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**Zakat and Distribution of Wealth on Islamic Economy: Case of Morocco**

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ABSTRACT

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This paper presents a theoretical approach and an empirical study that demonstrate how the Islamic economic principle, Zakat, can achieving an ideal distribution of wealth. Indeed, if some researches allowed to develop the theory of distribution of wealth in Capitalism or Marxism context, the present research has a new contextual perspective, which is to introduce and implement the Islamic economic model from where emerges the notion of Zakat that plays an imminent role in decentralizing wealth as well as in resolving socioeconomic issues, such as poverty and economic inequalities among people. This statement will be confirmed throughout this paper and will be illustrated by the fact that Zakat have had a significant impact on balancing the economic wealth within society during the pre-colonial era in Morocco.

## Introduction

The concept of wealth distribution has been a controversial subject for many centuries as economists, sociologists, philosophers and other physicians have argued over the subject. It interests everybody, peasant or nobleman, worker or industrialist, server or banker, each since the observation post which he occupies, sees important things on the living conditions of some and others, on the reports of power and of domination between social groups, and invents his own conception of what is fair and of what is not. A good distribution of wealth will remove all of the socioeconomic problems that result from social and economic inequalities. There will be no domination among each other, and each individual will be treated the same and will have as much chance to get wealthy as anybody else.

This research paper urges us to bring and study a new concept that is very different and more effective than conventional ones. This economic principle, which is *Zakat*, has long been applied within Muslim communities and proved itself to be healthy to the economy of the society.

This statement induces us to conduct a deep analysis on the different aspects of *Zakat* by raising important questions: What are the foundations of *Zakat*? What contributions does it bring to promoting the distribution of wealth and treasury within a society?

This paper has two essential parts that will present the analysis relating *Zakat* and wealth distribution, and the Moroccan context will be taken as an example.

✓ The first part will be dedicated to the critical analysis of conventional economy, by studying of the worldwide context of the inequality of distribution, and how the *Zakat* as an instrument of Islamic economy can contribute in economic growth and social equality.

✓ The last part will present the results of Moroccan politics and policies, in terms of wealth distribution, when *Zakat* was applied and when it was not.

### **1. *Zakat* and distribution of wealth on Islamic Economy:**

The equality of distribution of wealth it is an important economical politic target for most of countries.

#### **1.1. The worldwide wealth distribution inequality: What alternative?**

After a stage of reduction of inequality starting in the forties, industrial countries knew these 20 last years an important increase of inequality which cannot decently be considered any more as short-term. Capitalism, since its inception, has engendered a number of financial crises that impoverished societies around the world. Without economic responsibility and without

aligning economic models with democracy, inequalities shall stay forever. As we saw with the financial crisis of 2008 that increased the unemployment rate, which has contributed even more to increasing social and economic inequalities. This model clearly fails to balance wealth distribution among individuals but instead makes the rich richer and the poor poorer. Therefore, this leads us to the critical question: how effective is capitalism in balancing economic inequalities and ensuring a decent wealth distribution among individuals? These dilemmas, changes and economic problems encourage us also to wonder how wealth will be distributed for future generations, in 2050 or even in 2100? Will the world be had by traders, super-frames and possessors of important heritages, or by the oil countries, or by bank of China?

So, what we really know about the evolution of the distribution of wealth on long term? We question whether the demographic perspective concerning the worldwide overpopulation according to Malthus and whether the principle of curiosity according to Ricardo? Does the dynamics of the accumulation of the private capital drive inevitably to a concentration always stronger in wealth and in power between some hands, as did think it was Marx in the XIXth century? Or equilibrate force of growth, competition and technical progress they driving spontaneously to a reduction of inequality and to a harmonious stabilization in the advanced stages of development, as thought of it Kuznets in the Xth century?

In a sense, we are at this beginning of the XIth century in the same situation as the observers of the XIXth century: we are waiting an impressive transformation, and it is very difficult to know when they can start, and what will resemble the worldwide distribution of wealth, between countries as in inside countries, on horizon of some decades.

Studies, in terms of effective models in distributing wealth evenly among individuals within a particular society, have been done, but they are all theoretical, and thus there are not enough conventional practical facts that support the finest wealth distribution claim. For a long time, scholars whom their work tackles the distribution of wealth published theoretical approach that lack practical evidence. The Islamic economic model has the ultimate solution to the optimal distribution of wealth among individuals.

As a lifestyle, Islam tackles every aspect of society's concerns. Whether it is at the spiritual, individual, social, economic or political level, Islam gives clear instructions and directives to individuals in order to go through the rightful path. Scholars and Muslim economists developed multiple definitions of the Islamic economic model that are founded based on the fundamental sources of the Islamic sharia which are the Koran and the hadiths.

Contrary to the communist and capitalist system, Islamic economy considers the society as a group of individuals who move, who live and who work in harmony, so link must be strong between the worker and the fruit of its job.

The Islamic economic system strives to achieve an economic growth that will contribute to social equality. Public ease is not the only question to be taken into account, what dominates is that poverty, and inequality in the access to public property, are abolished. It what matters most is the development of a situation that allows everybody to use resources and that could remove poverty, discriminations, inequality of chances and inequality in front of law.

### **1.2. The role of Zakat in distribution and decentralization of wealth:**

The Islamic economy requires the circulation of capitals and encourages the owners to secure a return from their lands and promotes respect and development of minor private properties much more than the big ones. In fact, Islamic economy cares first about possessors of small capitals before the possessors of big capitals contrary to other visions which are deprive the rich, or make him predominant.

Therefore, the inequality of incomes, based on fact to the private appropriation of means of production, has certainly some advantages since it promotes effectiveness, rationality, innovation, diversification, competitiveness and improvement of the quality of products. However, these advantages can turn into a real danger when the income gap among individuals and classes becomes wider and wealth is concentrated among the richest. The Koran says: **«So that it does not circulate among the only rich men of you»**.

Such concentration of wealth will inevitably impact the economic, social and political agenda which seeks the common good regarding the distribution of wealth. The Islamic economic system has some instruments that some Muslim economists regroup them in two categories:

- a. The fundamental instruments in the Islamic system such as: Zakat, the system of succession, Waqf, donations and expiations (Al kafarat).
- b. The principles linked to economic policies such as tax appeal, the implementation of a social security system and the promotion of agricultural and business properties.

Zakat has strong ethical practices, for it develops individuals' sense of responsibility and their awareness of their duties toward the society to which they belong, and beyond this, it trains them to deprive any form of selfishness, corruption or economic crime. In addition to that, Zakat allows the Islamic community to prevent any delinquency from an economic tyranny which can

manifest itself in the absence of a fair and rational system that shares financial resources. Moreover, Zakat is a major instrument in averting an excessive accumulation of wealth and helping the poor and the most vulnerable members of the society.

While the Islamic economic model imposes the deduction of Zakat from people who have enough financial means, it also defines the most appropriate ways of giving it out. Indeed, Zakat targets and goes to the needy people who are depicted into eight traits:

- ✓ The poor who do not beg: individuals living at the poverty threshold
- ✓ The poor who beg: These are extremely poor and, therefore, ask others for food and clothing.
- ✓ The Debtors: Debtors burdened by debts and lack financial resources to pay back because of personal needs or social necessity, and thus are forced to borrow money for the sake of their family, for example, are entitled for Zakat.
- ✓ Attracting Hearts: Zakat is also to be paid to attract the hearts of those who have been inclined towards Islam and facing economic hardship because of this change. Such donation should be made on a need basis.
- ✓ Freeing Captives: Zakat can be used to get the slaves freed. There is hardly any case of this type in these days.
- ✓ The traveler: If a foreigner is genuinely in need of money to return to his home and his purpose for traveling is approved, he is entitled to get money from Zakat.
- ✓ Allah's Cause: Warriors fighting against an invader of an Islamic State shall receive financial resources from Zakat.
- ✓ Zakat Collectors: An institution collecting Zakat can get funds from Zakat.

Despite the obligatory aspect of Zakat in Islam, it's considered essential in depriving wealth concentrations among minorities. Unlike the conventional tax system where the rates are significant, Zakat is characterized by a large domain of application since it applies to incomes, wealth and invisible property.

The decentralization of wealth and the distribution of Zakat remains therefore a proper means of allocating funds to the people in need not only directly, but also across the creation of new investments. Funds coming from Zakat are divided where they were collected. This politics of redistribution of incomes is much more rational and effective than the conventional wealth centralized system in terms of balancing economic inequalities and achieving social welfare.

Henceforth, regarding the causes inducing income inequalities, Zakat has as imminent role in guaranteeing social justice by bringing necessary measures for the reestablishment of the socioeconomic balance of the society.

## **2. Zakat and distribution of wealth in Morocco:**

Many countries still didn't come back into the same level where economic growth and reduction of inequality go hand in hand. Morocco is among the countries which endure from inequitable sharing out of treasures in spite of the growth accomplished during these last years.

### **2.1. Morocco between growth and inequality: In XXIth century :**

During last decades, Morocco improved the majority of the indicators socio economic. Except that this development was not of the benefit of the population. Therefore the wealth is distributed in an inequitable way and inequality persists on a multidimensional ladder between men and women, urban and rural, developed regions and less developed regions, and of course between rich men and poor people. However, the upward of inequality represents a real challenge for the concrete expression of objectives fixed in social cohesion.

In about twenty years, from 1991 till 2011, the consumption per person knew a significant increase, from 800 to 1200 US Dollar. This increase in consumption constitutes, next to the fall of multidimensional poverty, principal factor of the reduction of monetary poverty. Conversely, the social inequality measured by the Gini coefficient<sup>91</sup> showed, throughout period, some rigidity discriminating against the fall of poverty. This tendency would bring back this indication to a level from 0,408 to the slightly upper 2011 to that recorded in 1991 (0,393) or in 2001 (0,406)<sup>92</sup>.

The upward trend of inequality is accompanied, moreover, by an increase of their impact on poverty. And according to the experts of the HCP<sup>93</sup>, 2 growing points are needed to absorb a point of inequality<sup>94</sup>.

In fact, the 10 % richest totaled, during period 1990-2011, more than 30 % of global consumption, against 2,6 % for the 10 % poorest. So 20 % richest household have 55,4 % national incomes while the 20 % poorest have only 4,1 %. The reduction, in the long term, of this level of inequality

<sup>91</sup> Zero and 1 Gini coefficient mean, respectively, perfect equality and perfect inequality. When an economy moves away from zero indicates increasing inequality and vis versa.

<sup>92</sup> For more detail see "Le rapport du « Enquête panel de ménages 2012 ».

<sup>93</sup> HCP: High commission for planning.

<sup>94</sup> According to the national report relating to objectives millenniums for development (2012), a 1 % economic growth gives rise to a reduction of the rate of 2,3 % poverty in 1985, 2,7 % in 2001 and of 2,9 % in 2007.

reverberates on several domains, for example, in 2007, the complete inequality of the expenses of consumption am due for 31,3 % to difference between the school levels of the domestic leaders, followed from a distance by the sector (18,7 %) and the middle of residence (11,6 %).

The inequality exists as demonstrate it the urban/rural ratio and rich/ratio, in the table below:

**Table 1:** Evolution of the inequality of consumption in Morocco

	1991	1999	2007	2012
Expenses of consumption of the 10% poorest	2.8	2.6	2.6	2.1
Expenses of consumption of the 10% richest	30.8	31	33.1	36.8
Rural/Urban report	1.68	1.75	1.79	2.13
Report 10% richest/10% poorest	11	11.9	12.7	17.5
Gini co-efficient	0.393	0.395	0.407	0.398

**Sources:** HCP 2012, ONDH 2012

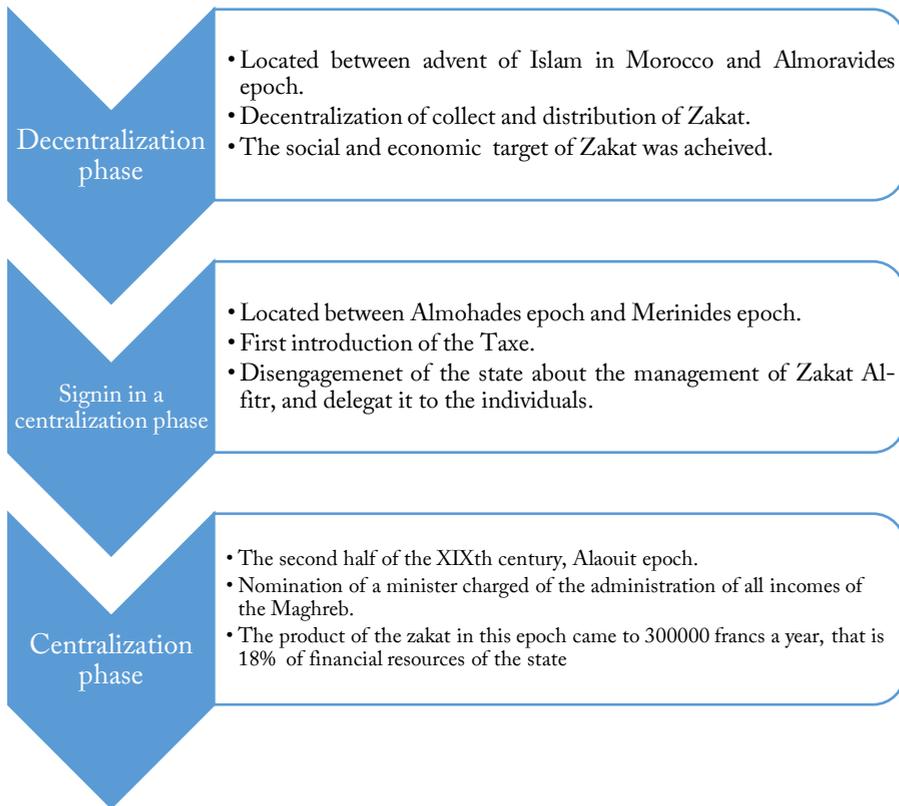
Also, the regional analysis shows that the inequality of distribution of wealth exists between different regions.

However the questions which settle, are, what is reason behind this variation between the levels of inequality in Morocco? And how it will be able to assure a socioeconomic growth and at the same time an equilibrate distribution of wealth?

## **2.2 Zakat and distribution of wealth in Morocco at pre-colonial period:**

The institution of Zakat knew in Morocco a period of peak since the first time of Islam up to the colonial epoch.

This period was located between the beginning of Islamic epoch in Morocco and institution of the protectorate in 1912. During of this period 3 phases of distribution of wealth are to differentiate in table below:

**Table 2:** Phases between decentralization and centralization of wealth

**Sources:** Magazine "AZ-Zakat", Morocco, n°37, June 2015.

In Almoravides epoch, the distribution of Zakat was so organized that it contributes on the social and economic development. It is said that the Wali (governor) of Zakat, Yhya Ibn Said, envoy the caliph Omar Ibn Abdelaziz in North Africa wrote: "*Omar Ibn Abdelaziz sent me on Sadaqat of the North Africa, and I fulfilled them, and I asked to give them to the poor people, but I didn't find whoever to get them. Undoubtedly, Omar Ibn Abdelaziz enriched people*".

The available figures in Zakat recipes go back up at the end of the XIXth century, show that structure of the Moroccan budget wasn't state of deficits budget. This is allocated to the specify of the organization of Moroccan government which according to Abdesslem Taleb "*unlike other governments of the World, can, if necessary, work without money*". In the part of recipes, the product of the Zakat came in this epoch to 3000 000 francs a year, that is about 18 % resources of the state.

In spite of difficulty to access in the ciphered data of the Zakat in this period, it proves that the Zakat could serve of many social objectives under reigns of different dynasty.

Functions charitable were assured and can be so introduced:

- ✓ **In poor and necessitous:** food (Mérinides), clothing and benefits in kind and in currency in the course of the month of Ramadan (Saadites), creation of houses of pensions (Alaouites), ect.
- ✓ **Sector of health:** buildings of hospitals and purchase of buildings put in Awqaf (Mérinides and Almohades).
- ✓ **Education:** building of schools and allocation of Awqaf property for consolidate their financial autonomy, distribution of grants to the students according to their school results (Alaouites).
- ✓ **Liberalisation of the Muslim prisoners:** liberalization of 48000 Moroccan Muslims, Algerian and Turkish (Alaouite).
- ✓ **Assistants to the immigrants by their religion in the earth of Islam:** assistance in the immigration of Andalous after the fall of Cordoue and of the Algerians in 1830.

On the other hand, it was a kind of sharing out of the wealth that supported a decent living standard for the poor people, the sick, the students, the prisoners or the immigrants.

Contrary to the fact that Morocco outstanding discounted bills today in term of inequality of sharing out of treasures, Islamic economy assures across the application of Zakat a better social and economic redistribution.

## Conclusion

This paper have for objective, across a trip in time and in space, to deepen a subject which resides of a big importance in the present situation, and more research of which there is theoretical than practices.

The subject of distribution of wealth, turns out in reality to be much larger than it s ' appears to it, a phenomenon which needs a deepened study, and that leads us towards the reason of the choice of this subject which presents Zakat as an ethical and practical solution to this paradox. So, how Morocco could resolve the problem of distribution of wealth inequality with application of Islamic economic system?

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