

## Social Welfare through Islamization in Pakistan Assessment and Evaluation (1979-1984)

Christine Gieraths(1)

### Introduction

*"From an Islamic point of view, a community which observes the laws of Allah, no matter how deprived in material circumstances, is much superior to another which is materially wealthy but spiritually impoverished.(...) The key issue is whether a society at large would be prepared to a major erosion in social morales and values in return for more health, education and material comforts (desirable and even necessary as they are). Obviously, judged from our own spiritual and social values, the quality of life in Pakistan as it is, would on balance be considered vastly superior to that in Non-Muslim countries, and would compare quite favourably to that in our brethren Muslim countries."(2)*

The above quotation from an official publication of the Government of the Islamic Republic of Pakistan serves to elucidate the current, value-oriented approach towards social welfare. The cited example, together with other remarks of the same kind,(3) raise expectations of an altogether different approach towards social welfare than that of familiar Western patterns. These expectations are further nourished by statements explicitly rejecting the bureaucratic set-up of social welfare systems in Western and socialist countries.(4) They are rejected on the grounds of being an "unsufferable burden of taxation" and an "equally unpalatable deprivation of freedom".(5) To achieve the ideal society, one should not be "mindlessly seeking to duplicate the system of establishing vast bureaucracies to perform duties of social welfare" but one should solve the problem by "motivating the individual to give onto others voluntarily."(6) In an Islamic State, basing its law on *Shariah*, the public authority is exercisable to ensure that the *Shariah* is observed.(7) The approach towards social welfare as depicted above is the official basis on which the 'Islamic' social welfare measures introduced from 1977 to 1984 under Martial Law in Pakistan are to be understood.

This paper has the objective to probe into what is labelled 'Islamic Social Welfare' relating to the policies in this regard of the Government of

Pakistan from 1979 to 1984, since the formal introduction of the *Nizam-e Islam*, the 'Islamic System'. It will identify the different institutions developed in the field of 'Islamic Social Welfare'. Further it will undertake an evaluation of these measures. Two institutions will be dealt with: *Bait-ul Mal* (BM) and *Nizam-e Zakat wa Ushr* (Z&U). Due to the varying degree of attention and organization which these institutions received from the government, the institution of *Zakat* and *Ushr* will be dealt with comparatively at length.

### **'Islamic Social Welfare' and the Islamization Process**

The history of 'Islamic Social Welfare' in Pakistan can be traced back to 1950 when the first government formed a '*Zakat*(8) Committee' to formulate recommendations about the enforcement of *Zakat* in Pakistan.(9) Later, a 'Voluntary System of *Zakat*' was established which envisaged the depositing of sums of *Zakat* in post offices. Due to the lack of response from the public, however, this scheme was eventually abolished.(10) More half-hearted intends followed. Finally, under the Martial Law of General Mohammed Zia ul Haq and on the background of the declaration of an envisaged overall Islamization, the issue of 'Islamic Social Welfare' was picked up again.

The measures undertaken in the field of 'Islamic Social Welfare' form merely one part of a more comprehensive framework which calls for an ultimately Islamic State, comprising an Islamic Government, Islamic education etc.: in short a nation in which state, religion and society form a homogeneous unit. The vindication for Islamization is generally traced back by the government to the foundation of Pakistan as a homeland for the Muslims of the South Asian subcontinent where they could live in conformity with the spirit and the injunctions of Islam. Provisions to that extent are also present in the constitution of the country.

### **Identification of Measures**

More than one year after seizing power, the Zia Regime announced measures in the field of social welfare, on December 2nd, 1978 (=1st Ramadan 1399 A.H.). Together with other measures in the field of economics and law, the Central Martial Law Administrator (CMLA) announced his

intention to revive the institution of *Zakat* and *Ushr*, generally considered to be one of the five 'pillars' of Islam and the *conditio sine qua non* for any system with the ambition to label itself an 'Islamic Social Welfare System'.

It seems to be quite difficult to trace any other systematic introduction of 'Islamic' measures in the field of social welfare besides *Zakat* and *Ushr*. They alone receive extensive attention, public discussion, work in committees, and final implementation. Other measures in the field of 'Islamic Social Welfare' which received attention in the social sector in Pakistan: Main participants are identified as the institution of *Bait-ul Mal* which precedes the introduction of the *Zakat* and *Ushr* system, and *Qard-e hasana*, the latter being a loan free of cost and repayable according to convenience, for educational and emergency cases of need. *Qard-e hasana* is, however, more properly to be discussed under the heading of interest-free banking. Furthermore, its financial dimensions are quite limited,(11) and the scheme, therefore, shall not be considered here.(12)

## Measures and their Implementation

### 1. Bait-ul Mal

#### 1.1 Term

The term *Bait-ul Mal* (BM) may be translated with 'House of Funds' or 'Treasury'. Some scholars even consider the term to cover an entire fiscal system of the state.(13) In the early Islamic period the term meant the public treasury in which public revenue was collected and from which the expenditures of the state were met.(14) A tradition reporting that one of the caliphs provided help to starving children out of this fund is frequently cited to argue for the responsibility of the state to take care of the well-being of its members.(15) BM in Pakistan, however, was not reactivated in this sense on national level, but was established at district level or below. They were set-up as organizations administering funds raised from donations (which prior to the implementation of the *Zakat* System could be *Zakat*) and spent on different purposes of social welfare.

#### 1.2 Bait-ul Mal Initiative

In Pakistan, the institution originally seems to have been established on private initiative, in a Punjabi village (16) back in 1974. A local landlord,

presently a member of the National Assembly, founded it in order to improve the state of well-being of the people of his locality. Wealthy people of the community were asked by the Foundation Committee to contribute their *Zakat* into the fund. These funds then were to be distributed to needy and deserving people considered as such by the committee members. In other localities, the initiative to set up similar organizations has come from government quarters. The governmental involvement is ambiguous: On the one hand, few documents of official character concerning BM could be traced;(17) on the other hand, newspaper items frequently mention donations from the government on the occasion of setting up BM and the government seems to have sought the advice of the BM founder of the Punjabi village of Dandot.(18) Even the performance of certain government servants was to be judged in relation to the performance of the respective BM.(19) In other cases the CMLA took personal interest in the establishment of BM by providing donations out of the 'President's Fund'(20) and by emphasising his wish for the establishment of such organizations through directives.(21)

### 1.3 Organisational Set-Up

The grade of organization seems to vary from province to province. In the North Western Frontier Province (N.W.F.P.) where the BMs are administered through the *Zakat* Administration, *Bait-ul Mal* disposes of a determined set-up and guidelines for the working of its bodies. BM exists in every district and tehsil in the province, consisting of a seven member committee, headed by a chairman who is a government servant, i.e. the Deputy Commissioner on the district level and the Assistant Commissioner on the tehsil level. They in turn appoint the remaining members.(22) In the Federal Administered Tribal Areas (F.A.T.A.) the political agent of the government is the chairman of the BM.(23) The involvement of government servants could also be confirmed in the case of Punjab and Islamabad Capital Territory (I.C.T.).(24) No organizational set-up whatsoever could be made out for Sind and Baluchistan.

### 1.4 Financial Sources

Depending on the degree of administration-backed organization, the sources of income vary. In N.W.F.P. amounts for the set-up on district level

have been provided by the provincial government and also by the 'President's Fund'. Further sources of income are reported to be donations. The Islamabad set-up provides for a yearly fixed contribution of its permanent members. In the F.A.T.A., an area where the executive authority of the government is limited, BM was financed through the 'President's Fund', with donations ranging between 50,000 and 200,000 Rupees per locality (i.e. district).(25).

### 1.5 Purpose and Working of Bait-ul Mal

When the first initiative on private basis was undertaken to establish a BM it served the purpose to institutionalize the payment of *Zakat*, thus ensuring a certain control of a local body over the flow of funds connected with *Zakat*. When the establishment of BM was later taken up by the government, the timing of this initiative indicates that BM might have been chalked out as a stop-gap organization, until the already envisaged implementation of the *Zakat and Ushr Ordinance* (ZUO) would materialize. (Newspaper items on the establishment of BMs accordingly accumulated from the end of 1979 up to June/July 1980). The fact that many BMs have stopped functioning after the implementation of the ZUO had passed initial stages, endorses this view. Those BMs which were established after these initial stages had passed, underwent a change of objectives.(26) Instead of catering for the needs of the destitutes which are eligible to *Zakat* according to the *Quran*, BM now served the purpose to provide funds in cases which due to *Quranic* injunctions cannot be taken care of by *Zakat*.(27) In areas where the *Zakat* system faced problems of implementation - as was the case in the F.A.T.A. - its purpose and working is still on lines covering *Zakat* as well as non-*Zakat* expenditures.

### 1.6 Conclusion

On the basis of the situation depicted above, the following statements can be made:

1. The absence of any official mentioning of BM in government publications points to an only half-hearted implementation.
2. As a predecessor to the *Zakat* system, BM was probably meant to

- prepare ground for the new system and to fill the time-gap up to its implementation.
3. According to its interim character, the organization varied from locality to locality.
  4. The funds involved suggest that their effects on redistribution of income are neglectable.
  5. The fact that no other province but N.W.F.P. possesses an administrative set-up for BM, and the absolute silence on the organization from the side of the Central Government point to the possibility that BM has served its purpose and, as an 'Islamic Welfare Institution', has been shelved.

## 2. Zakat and Ushr: Assessment

### 2.1 Term

The term *Zakat* literally means 'purification'. It is a payment due on wealth and (in the case of *Ushr*, literally 'tithe') on crops. Both, the obligation to pay *Zakat* and the heads on which it is to be spent, are laid down in the *Quran*. Rates are derived from the Sunnah and the Hadith. The payment of this due is labelled 'purification' as through it one's soul and wealth are believed to be purified.(28) If a person does not pay out of his wealth what is, according to the *Quran*, the right of the needy, his wealth is considered impure and his soul unclean for the lack of gratitude manifested in the non-payment of *Zakat*.(29)

### 2.2 Initiating Zakat and Ushr

In contrast to the institution of BM, *Zakat* and *Ushr* received vast attention and publicity. In an 'Address to the Nation' in December 1978, the CMLA, General Zia announced to enact "all laws" relating to public welfare, specifying, however, only the institution of *Zakat* and *Ushr*.(30) Already prior to this date, a committee was set up, comprising of the Federal Minister of Finance and the Chairman of the Council of Islamic Ideology (CII).(31) The committee called on a 'Panel of Economists and Bankers' to elaborate a report on the introduction of *Zakat* in Pakis-

**Chart 1:**  
**Composition of different tiers of the Zakat Administration**

No. of bodies	Composition	No. of Persons
Central Zakat Council 1	Chairman*; Administrator General Zakat*; Secretary Minister of Finance*; Secy. Minister of Religious Affairs*; 4 Provincial Chief Administrator Zakat*; 3 Ulema **, 1 other member**	12
Provincial Zakat Council 4	Chairman*; Provincial Chief Administrator*; Provincial Secy. Finance*; Provincial Secy. Social Welfare*; Provincial Secy. to the Government*; 3 Ulema**; 2 other members**	10 per PZC total: 40
District Zakat Council 75	Chairman*; District Deputy Commissioner*; 5 members (at least)**; 1 of each tehsil	7 per DZC total: 525
Tehsil Zakat Council 297	Chairman***; Tehsil Assistant Commissioner*; 5 Local Zakat Committee Chairmen***	7 per TZC total: 2,079
Local Zakat Council 36,555	Chairman***; 6 members, residents of the locality***	7 per LZC total: 25,885

PZC = Provincial Zakat Council; DZC = District Zakat Council;

TZC = Tehsil Zakat Council; LZC = Local Zakat Council;

\* = appointed by a higher authority (President, Governour; PZC), official member;

\*\* = appointed by a higher authority, non-official member;

\*\*\* = elected or selected by a lower tier.

*Source:*

For nos. of bodies compare: Central Zakat Administration (CZA): A Brief Introduction to the Zakat and Ushr System in Pakistan, n.d. (approx. June 1985), p.9; for composition compare: Zakat and Ushr Ordinance 1980; interview information.

tan.(32) The panel started its work in early 1978 (33) and a draft ZUO was announced on February 10th, 1979, in an 'Address to the Nation' on the occasion of the birthday of the Prophet Mohammed.(34) It announced the collection of *Zakat* to start from July 1979 and of *Ushr* from October 1979. Due to the low degree of elaboration of this draft and due to numerous suggestions from various lobbies to change certain parts of it, the final implementation was put off until June 1980 in the case of *Zakat* and until March 1983 (!) in the case of *Ushr*.

### 2.3 Organisational Set-up

The ZUO 1980 makes provisions relating to institutional arrangements, assessment, collection and disbursement of *Zakat* and *Ushr* in regard of this 'Islamic Welfare Institution'.

### 2.4 Institutional Arrangements

The institutional arrangements provide for an administrative set-up on five levels. Their composition can be derived from Chart 1.

While in the lower tiers (local and tehsil) an element of election in the installation of the chairman and the members is evident, the higher tiers are partly (district) or totally (province and centre) appointed/nominated by government officials. The set-up provides for a hierarchical system of control by the higher tier over the next subordinate tier. The accounts concerning collection/disbursement of *Zakat* and *Ushr* at the lowest tier are compiled by the next higher tier and so on until the figures reach the Centre.

In addition to this a *National Zakat Foundation* (NZF) was established in 1982 to cater for those expenses which, due to the *Quranic* injunctions, could not be met out of the *Zakat Funds*. The composition of the NZF (Chart 2) reveals a body nominated and appointed by government officials and comprising mostly persons simultaneously engaged in other departments of the government. The authority to sanction funds lies with the Provincial Sub-Committees up to two mio. Rupees, with the Executive Committee at the centre up to five mio. Rupees, while amounts higher than that are handled by the highest tier, the Administrative Committee, which in turn is bound by the directives of the government.(35)



## 2.5 Assessment, Collection and Disbursement

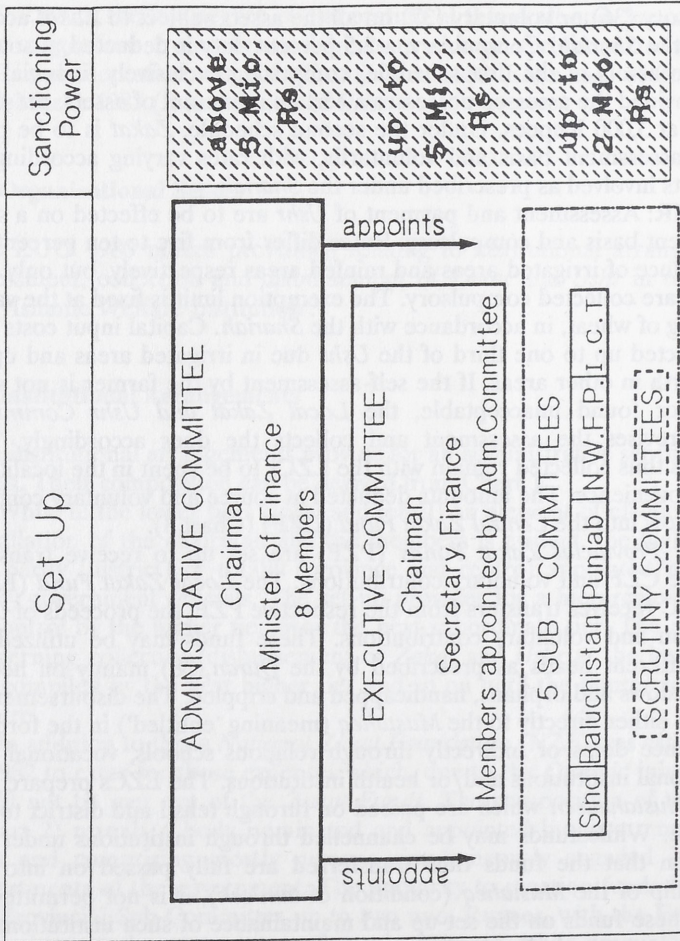
The procedure of assessment, collection and disbursement is different in the case of *Zakat* and in the case of *Ushr*.

**ZAKAT:** Assessment and deduction of *Zakat* are to be effected either compulsory (36) or voluntary (37) on all the assets subject to *Zakat* according to the *Shariah*. Compulsory, a 2.5 percent duty is deducted at source from the assets of the first schedule, comprising exclusively financial assets, provided the assessee possesses a certain minimum of assets, presently fixed at 3,000 Rupees. Under the second schedule, *Zakat* is to be paid on self-assessment basis and voluntarily, with rates varying according to the assets involved as prescribed under the *Shariah*.

**USHR:** Assessment and payment of *Ushr* are to be effected on a self-assessment basis and compulsory. Rates differ from five to ten percent on the produce of irrigated areas and rainfed areas respectively, but only five percent are collected compulsory. The exemption limit is fixed at the value of 948 kg of wheat, in accordance with the *Shariah*. Capital input costs can be deducted up to one third of the *Ushr* due in irrigated areas and up to one fourth in other areas. If the self-assessment by the farmer is not submitted or found unacceptable, the *Local Zakat and Ushr Committee* (LZC) revises the assessment and collects the dues accordingly. The amounts thus collected remain with the LZCs to be spent in the locality of their provenience. The amounts deducted at source and voluntary contributions flow into the *Central Zakat Fund* (CZF) (Chart 3).

Four *Provincial Zakat Funds* (PZF) are set up to receive transfers from the CZF and voluntary contributions. The *Local Zakat Fund* (LFZ) of a LZC receives transfers from the respective PZF, the proceeds of *Ushr* collection and voluntary contributions. These funds may be utilized on eight different heads as prescribed by the *Quran*, (38) mainly on needy, poor, widows and orphans, handicapped and crippled. The disbursement is effected either directly to the *Mustaheq* (meaning 'entitled') in the form of subsistence doles or indirectly through religious schools, vocational and educational institutions and/or health institutions. The LZCs prepare lists of the *Mustaheqeen* which are passed on through tehsil and district to the province. While funds may be channelled through institutions under the condition that the funds thus transferred are fully passed on into the ownership of the *Mustaheq* (condition of *tamleek*), it is not permitted to spend these funds on the set-up and maintainance of such institutions. In order to meet capital and overhead requirements, the NZF, as described above, was called into life, financed out of a 100 mio. Rupees government grant. (39)

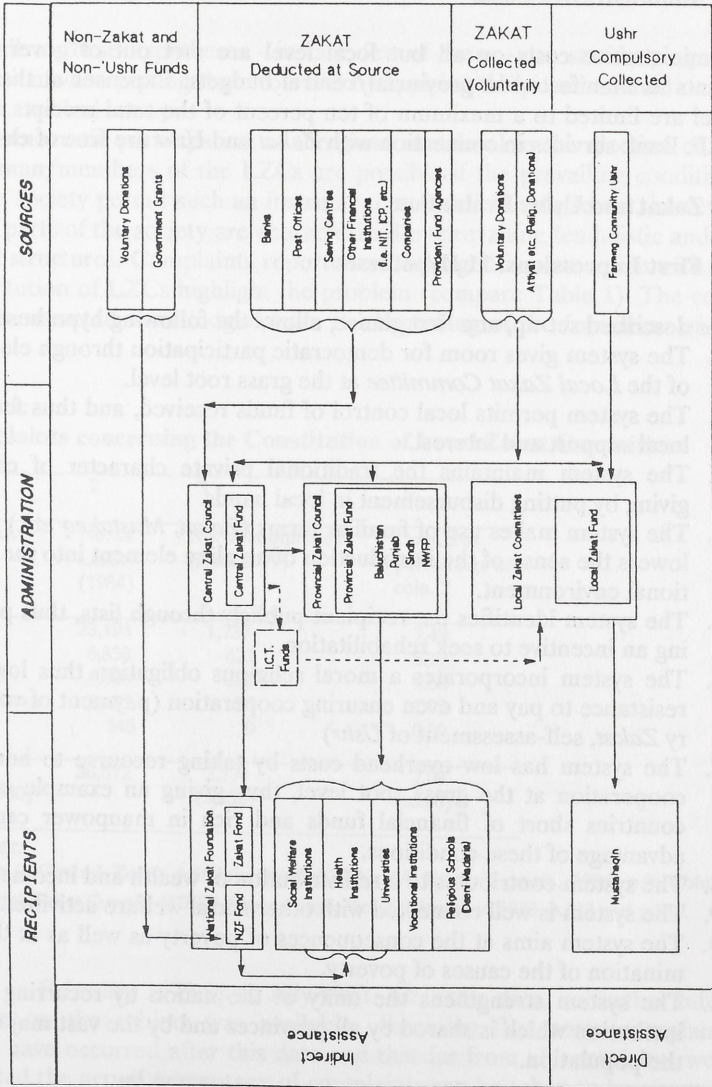
**Chart 2:**  
**Set-up of the National Zakat Foundation with project sanctioning powers of different tiers**



Source:

Elaborated on the basis of "Scheme for Administration of the National Zakat Foundation", in: The Gazette of Pakistan, Extraordinary, Feb. 22, 1982, S.R.O., 162 (1)/82.

**Chart 3:**  
**Flow of Zakat and Ushr Funds**



Source:

Elaborated on the basis of CZA: Annual Zakat Report 1982-83. Islamabad 1983, backside cover.

## 2.6 Administrative Costs

Administrative costs on all but local level are met out of government grants as manifested in provincial/central budgets. Expenses at the local level are limited to a maximum of ten percent of the total receipts of the LZF. Bank services in connection with *Zakat* and *Ushr* are free of charge.

## 3. Zakat and Ushr: Evaluation

### 3.1 First Impressions: 11 Hypotheses

The described set-up, at a first glance, allows the following hypotheses:

1. The system gives room for democratic participation through elections of the *Local Zakat Committee* at the grass root level.
2. The system permits local control of funds received, and thus features local support and interest.
3. The system maintains the traditional private character of charity-giving by putting disbursement in local hands.
4. The system makes use of familiar terms (*Zakat*, *Mustaheq* etc.) which lowers the sense of the introduction of an alien element into the traditional environment.
5. The system identifies the recipient publicly through lists, thus providing an incentive to seek rehabilitation.
6. The system incorporates a moral religious obligation thus lowering resistance to pay and even ensuring cooperation (payment of voluntary *Zakat*, self-assessment of *Ushr*)
7. The system has low overhead costs by taking recourse to honorary cooperation at the grass root level, thus giving an example of how countries short of financial funds and rich in manpower can take advantage of these conditions.
8. The system contributes to a redistribution of wealth and income.
9. The system is well connected with other social welfare activities.
10. The system aims at the consequences of poverty as well as at the elimination of the causes of poverty.
11. The system strengthens the unity of the nation by recurring to an institution which is shared by all provinces and by the vast majority of the population.

### 3.2 Second Thoughts

Not all of these hypotheses - in fact, few of them - can stand up against objection when putting them to a test by applying the present conditions to the theoretical set-up:

1. Democratic participation at the grass root level in the election of the chairman/members of the LZCs are possible if the prevailing conditions of the society permit such an instrument to function. At present, however, large parts of the society are characterized by prevailing feudalistic and/or tribal structures. Complaints reported were lodged in connection with the constitution of LZCs highlight the problem (compare Table 1). The complaints reported were lodged from the beginning of the formation of the

**Table 1:**  
**Complaints concerning the Constitution of Local Zakat Committees**

1	2	3	4
Province	No. of LZCs (1984)	No. of complaints (Dec. 1979)	Coln. 3 as percentage of coln. 2
Punjab	23,193	1,737	7.49
Sind	6,838	423	6.19
N.W.F.P.	4,008	388	9.68
Baluchistan	2,485	26	1.05
I.C.T.	148	0	0.00
Total (July 1980)	36,672	2,574 (5,856)	7.08 (16.00)

*Sources:*

Column 2: Central Zakat Administration (CZA): "A Brief...", op.cit., 1984, p.9; Column 3: Central Zakat Council (CZC), Proceedings, Vol. I, Islamabad 1983, p.112 and p.143.

LZCs in February 1979 up to July 1980. After this date, no further information on the subject was available. Assuming that some complaints might have occurred after this date and that far from all complaints were reported the actual percentage of complaints can be taken to be above 16 percent. This figure confirms the difficulties to apply the concept of de-

mocratic participation according to LZC Constitution Rules.

2. Local control of funds received is given through the fact that it lies in the authority of the LZC to decide who will be the recipient,(40) even if this control is curbed to a certain extent by the guideline of the CZC to spent 30 percent on rehabilitation, 65 percent on subsistence doles and 5 percent as stipends to students at the primary level.(41) Local support for the system can safely be assumed to be strong with the ones administering the local funds. But to the degree in which the election of the LZCs were dubious, the support from the grass root level is likely to diminish. Suspicion of misappropriation of funds can be sustained through complaints reported to the *Provincial Zakat Administration (PZA)*(42) and through news items.(43) As in the case of complaints regarding the constitution of LZCs it can be assumed that far from all cases with irregularities have been reported.

3. In the past, a main feature of giving *Zakat* was that the *Sahib-e nisab* (person possessing more than a certain minimum called *nisab*) personally handed over his charity to whom he considered a deserving person. By assigning this task to the elected LZC (concerning *Zakat* from financial assets and *Ushr* proceeds) the satisfaction derived from the fact of handing over the alms is now no more direct but through intermediation. The LZC might further consider persons non eligible which to the individual giver were, this being a second possible source for discontent with the system. It is further frequently doubted that *Zakat* collected compulsory and distributed through a body still carries the character of *ibadat* (= worship), a characteristic essential for the purifying effect of the payment.(44)

4. The use of familiar terms in a social welfare system to be introduced has advantages as well as disadvantages. Unfamiliar terms which have to be introduced to the public are often subject to suspicion with which alien elements are often received in a traditional surroundings. Thus, terms familiar to the 'paying end' of a social welfare system can, in fact, be expected to lower resistance to the system. On the other hand, the use of familiar terms carries the inherent problem that they privately may be interpreted differently from the official terms. This became evident in Pakistan during the introduction of the *Zakat* system in the resistance to it

by the Shia community,(45) as well as by numerous 'Letters to the Editor' in the daily newspapers, suggesting a handling of *Zakat* differently from the official set-up. New terms leave their definition exclusively to the introducing authority and would avoid the described diversity of interpretations.

5. The public identification of the recipient takes place by maintenance of lists of *Mustaheqeen* and the fact that in a small entity like a LZC, the group pressure on a recipient considered undeserving will lead to efforts of speedy rehabilitation on behalf of the recipient. Incentives to work are given through the fact that the amounts distributed are at a level merely guaranteeing the daily food intake. On the other hand, subsistence doles being that low might make it more profitable to engage in begging, a widespread occupation in the cities which procures an income five to ten times higher than the average *Zakat* dole. Other factors such as the concept of *Purdah* and the concept of *Zakat* as the legitimate claim of the *Mustaheqeen* lower the stigma usually connected with welfare doles. This becomes evident as in spite of rehabilitation achieved through *Zakat*, the number of *Mustaheqeen* receiving *Zakat* keeps rising. The figures in Table 2 support this view.

**Table 2:**  
**Direct Assistance to Mustaheqeen: Its Role in Rehabilitation**

Year	No. of Musta- heqeen in mio	Increase compared to previous year in %	basic year in %	Thereof rehabi- litated in %	Amounts disbursed in mio Rs	Thereof for reha- bilitated in %
1980-81	1.71	-	-	1.6	267.9	4.3
1981-82	2.09	12.2	12.2	2.1	388.4	6.3
1982-83	2.13	2.0	24.5	2.5	545.3	6.1
1983-84	2.72	27.6	59.0	5.8	736.9	18.7
Total	8.65	-	-	3.3	1938.5	10.7

*Sources:*

CZA: A Brief..., op.cit., 1984, Annex, Table IV; calculations on the basis of this data.

The additional claims for *Zakat* thus exceeded the number of claims disposed off as a consequence of rehabilitation.

6. While religious obligation can be considered a factor possibly positively influencing the acceptance of and cooperation with a new social welfare institution, other factors leading to resistance have to be considered. The authority of the state to impose a religious institution is not undisputed. As funds are not sufficient to cover the needs of all the *mustahqeen*, the authority deciding on the distribution, i.e. the members of the LZCs, are vested with considerable power. The personal satisfaction derived from personally handing over *Zakat* is curbed. To isolate these factors regarding their effect on acceptance/resistance to the system might be almost impossible. It is, however, possible to determine the degree of cooperation extended to the system on the basis of two figures: the payment of *Zakat* Voluntary into the fund and the self-assessment/payment of *Ushr*. The relevance of the payment of *Zakat* Voluntary can be derived from Table 3.

**Table 3:**  
**Zakat deducted at source and 'Zakat Voluntary': a comparison**

1	2	3	4	5
Year	Zakat deducted at source in mio. Rs	Zakat Voluntary in mio. Rs	Total Zakat collected in mio. Rs	coln.3 as percentage of coln. 4
1980-81	844.25	0.81	845.06	0.096
1981-82	798.51	1.36	799.87	0.170
1982-83	855.19	1.22	856.41	0.142
1983-84	1011.33	0.85	1012.18	0.084
Total	3509.28	4.24	3513.52	0.121

*Source:*

CZA: A Brief..., op.cit., 1984, Annex, Table 1; calculations on the basis of this data.

Regarding the absolute figures of *Zakat* Voluntary, the table shows an initial increase followed by a steady decrease, reaching almost initial levels in the fourth year. The relative figures (*Zakat* Voluntary as a percentage



of *Zakat* Voluntary plus *Zakat* deducted at source) reports the smallest ever percentage for the last reported year. These figures would have been even lower if inflation was accounted for. All this points to little enthusiasm for the system from the majority of the population. As interviews have confirmed, many prefer to disburse their *Zakat* themselves instead of entrusting this task into the hands of a LZC. Yearly audits of the LZCs have not been able to convince the public that *Zakat* payed to the LZC is properly handled. This is plausible when taking into account that an audit is not by surprise but announced in advance and generally limited to the book-keeping only. The audits further follow a catalogue of questions which is supplied to each LZC together with its working instructions.(46)

The relation of assessment of *Ushr* and actual payment to the value added in agricultural crops as Table 4 shows, may be taken as a second indicator for acceptance/resistance to the system by the public. As the survey from which these figures are taken states itself,(47) the amount of *Ushr* collected merely reaches 0.2 percent of the total value added in crops. Of course exemption limits and crops not subject to compulsory

**Table 4:**  
**Ushr collected/assessed as compared to value added in crops**

Year	Ushr collected/assessed RABI-crop		Ushr collected/assessed KHARIF-crop		Agricultural crops RABI and KHARIF-crops value added in mio. Rs
	absolute in mio. Rs	% of amount collected	absolute in mio. Rs	% of amount collected	
	1982-83	140/183*	76.5*		
1983-84	174/179	97.2	141/148	95.2	58.514
1984-85	86/113	76.0	83/170	48.0	68.989

\* = Government of Pakistan: Pakistan Economic Survey 1983-84, p.133 (this figure is not repeated in the following annual reports).

**Source:**

Government of Pakistan: Pakistan Economic Survey 1984-85, p.14.

*Ushr* have to be taken into consideration. Still, the amounts assessed remain extremely low. From the official side this leads to the suspicion of

"the fact that the government is still facing problems in the administration of *Ushr*".(48) Another argument weakens the possibility that the cause for low assessment has to be looked for only in the administrative set up: The ZUO provides that everybody is entitled to come forward with a self-assessment of the *Ushr* due. As investigations in PZAs have shown, the number of self-assessments are neglectable. Interviews on LZC level have confirmed that *Ushr* - in contrast to *Zakat* - is by many considered to be an additional government tax. All this indicates the probability of a low grade of acceptance of the system.

7. The low overhead cost at the grass root level is reflected in Table 5. At the grass root level (i.e. members of the LZC and all but one member in the tehsil and district levels) all members are working honorarily, without

**Table 5:**  
**Administrative costs of Local Zakat Administration compiled province-wise**

Province	Administrative cost at LZC level							
	1980-81		1981-82		1982-83		1983-84	
	in mio. Rs	as % of total receipt	in mio. Rs	as % of total receipt	in mio. Rs	as % of total receipt	in mio. Rs	as % of total receipt
Punjab	0.566	0.25	0.901	0.31	1.241	0.54	11.315	2.23
Sind	1.799	1.80	1.843	2.62	1.893	1.66	5.705	3.61
N.W.F.P	2.539	4.06	3.681	3.91	2.878	4.16	7.239	5.92
Balu- chistan	0.357	1.08	0.721	2.79	0.219	3.09	1.331	2.56
I.C.T.	0.006	0.36	0.040	0.80	0.034	1.15	0.158	1.90
Total	5.268	1.25	7.188	1.47	6.207	1.49	25.748	3.80

*Source:*

CZA, Islamabad, compiled data, mimeo; calculations on the basis of this data.

remuneration. This is a significant factor in keeping costs down, becoming even more significant when keeping in mind that these levels comprise

approximately 260,000 of these honorary workers. Other expenses on the level of the LZCs are limited to ten percent of the total receipts.(49) This percentage is, however, rarely reached.(50) The picture differs, however, when costs incurred on higher tiers are considered. The administrative costs form part of the budgets of the respective provincial and federal government, as it is not considered rightful to spend *Zakat* on administrative activities on levels above the LZC level.(51) It is interesting to note that even the costs of forms and registers on LZC level are to be borne by the PZA.(52) The budgets for the administration themselves in turn reflect only part of the actual costs, as members of the CZC, PZC and NZF are remunerated out of the budgets of their home departments.(53) It is quite difficult to assess the actual costs of the *Zakat* administration, as most of these officials are dealing with matters of *Zakat* only part of their time. On the basis of the available data it is not possible to determine which part of their remuneration is to be ascribed to the expenses of the *Zakat* administration. The same is the case when it comes to calculating the additional working hours inflicted on *Zakat* deducting agencies - banks, post offices, stock companies, development finance institutions etc. - which do not receive any remuneration for their *Zakat*-connected services. It is to be noted that figures of costs other than on LZC level are not reported within the annual *Zakat* reports of the CZA. This results in quite a distorted picture when assessing the total costs of the system. Further, while cost at the local level remained comparatively stable, administrative costs as reported in the budgets of the provinces and the federal government have experienced considerable increases. These increases are exemplarily presented in Table 6.

In the end it is the tax payer including Non-Muslim and Shia who pay the additional administrative expenditure.

8. It is correct to assume a redistribution of income and wealth through the *Zakat* and *Ushr* system. In fact this is one of the features time and again stressed in innumerable publications about 'Social Welfare in Islam'. The system as implemented, however, is quite limited in this respect due to the following circumstances:

**ZAKAT:** The compulsory levy of *Zakat* as a deduction at source is effecting only financial assets. It can safely be assumed that such assets from which *Zakat* is deducted at source as, for example, deposits, shares in form of Investment Trust (NIT) units or Investment Corporation of Pakistan (ICP) units are held mostly by persons predominantly belonging to

**Table 6:**  
**Administrative costs: Provincial Zakat Administration in the Punjab and N.W.F.P.**

Year	Punjab		N.W.F.P.	
	No. of salaries	Total cost of administration	No. of salaries	Total cost of administration
1979-80				426,910
1980-81			31	1,180,420
1981-82	210	2,570,490	145	1,429,910
1982-83	215	3,940,590	154	2,953,430
1983-84	442	16,276,260**	254*	3,464,450*
1984-85	695	11,528,960		9,029,440
1985-86	717*	13,139,220*		

\* = Figure concerns budget estimate. All other figures are budget revised figures.

\*\* = The sudden increase in the Punjab figures from 1982-83 to 1983-84 is due to the 'Purchase of durable Goods', probably referring to transport acquired in connection with the implementation of the Ushr scheme.

*Source:*

Budgets of the respective provinces for different years.

the middle strata of the society. The upper strata is more likely to hold landed property, industrial assets, bank accounts abroad, i.e. assets falling under the second schedule of the ZUO under which *Zakat* is payable on a voluntary basis. Redistribution taking place via deduction of *Zakat* at source is thus mainly restricted to an exchange between the middle strata and the poorest parts of the society. Furthermore the amounts involved are rather neglectable: As a percentage of the total taxes collected, *Zakat* would hardly make up for two percent as can be derived from Table 7.

Financial dimensions of this kind can hardly bring about a substantial change in the distribution pattern of society.

USHR: Being a proportional tax on gross production and allowing a reduction of one third or one fourth of the *Ushr* due for production costs of tube-irrigated and rainfed areas respectively, *Ushr* turns out to be neutral to gross income. If, however, the actual cost of production is taken into account in relation to the net income (gross income minus costs incurred), the result is quite different. As costs per acre tend to be relatively lower for large-size farms, the ratio cost to net income falls as farm size

**Table 7:**  
**Zakat and Ushr compared to Federal and Provincial Budgets**

	1980-81	1981-82	1982-83	1983-84	1984-85
<b>Budget figures</b> in bill. Rs					
1. Total Revenue	74.0	51.9	59.2	73.2	80.0
2. thereof Taxes	38.8	43.0	49.0	58.4	63.9
3. Expenditure	63.6	71.0	87.1	101.1	109.9
<b>Zakat figures</b> in mio. Rs					
4. Zakat deducted at source	844	799	855	1011	1171
5. Ushr			140	174	113
6. Total Zakat plus Ushr	844	799	995	1326	1340
7. Zakat released	750	500	750	750	1000
<b>Relative figures</b> in %					
8. 4 as % of 1	1.80	1.54	1.44	1.38	1.46
9. 6 as % of 1			1.68	1.81	1.68
10. 4 as % of 2	2.17	1.86	1.74	1.73	1.83
11. 6 as % of 2			2.03	2.33	2.10

*Notes:* Zakat year and Budget year do not coincide. The Zakat years had the following dates: 1. year = 20.06.1980 - 03.07.1981; 2. year = 04.07.1981 - 22.06.1982; 3. year = 23.06.1982 - 12.06.1983; 4. year = 13.06.1983 - 04.03.1984; 5. year = 30.05.1984 - 22.05.1985.

\* = Government of Pakistan: Pakistan Economic Survey 1983-84, p.133.

**Source:**

Government of Pakistan: Pakistan Economic Survey 1984-85, p.14 (Part I) and p.123 (Part II); where figures in different yearbooks do not coincide, the latest available figure has been chosen on the assumption that these figures might be revised figures.

increases. The reduction of the *Ushr* due (one third or one fourth respectively) is not affected by the relatively larger costs the small farmer bears. Thus, to net income, *Ushr* turns out to be a regressive 'tax' falling more heavily on small-size farm holdings than on large ones.<sup>(54)</sup> Furthermore a case study investigating the effects of *Ushr* concludes that the *Ushr* per acre paid by a farmer of a large holding tends to be lower than that of a

small holding.(55) Finally the *Ushr guzar* (the one liable to pay *Ushr*) might try to shift the *Ushr* burden. While this proves difficult in the case of cash crops, it is more likely to be successful in the case of food crops. A rise in food prices, however, would primarily effect the household budget of the urban poor who spend a larger proportion of their income on food. The upper strata of the society will feel this burden to a lesser degree.(56)

So while redistributive effects cannot be completely negated the burden of payment falls more heavily on the small farmer, on the lower and middle strata of society than on the upper strata. Nevertheless one should keep in mind that prior to the introduction of the *Zakat* and *Ushr* system few localities possessed a body where a person in distress could turn to and reasonably expect to be helped. Also budgets of many welfare institutions - health units, orphanages, industrial homes, vocational training institutions - have increased thanks to *Zakat* disbursement, thus administering help to more people than before.

9. A connection between social welfare activities and the *Zakat* and *Ushr* system can be affirmed on the provincial level as the Provincial Secretary Social Welfare is a member of the PZC. Thus the possibility of a connection between *Zakat* and social welfare is given. An actual cooperation between *Zakat* bodies and the Social Welfare Department can be affirmed for two provinces: N.W.F.P. and Punjab. In the case of Baluchistan and Sind the two entities function separately from each other. Punjab, for example, displays an elaborated system of channelling of *Zakat* demands by institutions. Social Welfare Officers of the Social Welfare Department at district level serve as coordinating and law-advising secretaries of the District *Zakat* Councils, bodies which otherwise consist predominantly of laymen. While rivalries between the *Zakat* Administration and the Social Welfare Department eventually do occur, the amounts for disbursement in the hands of the *Zakat* Administration usually ensure cooperation as an enhanced disbursement of fund to social welfare institutions is of interest to the Social Welfare Department.

10. The assumption that *Zakat* and *Ushr* aim at the consequences of poverty as well as at its roots is based on the stress laid by the CZC on the increasing proportion of funds to be directed towards the rehabilitation of *Mustaheqeen*. According to the proceedings of the CZC, most of the funds distributed are to be spent on rehabilitation purposes,(57) i.e. dona-

**Table 8:**  
**Comparison of various central distribution patterns with province-wise shares of population**

Province	Average of 1980/81 to 1983/84 share in			
	1	2	3	4
	Zakat disbursement from Centre in %	Central tax assignment in %	Development revenue receipts in %	Share in population census 1981 in %
Punjab	59	57.11	42.84	56.13
Sind	26	22.58	25.07	22.59
N.W.F.P.	14	12.96	7.74	15.74
Baluchistan	6	7.49	24.35	5.14
I.C.T.	1	n.a.	n.a.	0.36
Total	100	100.00	100.00	100.00

*Sources:*

Column 1: Calculation on the basis of data from *Zakat Annual Report 1983-84*, p.42;

Column 2: Calculation on the basis of data from *Pakistan Economic Survey, 1984-85*, p.143

ff.; Column 3: *ibid*, p.144 ff.; Column 4: *ibid*, p.4.

tion of sewing machines, help to start a small business and payment of *Zakat* through vocational and educational institutions. While the intention as such is to be honoured, the results so far (58) are not encouraging. This might be due partly to the fact that many LZCs are at loss when it comes to find ways of rehabilitation within their narrow financial limits (they are, in fact, expected to function, in a way, as an employment providing agency); partly it is due to the fact that this form of rehabilitation does not touch the roots of poverty. Those have to be searched for in the present economic and social set-up. The directive of spending preferably through institutions may, however, serve the purpose of obtaining a certain degree of control over quite a number of institutions - via auditing and setting up of minimum standards - an instrument of control which prior to the *Nizam-e Zakat* was not there.

11. With strong tendencies of provincial regionalism a system covering the entire nation under the umbrella of 'Islamic Social Welfare' might be

expected to have unifying character. Comparatively poorer provinces could receive a larger share of the *Zakat* disbursement, reflecting their higher needs. Until today, however, funds are distributed among the provinces on population-related criteria as depicted in Table 8. No consensus could be achieved on criteria of need, a matter discussed by the CZC.(59)

In the case of *Ushr*, regional disparities are further aggravated as the proceeds of *Ushr*, according to the rules, are to be spent in the same locality from where they originated. Unless a more equitable distribution can be achieved, the *Zakat* and *Ushr* system will be quite unlikely contribute to the coherence of the nation. A reliable source further commented that the third term LDC elections on a nation-wide level were stayed by the Prime Minister as the law and order situation in two provinces - Sind and Baluchistan - does not permit the holding of such elections. This may serve as an indicator for the fact that the hope to overcome regionalism can hardly be nourished through the *Zakat* and *Ushr* system.

## Conclusion

The system of 'Islamic Social Welfare' as adopted in Pakistan turns out to consist largely of only one institution: the *Nizam-e Zakat wa Ushr*. Other institutions have partly been given up, as in the case of *Bait-ul Mal*, or are of neglectable financial dimensions, as in the case of both, *Bait-ul Mal* and *Qard-e hasana*. Even though official publications originally rejected the idea of a vast social welfare bureaucratic set-up, this is finally the case with the implementation of the *Zakat* and *Ushr* system. Costs are, however, effectively kept down by arranging for a set-up which, in the lower tiers, relies heavily on honorary workers.

While substantial redistribution which might have led to a more equitable society did not materialize, the new system has given rise to quite a number of conflicts. These conflicts resulted from the intention to bring a previously private institution under state control. The implementation of the *Zakat* and *Ushr* system is further likely to aggravate regional disparities. It burdens the middle and lower strata of the society more heavily than the upper strata. Those persons not integrated into a locality as a permanent resident are not covered by the *Nizam-e-Zakat*. Rather than integrating a traditional religious charity into a state administered institution, the system has led to the manifestation of differences between different schools of thought. The system therefore had to provide for an exemp-



tion from the ZUO for those persons following certain schools of thought. Many assets on which *Zakat* is liable are such that effective control of assessment and collection would be either too costly, not feasible or politically not enforceable. The payment of *Zakat* on these assets is thus left to the *Sahib-e nisab*. Value-wise, these assets make up for what could be labelled the invisible part of the iceberg of *Zakat*. The financial assets subject to deduction of *Zakat* at source present only the visible tip of this iceberg. Undoubtedly, an accordingly implemented and population-backed *Zakat* system could carry itself quite a potential for change. The way the present *Zakat* system is implemented, however, makes one doubt whether it was actually enacted with the desire to bring about social change. It rather seems to carry the intention of guaranteeing the status quo by submitting yet another institution to state control. This tendency is not restricted to the institution of *Zakat* alone. It can be observed in such institutions as *Nizam-i Salat* (prayer system), *Deeni Madaris* (religious schools)(60) and *Auqaf* (pious foundations).(61)

Coming back to the quotation at the beginning of this paper, one may conclude that in fact the social moral values and the observance of the laws of Allah seem to have put into second place the strive for a substantial redistribution of income. This is remarkable when it comes to evaluating the entire Islamization process, as the *Nizam-e Zakat* together with the development of an interest-free banking sector are the main pillars of this process. One should not conclude that the sincerity of 'Islamization' is to be doubted. It simply points to the fact that the term 'Islamization' is broad enough to accommodate in it the potential of change as well as the potential of stabilization. In Pakistan, it rather has to be understood in this latter sense.

## Notes

- (1) This paper has earlier been presented at the 9th Conference on Modern South Asian Studies, Heidelberg, 9-12 July 1986. A similar German version of this paper has been published in: Gieraths, Christine/Malik, Jamal: *Die Islamisierung der Wirtschaft in Pakistan unter Zia ul Haq*. Deutsche Stiftung für Internationale Entwicklung (ed.), Bad Honnef 1988.
- (2) Government of Pakistan (GoP): *Pakistan Economic Survey 1984-85*, chapter "Population and Welfare", p.165 ff..

- (3) GoP: Pakistan Economic Survey 1983-84. Islamabad, n.d., p.131 ff.
- (4) GoP: Social Justice and Role of Law in Islam. Islamabad: Pakistan Publications (pamphlet), July 1979, p.8.
- (5) Ibid.
- (6) Ibid., p.9.
- (7) Ibid.
- (8) *Zakat*: yearly duty of giving alms, prescribed by the *Quran*.
- (9) Rehman, Tanzil-ur (Chairman of the Council of Islamic Ideology): Introduction of Zakat in Pakistan. N.p., n.d. (approx. 1981), p.8 ff.
- (10) Ibid.
- (11) Approx. 90 mio. Rupees p.a., thereof three fourth to students and one fourth to persons lacking means for medical and marriage needs.
- (12) Compare Gieraths, Christine: Islamizing the Financial Sector in Pakistan: Main Participants and Final Product. Paper presented at the 10th European Conference on Modern South Asian Studies, Venice 1988.
- (13) Zaman, Mohammad Hasan-uz: The Economic functions of the Early Islamic State. Karachi 1981, p.97.
- (14) Ra'ana, Irfan Mahmood: Economic System under Umar the Great. Lahore 1977 (2), p.119.
- (15) Mir, Safdar: Bait-ul Mal concept of social welfare in Islam, in: The Muslim. Special Issue on Bait-ul Mal. June 8th, 1980, p.A.
- (16) Information about the Dandot *Bait-ul Mal* in District Jhelum, Punjab was collected during an interview in the locality in January 1986.
- (17) There exists documentary proof concerning the official establishment of BM in N.W.F.P., while such proof could not be found in the case of other provinces.
- (18) Pakistan Times (PT), March 13, 1980: "Rs 4 lakh for Bait-ul Mals of Khanewal and Shujabad Tehsil of Multan District"; Morning News (MN), April 5, 1980: "Rs. 21,000 donated to set up Bait-ul Mal"; PT, March 25, 1980: "People's help for Bait-ul Mal sought"; PT, April 21, 1980: "Bait-ul Mal to start from May 16th"; PT, July 7, 1980: "Donations for Bait-ul Mal".
- (19) PT, April 21, 1980: "Bait-ul Mal to start from May 16th".
- (20) As happened in the case of seven agencies in the Federal Administered Tribal Areas (F.A.T.A.), 1982. Source: *Zakat Administration N.W.F.P.*.
- (21) As happened in the case of Rawalpindi Division. Source: Admini-

- strator General Islamabad, interview September 1985.
- (22) *Zakat Administration N.W.F.P.*, interview January 1986.
- (23) Ibid.
- (24) For I.C.T. the organization lies in the hands of the Administrator General Islamabad who is at the same time concerned with the *Zakat Administration*.
- (25) *Zakat Administration N.W.F.P.*, interview January 1986.
- (26) As can be derived from the case of N.W.F.P..
- (27) For example needy Non-Muslims, needy members of the Prophet's family and similar cases.
- (28) Maududi, S. A. A'la: *Economic System of Islam*. Lahore 1984, p.216.
- (29) Ibid.
- (30) Zia, General Mohammad, Address to the Nation, December 2, 1978: "Measures to enforce Nizam-e Islam". Rawalpindi 1978, p.5; it should be noted that no other law of public social welfare was mentioned.
- (31) The CII is a constitutional advisory body of the government. For more details on this body see: Malik, S. Jamal: *Islamisierung in Pakistan 1977 - 84; Untersuchungen zur Auflösung autochthoner Strukturen*. Ph. D. Thesis, University of Heidelberg 1988 (unpublished), chapter 2.
- (32) Report of the Panel of Economists and Bankers on the Introduction of *Zakat* in Pakistan, mimeo., n.d. (approx. end of 1978). On the relations between Panel, CII and Ministry of Finance compare Malik, S. Jamal: *Islamisierung in Pakistan 1977 - 84*, op.cit, p.79-85.
- (33) As can be deduced from some preliminary working papers presented to the Panel.
- (34) Zia, General Mohammad: Address to the Nation, February 10, 1979, "Introduction of Islamic Laws", Ministry of Information and Broadcasting, n.d., p.7.
- (35) Section 9 of the 'Scheme for Administration of the National *Zakat* Foundation', Gazette of Pakistan, Extraordinary, February 22, 1982, S.R.O., 162 (1)/82.
- (36) Assets under Schedule 1 of the ZUO, compare Annex.
- (37) Assets under Schedule 2 of the ZUO, compare Annex.
- (38) Sura 9, Aya 60.
- (39) 'Scheme for Administration ....', op.cit..
- (40) ZUO, para. 18 (2).
- (41) Central *Zakat* Administration (CZA): A Brief introduction to the

- Zakat* and *Ushr* system in Pakistan, n.d. (approx. June 1984), p.10.
- (42) MN, August 31, 1981: "*Zakat* proves success in Punjab". The article cites the 'Chief of the Provincial *Zakat* Administration' with figures concerning complaints.
- (43) Dawn, March 23, 1983: 'Collection of *Ushr* with the help of *Zakat* Committees': "... Those who the social value system of rural areas warn that the local *Ushr* Committee will become either subservient to the big landlords of the area and accept whatever assessment they would submit or they would serve as a tool of one or the other *biraderi* of the area who have been functioning for years ..."; Muslim, June 20, 1982: '20 Chairmen of *Zakat*, *Ushr* sacked by the District *Zakat* Committee Chairman Muzzaffargarh'.
- (44) Rehman, Tanzi-ur, op.cit., p.21.
- (45) The resistance finally led to the exemption from *Zakat* deduction at source of those who declared themselves to follow a school of thought considering the provisions of the ZUO not to be in accordance with their belief. Amendment Ordinance No. I.II of 1980, in: The Gazette of Pakistan, Extraordinary, October 29, 1980, NO. F. 17 (1)/80.
- (46) CZA, *Zakat* and *Ushr* Manual, June 1982, Part I, p.205 ff.
- (47) GoP: Pakistan Economic Survey 1984-85, n.p.,n.d., p.14.
- (48) Ibid.
- (49) By guideline of the CZC: Proceedings, Vol I. Islamabad, April 1983, p.10.
- (50) Each expenditure has to be supported by vouchers and entered into forms and books. This procedure is one factor in keeping expenditures at local level down.
- (51) CZC: Proceedings, Vol. I, op.cit., p.115.
- (52) Op.cit., p.128.
- (53) Compare Chart 1.
- (54) Zahid, N.S.: *Ushr*, a theoretical and empirical analysis. Discussion paper no. 39 (Applied Economics Research Center, University of Karachi). Karachi 1980, p.14.
- (55) Kashif, Azhar Mohammad: A Sociological Study of the Response Patterns of the Enforcement of *Ushr*. M.Sc. Thesis, University of Faisalabad 1984, p.61. The paper does not give the reason for this act. It might be assumed that farmers of large landholdings dispose of more influence and power when it comes to ensure a low *Ushr* demand or resistance to payment.

- (56) Zahid, N.S., op.cit., p.21.
- (57) CZC, op.cit., p.7; CZC: Proceedings, Vol. II. Islamabad 1985, p.584.
- (58) As discussed above, compare also Table 2.
- (59) *Zakat Administration N.W.F.P.*, interview January 1986.
- (60) See Malik, S. Jamal: Islamization of the Ulama and their place of learning in Pakistan 1977-1984, in: ASIEN, 25 (1987), pp.41-63.
- (61) See Buddenberg, Doris: Islamization and Shrines: An Anthropological point of view. Paper presented at the 9th European Conference on Modern South Asian Studies, 9-12 July, 1986, Heidelberg. See also Malik, S. Jamal: Change in Traditional Institutions: The Waqfs in Pakistan. Paper presented at the 10th European Conference on Modern South Asian Studies, Venice 1988.

## Appendix: Zakat and Ushr Ordinance, Schedule 1 and Schedule 2

## FIRST SCHEDULE

(See sections 2 and 3)

## ASSETS SUBJECT TO COMPULSORY LEVY OF ZAKAT THROUGH DEDUCTION AT SOURCE FOR CREDIT TO THE CENTRAL ZAKAT FUND

S. No.	Assets	Rate and basis for computing the amount to be deducted as Zakat.	The Deduction Date	The Deducting Agency.
1	2	3	4	5
1.	Savings Bank Accounts and similar accounts by whatever name described with the banks operating in Pakistan, post offices, National Savings Centres and financial institutions keeping such accounts.	2.5% of the amount standing to the credit of an account at the commencement of the day on the Valuation Date. (No deduction shall be made in case the amount standing to the credit of an account does not exceed the amount notified by the Administrator-General.)	As notified by the Administrator-General for the Zakat year.	The bank, office, Centre, or institution as the case may be, for the Zakat keeping the account.
2.	Notice Deposit Receipts and Accounts and similar receipts and accounts by whatever name described with the banks operating in Pakistan, post offices, National Savings Centres and financial institutions issuing such receipts and keeping such accounts.	2.5% of the face value of a receipt or the amount standing to the credit of an account, as the case may be, at the commencement of the day on the Valuation Date, in each Zakat year.	The date on which the first return is paid or the date of encashment/withdrawal, whichever be earlier in the Zakat year.	The bank, office, Centre or institution, as the case may be, issuing the receipt or keeping the account and responsible for paying the return or the amount encashed/withdrawn.
3.	Fixed Deposit Receipts and Accounts and similar receipts and accounts and certificates (e.g. Khas Deposit Certificates), by whatever name described, issued by the banks operating in Pakistan, post offices, National Savings Centres and financial institutions, on which return is receivable by the holder periodically or is received earlier than maturity or withdrawal.	2.5% of the face value of a receipt or a certificate, or the amount standing to the credit of an account, as the case may be, at the commencement of the day on the Valuation Date, in each Zakat year.	The date on which the first return is paid, or the date of encashment/withdrawal, whichever be earlier in the Zakat year.	The bank, office, Centre or institution, as the case may be, issuing the receipt or certificate or keeping the account, and responsible for paying the return or encashment/withdrawal.
4.	Savings deposit certificates (e.g. Deferral Savings Certificates, National Deposit Certificates), receipts and accounts by whatever name described, issued or kept by the banks operating in Pakistan, post offices, National Savings Centres, financial institutions, companies and statutory corporations, on which return is receivable and is received by the holder on maturity or encashment.	2.5% of the payable value of certificates or receipts or the amount standing to the credit of an account, as the case may be, as on the Valuation Date.	The date on which the maturity value is paid, or the date of encashment/withdrawal.	The bank, office, Centre, company, or corporation as the case may be, responsible for paying the return or the amount withdrawn, or retaining encashing the certificates or receipts.
5.	Units of the National Investment (Unit) Trust.	2.5% of the face value or repurchase value of the Units whichever is lower, as on the Valuation Date in each Zakat year.	The date on which the first return or the repurchase value is paid whichever be earlier in the Zakat year.	The Trustee of the National Investment (Unit) Trust or its authorised agent paying the return, or the repurchase value of the Units.
6.	I.C.P. Mutual Fund Certificates.	2.5% of the face value, or the market value based on the closing rate at the Karachi Stock Exchange, whichever is lower as on the Valuation Date in each Zakat year.	The date on which the first return is paid in the Zakat year.	The Investment Corporation of Pakistan.
7.	Government securities (other than prize bonds and certificates mentioned at serial number 1 and 4) on which return is receivable by the holder periodically.	2.5% of the face value of the Government securities as on the Valuation Date in each Zakat year.	The date on which the first return is paid or the date of encashment/withdrawal, whichever be earlier in the Zakat year.	The bank, office or institution, as the case may be, responsible for the return or encashment/withdrawal, or redeeming the securities.
8.	Securities including shares and debentures (other than those mentioned at serial number 5, 6 and 7 above), of companies and statutory corporations including those held in the name of a company or a statutory corporation, on which return is payable periodically or otherwise, and is paid.	If listed on the stock exchange, 2.5% of the paid-up value, or the market value based on the opening rate at the Karachi Stock Exchange, whichever is lower as on the Valuation Date, in each Zakat year. If not listed on the stock exchange, 2.5% of the paid-up value on the Valuation Date, in each Zakat year.	The date on which the first return is paid, or the date of encashment/withdrawal/redemption whichever be earlier in the Zakat year.	The corporation, company or institution, as the case may be, responsible for paying the return or encashment/redemption of the securities.
9.	Annuities.	2.5% of the amount of annuity benefit in each Zakat year and in case of surrender, 2.5% of the surrender value, as the case may be.	The date of payment of the annuity benefit or the date of surrender value.	The issuer or the bank keeping it, or the amount in the form of an annuity.
10.	Life insurance policies.	2.5% of the surrender value as on the Valuation Date in the Zakat year in which the policy matures or its survival benefit or surrender value is paid, as the case may be.	The date of payment of maturity value or of survival benefit or of surrender value.	The insurer.
11.	Provident funds.	In case of non-refundable advance, 2.5% of the amount drawn or, in case of final settlement, 2.5% of the balance standing to the credit of the subscriber as on the Valuation Date, including in both cases the employer's contribution and the return accrued thereon.	The date of payment of the advance or of the balance.	The authority, officer or institution, as the case may be, issuing maturity benefit of the balance.

Note-1. Deduction at source exceeding two and one-half per cent of the value of an asset specified in this Schedule, shall not be made in respect of that asset within the same Zakat year.

1-A. No Zakat shall be charged on the amount paid as premium of a life insurance policy of a person from his Provident Fund and, where the proceeds of a life insurance policy of a person are credited to this Provident Fund during a Zakat year, no Zakat shall be charged on the amount received or drawn during that year as final settlement of his account in the Provident Fund or on non-refundable advance, to the extent of the proceeds so credited.

2. If the amount to be deducted as Zakat, in a particular case, is less than a rupee, it shall not be charged, and, if it is more than a rupee but has a fraction of a rupee, fifty paise and more shall be treated as the next higher rupee and less than fifty paise shall not be charged, where the entire amount of the return or balance to be appropriated towards Zakat and the amount exceeds a fraction of a rupee, this fraction shall not be so appropriated.

3. The Deduction Date for serial number 1 shall be deemed to be a public holiday, for bank's hour, within the meaning of the Negotiable Instruments Act, 1881 (XXV) of 1911. Bank shall, however, remain open for their employees.

4. In case the amount of the first return on any of the assets specified at S. Nos. 2, 3 and 5 is less than the Zakat due, the entire amount of such return shall be appropriated towards Zakat and the unrecovered balance shall be deducted from the subsequent returns paid during the same Zakat year or, as the case may be, from the encashment or surrender value.

## SECOND SCHEDULE

[See Sections 2, 3 (5) and (5)]

ITEMS NOT SUBJECT TO COMPULSORY LEVY OF ZAKAT BUT ON WHICH ZAKAT IS PAYABLE BY EVERY SAHIB-E-NISAB ACCORDING TO THE RELEVANT NISAB ON SELF-ASSESSMENT BASIS, EITHER TO ZAKAT FUND OR TO ANY INDIVIDUAL OR INSTITUTION, ELIGIBLE, UNDER THE SHARIAH, TO RECEIVE ZAKAT

S. No.	Items	Rate and Basis for Self-assessment
1	2	3
1.	Gold and silver and manufactures thereof	2.5% of the market value, as on the Valuation Date.
2.	Cash	2.5% of the amount, as on the Valuation Date.
3.	Prize bonds	2.5% of the face value, as on the Valuation Date.
4.	Current Accounts and foreign currency accounts and, to the extent not subject to compulsory levy of Zakat under the First Schedule, other accounts, certificates, receipts, Units of National Investment (Unit) Trust, ICP-Mutual Fund Certificates, Government securities, annuities, life insurance policies and Provident Funds.	2.5% of the value of the asset, as on the Valuation Date.
5.	Loans receivable, excepting loans receivable by banks, other financial institutions, statutory corporations and companies.	2.5% of the amount of loan receivable, as on the Valuation Date.
6.	Securities including shares and debentures, to the extent not subject to compulsory levy of Zakat under the First Schedule.	If listed on the stock exchanges 2.5% of the market value (i.e. the closing rate at the Karachi Stock Exchange, as on the Valuation Date. If not listed on the stock exchange, 2.5% of the paid-up value as on the Valuation Date.
7.	Stock-in trade of:—	
	(a) Commercial undertakings (including dealers in real estate).	(a) 2.5% of the book value, or, at the option of the Sahib-e-nisab, the market value, as on the Valuation Date.
	(b) Industrial undertakings	(b) 2.5% of the book value, or, at the option of the Sahib-e-nisab, the market value of raw materials and finished goods, as on the Valuation Date.
	(c) Precious metals and stones and manufactures thereof.	(c) 2.5% of the market value as on the Valuation Date.
	(d) Fish and other catch/produce of the sea, except catches by indigenous techniques.	(d) 2.5% of the value as on the Valuation Date.
9.	Agricultural/including horticultural and forest) produce:	
	(a) Tenant's share	(a) (i) 10% of the produce, as on the Valuation Date, in the barani area; and (ii) 5% of the produce, as on the Valuation Date, in the non-barani area.
	(b) Other than the tenant's share	(b) (i) 5% over and above the compulsory 5% in the barani area as on the Valuation Date; and (ii) One-fourth of the value of produce allowed as an allowance for expenses on production. (iii) For owners of 80 to 89 heads: two calves between two years and three years old; (iv) For owners of 90 to 99 heads: three calves between one year and two years old; and (v) For owners of 100 and above 100 heads: as in Sharab.
	(c) Camels	(c) (i) For owners of one to 4 heads: nil; (ii) For owners of 5 to 24 heads: one sheep/goat for every five heads; (iii) For owners of 25 to 35 heads: one she-camel between one year and two years old; (iv) For owners of 36 to 45 heads: one she-camel between two years and three years old; (v) For owners of 46 to 60 heads: one she-camel between three years and four years old; (vi) For owners of 61 to 75 heads: one she-camel between four years and five years old; (vii) For owners of 76 to 90 heads: two she-camels between two years and three years old; (viii) For owners of 91 to 120 heads: two she-camels between three years and four years old; and (ix) For owners of more than 120 heads: as in Sharab.
12.	Wealth and financial assets other than those listed in Schedules, on which Zakat is payable according to Sharab.	As per Sharab.
10.	Animal (fed free in pastures):	As on the Valuation Date:
	(a) Sheep or goats	(a) (i) For owners of one to 39 heads: nil; (ii) For owners of 40 to 120 heads: one sheep/goat; (iii) For owners of 121 to 200 heads: two sheep/goats; (iv) For owners of 201 to 399 heads: three sheep/goats; and (v) For owners of every complete additional hundred heads: one sheep/goat.
	(b) Bovine animals	(b) (i) For owners of one to 29 heads: nil; (ii) For owners of 30 to 39 heads: one calf between one year and two years old; (iii) For owners of 40 to 69 heads: one calf between two years and three years old; (iv) For owners of 70 to 99 heads: two calves between one year and two years old; (v) For owners of 100 to 120 heads: one calf between one year and two years old and one between two years and three years old.