanism of collecting Zakat and its disbursements is primarily based on Quranic injunctions (9:60; 9-103). Moreover, the era of the pious caliphate in Islam also provided glaring examples of the collection and disbursement of Zakat. The core objective of Zakat is to maintain economic balance by restricting the uneven distribution of wealth in society and also ensuring the circulation of money that benefits every segment of society. In this way, the Islamic conception views Zakat as an antipoverty instrument. At the micro level, this mechanism aims at meeting the basic needs of every individual. However, a basic point that distinguishes Zakat from other charities is that Zakat is obligatory. Further, Zakat ensures the participation of the poor segment of society, brings them into a beneficial part of society, and aligns them with other segments. As a result, the sense of deprivation among financially suppressed segments is reduced, and they feel like an important ingredient of societal functioning.

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The mechanism of charities in Islam has its objectives, impacts, and significance. The foremost is that it aims to purify the activities of the individuals, as it is said by the Holy Prophet PBUH that charity purifies the activities of the merchant. Then, the development of a civic system ensures the establishment of a group that will work to provide a better life to the people. Next, this mechanism organizes financial activities. After that, economic justice can be achieved through this mechanism as it is built into the system that transfers funds from the rich segment to the poor.

As times change, many norms of the Islamic system are not being practiced in contemporary Muslim societies, but in most areas, the zakat system is working effectively and is also considered one of the important tools of the country's fiscal policies.

Zakat System in Pakistan

Article 31(C) of the Constitution of the Islamic Republic of Pakistan 1973 ensures the effective administration of Zakat and Ushr. The Zakat and Ushr Ordinance of 1980 was enacted, leading to the establishment of the Zakat and Ushr Department in the same year. This division was included in the concurrent list until 2010; however, with the 18th Amendment, it became a provincial topic. Zakat is obligatory and imposed on 11 assets, as specified in the first schedule of the Zakat and Ushr Ordinance. Banks, companies, and other businesses managing these funds withhold Zakat at the source, which is deposited into the Central Zakat Fund. Furthermore, the allocation of Zakat funds is directed to the Provincial Zakat Fund, which thereafter transfers them to the District Zakat Committees of the respective districts. It is important to note that the real distribution of Zakat occurs at the neighborhood level via the Local Zakat committee of a community, among other entities (Zakat, 2015).

Study Objectives

The study's objectives are primarily to examine the present structure of the Zakat system in Pakistani society and analyze its credibility. After that, the research highlighted a brief account of the Zakat mechanism in Islam and Pakistan. Lastly, the research suggested suitable measures to improve the studied phenomenon.

Literature Review

Mohammad (1991) examined the prospects of poverty reduction through the Zakat system in Pakistan. Data was taken from 257 Zakat recipients and the general population between September and October 1988. The study's findings are that the existing Zakat system in Pakistan does not have the potential and has not been sufficient to address the menace of poverty. In this way, the present Zakat system needs to be reformed.

Shirazi (1996) investigated the Zakat and Ushr in three dimensions; firstly, he traced the program's coverage. Secondly, he examined the targeting of the program, and thirdly, he estimated the contribution of Zakat and Ushr to the household income of the families. For empirical analysis, the Household Integrated Economic Survey (HIES) 1990/91 was used. As a result, he claimed that the program rightly targeted the largest population of deserving people, but the coverage of the program was not significantly large, and it only covered 207% of household income.

Suhaib (2009) tried to provide comprehensive details and an evaluation of the zakat system. Simultaneously, he analyzed its contribution to social and economic development in Pakistan. Empirical analysis of the study showed that this Zakat system ensures every individual meets the basic needs of life. However, the basic distinction between Zakat and other charities is that Zakat is obligatory. In conclusion, Zakat helped the poor segment contribute to society's socio-economic activities.

Tarar and Riaz (2012) presented descriptive research in which they traced the impact of Zakat on the economy, specifically its implementation. Hussin et al. (2024) believed that Zakat contributed to society's social well-being by bringing positive changes in the individual's life. Further, Kakar et al. (2022) described brief details of the structure of the Zakat mechanism, like educational stipends,

health care, Madrassa funds, and Guzara allowance. Junejo and Anwar (2023) believed that Zakat helped neutralize consumption and ensure the circulation of money.

Abdullah (2023) aimed to explain the relationship of Zakat with the increase in the number of beneficiaries in the province of Khyber Pakhtunkhwa, Pakistan. The universe of the study was four districts of the Khyber Pakhtunkhwa, namely Kohat, Swat, Charsadda, and Battagram, respectively. For data collection, interviews were conducted with beneficiaries, religious scholars, and Chairman Zakat. Empirical analysis showed that a highly significant relationship was found between Zakat and the monthly income of the beneficiaries. This depicted that a high level of increase was observed in the monthly income of the beneficiaries after they received Zakat. Additionally, these findings reveal that the effective mechanism involved in Zakat disbursement and distribution, in turn, leads to boosting the socio-economic status of the beneficiaries and finally ends the curse of poverty.

Study Significance

This study links the knowledge gaps between existing literature and the newly constructed dimension of research ideas. Moreover, the research has significant worth in the field of research as a few studies have been done on the credibility analysis of such a huge financial mechanism of the nation. More specifically, considering the examination of the credibility of the Zakat disbursement mechanism, this research is a pioneer in this regard. In the long run, this research will open new avenues for conducting research and analyzing the efficacy of governmental departments in providing services for community people.

Methodology

This study was conducted simultaneously in four provinces: Punjab, Sindh, Balochistan, and KPK, Pakistan. As Pakistan Baitul Maal is now a provincial subject, the researcher decided to do a comparative analysis of four provincial Pakistan Baitul Maal and Ushr departments by taking data from 150 respondents from each province. The capitals of the four provinces were selected using simple random sampling, and then respondents were approached using purposive sampling, which made a total of 600 sample sizes for the study.

Research Tool

For data collection, the Corporate Credibility Scale (2001) by Newell and Goldsmith was used. Slight modifications were made according to the study objectives. The Corporate Credibility Scale is further divided into two subscales: Trust/ Truthfulness and Expertise. Both subscales have 4 statements each.

Research Tool Reliability

In the domain of social sciences, researchers construct questions based on the nature of the study objectives, such as demographic questions and other dimensions of the research. Numerous methods are used to check the validity of the constructed tool, but the most widely accepted method is Cronbach's Alpha, which claims that the Reliability coefficient must be 0.80 to 1.0. Newell and Goldsmith (2001) corporate credulity scale's Cronbach's Alpha were between ($\alpha=.84$ and $\alpha=.92$).

Data Collection

No doubt, it was difficult to collect data from all provinces of Pakistan. To collect data, researchers circulated advertisements for volunteers on social media, such as Ed Wonders, and many people contacted the researchers. After detailed interviews through Skype, three volunteers from three provinces, Sindh, KPK, and Balochistan, were selected for data collection from these provinces. These volunteers worked really well, and in at least sixty-five days, desired data was collected from these provinces.

Constraints

During the study, the researcher faced different problems. Firstly, there was a limited time period to conduct such a study at the country level, but researchers worked hard to meet their objectives. Secondly, respondents were hesitant to respond, but using counseling skills inhibited the researchers from getting responses quickly. Overall, it was hard to manage matters related to the study with limited time, financial constraints, and respondents' reluctance, and researchers did their task with determination and strong will.

The researcher faced various constraints: first, there was limited time available for conducting this study. Second, the response rate of the online questionnaire is probably low. Third, despite all the aforementioned constraints, the researcher completed his task with a strong will and commitment.

Analysis and Discussions

The research study used demographic variables to know the frequency and percentage. Similarly, gender, age and professional status were measured (see Table 1, 2 and 3).

Table 1

Distribution of the respondents as per gender

Sr#	Gender	Frequency	%
1	Male	379	63.1
2	Female	221	36.8
	Total	600	100.0

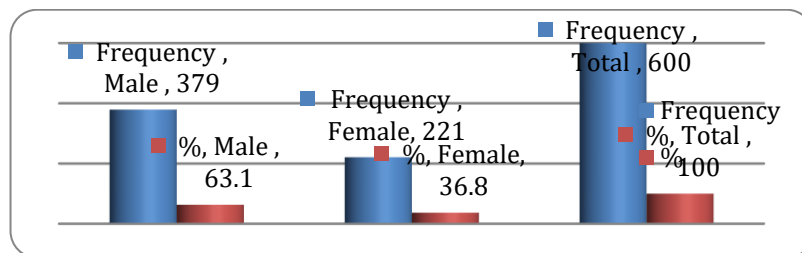


Table 2 describes the frequency distribution of the respondents according to their gender, age, and professional status. Firstly, this table shows that the majority of the respondents were male, 379 (63.1%), and nearly more than one-third of the respondents were female, 221 (36.8%).

Table 2

Distribution of the respondents as per age

Sr#	Age	Frequency	%
1	16 to 25	281	46.8
2	26 to 34	100	16.6
3	35 to 44	69	11.5
4	45 to 54	82	13.6
5	more than 54 years	68	11.3
	Total	600	100.0

Considering the age distribution of the respondents, it has been shown that nearly half, 281 (46.8%) of the respondents were of the age group (16 to 25 years), and only 68 (11.3%) of respondents were above 54 years of age. As a result, less than one fourth of 100 (16.6%) of the

respondents belonged to the age group (26 to 34 years), and only 69 (11.6%) of the respondents belonged to the age group (35 to 44 years). After that, only 82 (13.6%) of the respondents were of the age group (45 to 54 years).

Table 3

Distribution of the respondents as their professional status

Sr#	Age	Frequency	%
1	Student	180	30.0
2	Job holder	108	18.0
3	Unemployed	103	17.1
4	Other	209	34.8
	Total	600	100.0

It is further highlighted the distribution of the respondents as per their professional status, it is shown that more than one third of the total respondents 209 (34.8%) were of different professions and less than one third of the total respondents 103(17.1%) were unemployed. Then, this tables informs that nearly less than one third 180(30.0%) of the respondents were students and only 108 (18.0%) were job holders.

Table 4

Measurement of the credibility in Pakistan

Sr #	Dimension/Construct	Pakistan Baitul Maal and Ushr Khyber Pakhtoon khwa Mean (%) 6235/1200 0=51.95	Pakistan Baitul Maal and Ushr Punjab Mean (%) 5042/1200 0=42.01	Pakistan Baitul Maal and Ushr Sindh Mean (%) 3009/1200 0=25.07	Pakistan Baitul Maal and Ushr Balochistan Mean (%) 4333/1200 0=36.10	Mean (%)
1	Trustworthiness					38.78
2	Expertise	5220/1200 0=43.50	6952/1200 0=57.93	4622/1200 0=38.51	3095/1200 0=25.79	41.4
	Mean Performance (%)	47.7	49.95	31.78	30.94	40.09

The Credibility: for analyzing the collected figures, researchers set a self-constructed measure by setting a standard.

Credibility mean standard is as follows:

Mean 33% or less: low credibility

Mean 34% to 66%: average credibility

Mean 67% to 100%: higher credibility

The Corporate Credibility Scale responses show that trustworthiness in all provinces is 38.78 percent, and expertise is 41.40 percent. In this way, both constructs have average credibility. However, it is unfortunate that an institution constructed on truly religious lines and dealing with financial matters has average credibility.

In detail, examining the construct of trustworthiness in all provinces, Khyber Pakhtunkhwa province has a higher ratio of 51.95 percent. This higher ratio can be the outcome of the influence

of a dominant Islamic culture, and people are strictly followed comparatively. Therefore, trustworthiness is higher in this province. On the other hand, Sindh has the lowest ratio of 25.07 among all provinces, and it comes under lower credibility. Tracing the reasons for the lowest ratio of Sindh might be misgovernance that would result in such alarming figures. After that, Punjab has a ratio of 42.01 percent, which shows average credibility. However, as Punjab is the largest province by population and the most developed among other provinces, these figures are not satisfactory and raise many questions about the performance of the governmental machinery. Then, Balochistan has a ratio of 36.10 percent, which is slightly upward from lower credibility; still, it shows that Balochistan is not only socially depressed but also the ruling elite also failed to provide benefits to the masses as it is clear that Balochistan is the poorest among all provinces; therefore such institutions like Zakat and Ushr department must be efficient in delivering the services in such provinces so that marginalization of these segments should be minimized.

Analyzing the construct of expertise, Punjab province conceived a higher ratio of 57.93 percent. Punjab has a higher literacy rate; therefore, in the construction of expertise, it has a higher ratio, and it has more skilled people in the market. After that, Balochistan has the lowest ratio, 25.79 percent; the reason behind this is the lower literacy rate and lack of educational and technical institutes in the province that produce skillful persons who come forth and serve in government institutions. Then, Khyber Pakhtunkhwa has a ratio of 43.50 percent, which shows the average level of expertise of the Zakat and Ushr departments, and Sindh has a ratio of 38.51 percent, which is also alarming.

Comparing the credibility of the Zakat system in four provinces, Punjab has a higher ratio of 49.95 percent among all, showing average credibility of the Zakat system; Balochistan has a lower ratio of 30.94 percent, showing lower credibility of the Zakat system. After that, Khyber Pakhtunkhwa has a ratio of 47.70 percent, which is considered second in comparison and also has average credibility. Sindh has a ratio of 31.78 percent, which is slightly better than Balochistan, but both provinces have lower credibility. Summing up the above discussions, the core reasons are:

1. Lack of good governance in Zakat department
2. Lack of skillful people in Zakat department
3. Lack of welfare collaboration among state and people

Conclusion

This research tried to analyze the credibility of the zakat system in Pakistani society, highlight a brief account of details about the Zakat mechanism in Islam and Pakistan, and then suggest suitable measures to improve the studied phenomenon. Moreover, this study was conducted simultaneously in four provinces: Punjab, Sindh, Balochistan, and KPK, Pakistan. Data was taken from 150 respondents from each province, which made a total of 600 respondents. The findings of the study are shown by the Corporate Credibility Scale responses of two constructs: trustworthiness in all provinces, i.e., 38.78 percent, and expertise, i.e., 41.40 percent. In this way, both constructs fall in average credibility.

Additionally, Punjab has a higher ratio of, i.e., 49.95 percent among all provinces, which shows the average curability of the zakat system; Balochistan has a lower ratio of, i.e., 30.94 percent, which shows the lower credibility of the zakat system. After that, Khyber Pakhtunkhwa has a ratio of 47.70 percent, which is considered second in comparison and also has average credibility. Sindh has a ratio of, i.e., 31.78 percent, which is slightly better than Balochistan, but both provinces have lower credibility. In light of the findings, the core reasons for lower statistics are bad governance, lack of skillful people, and lack of welfare spending.

Recommendations

- There is a need to take emergency measures to improve delivery service, as it was shown that the effectiveness of services was not up to the mark.

- Recruitment of skilled and competent people increases the credibility of the organization. In this way, the recruitment process should be transparent, which will also increase the organization's credibility in society.
- Despite the urgent need for welfare in some areas, the government of Pakistan is not spending as much as is demanded in the marginalized areas. So, it is suggested that the government increase welfare spending.
- Access to the services should be easy and less time-consuming so that people can quickly benefit from them.

Study Limitations

Certain limitations exist to this study. Due to time constraints and resources, it was not possible to conduct a study at the macro level, but this study is just a pilot study to conduct further research. Regarding similar parameters, the Zakat system can be examined in each district of the county and also in the province separately, which will provide meager details and ensure a micro-level analysis of the facts.

Author Contributions:

The Conception and design: Sadia Shahzad. Collection and refined data: Sadia Shahzad. Statistical Analysis and interpretation of the data: Mooness Sattar. Drafting and Critical revision of the article for important intellectual content:

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