

Exploring practices and roles of zakat system in socio-economic development among the people of south Wollo and Oromo special zones, Amhara region

Shikur Muhammed*

¹ Lecturer in Accounting and Finance, College of Business and Economics, Wollo University, Dessie, Ethiopia

Abstract

To make things worth, evidence revealed there is a dearth of research on Zakat system and socioeconomic development. Therefore, the current study aims to explore the practice and the roles of Zakat institution with respect to socioeconomic development among South Wollo and Oromo Special zones of Amhara regional State. The specific objectives are discussing the practice of Zakat system, estimating the Zakat potential, examining the roles of Zakat institution in socioeconomic development and identifying the challenges of implementing Zakat system in the study area. The study will employ a cross sectional survey design that uses a combination of both qualitative and quantitative methods. A mix of qualitative and quantitative method is often considered as the best way of handling research questions through triangulation (Cresswel, 2009). A total of 423 randomly selected sample respondents will participate to fill the survey questionnaire. Meanwhile, participants in the Focus Group Discussion (FGD) and in-depth interview will be selected based on snow-ball sampling method so as to gather detail information. The zakat is playing a vital role in uplifting the poor segment in most of the developed and developing countries across the globe. We suggest that the local zakat committee shall appoint the members of the village, including the Pesh Imam (person who chairs the mosque of the local village). The result of this study are relevant for various concerned bodies: governmental officials, nongovernmental professionals, researchers and the study community at large. The study is expected to have a practical significance for the poor if the concerned bodies take measures in accordance with the recommendation of the study.

Key words: Zakat system, socio-economic development, Pesh Imam, Zakat institution and potential.

1.1 Introduction

Nowadays, there is a growing consensus on the importance of religion in development debates. Development practitioners, therefore, have raised their concerns for inclusion of religion in the development discourse. In this connection, Selinger (2004: 524) argued that the absence of religion in development theory has led to underdevelopment. In the past, religion was even considered as an obstacle of development and excluded from development literature. Partly, its absence is driven from the understanding that while religion focuses on spiritual being, development deals with material needs of the world (Terhaar and Ellis 2006). Given these two contrasting points, it is worthwhile to examine whether the convergence of religion and development brings desirable consequences such as socioeconomic development to the contemporary world.

Socioeconomic development in general, poverty alleviation in particular is becoming a global issue. Ethiopia had no exception in this regard, as poverty remained as the main development challenges of the country. In Ethiopia, extricating from poverty and achieving a middle-income economy are the main development goals pursued along the ideals of 'Growth and Transformation Plan' (MoFED, 2015). Nevertheless, above a quarter of its citizens (29.1%) still live below the extreme poverty level and attain a very low socioeconomic development score in the world (World Bank, 2015). In response to this, the current Ethiopian government has implemented a number of seemingly holistic formal initiatives, programs and policies since 2003 to the present. These include Sustainable Development and Poverty Reduction Program (2003-2005), Plan for Accelerated and Sustained Development to End Poverty (2006-2010).

Despite the aforementioned development interventions, poverty has continued to haunt Ethiopia for a long time. Fortunately, Ethiopia has a tradition – drawn from both Christian and Islamic religions – of charitable support to the poor (Sharp, Devereux & Amare, 2003). Yet, the Ethiopian government has overlooked the potential role of religious based welfare schemes while designing and/or implementing development policies. For instance, until now, the crucial role of Zakat institution in bringing socioeconomic development has been ignored (Mukerem, 2015).

Zakat became a formal institution in 622AD (Hasan, 2006). Thus, right from the Prophetic period, it has been instrumental in the socioeconomic development. More specifically, according to Suhaib (2009), Zekat system has four objectives that directly related to socioeconomic development. Firstly, its aim is to purify the activities of individuals. Secondly, establish a civic system which can provide people with a better social life. The third purpose is to organize a financial institution which provides salaries to the collectors of Zakat. Fourthly, achieve economic justice through automatically transfer funds from the rich segment of the society towards the poor segment of the society.

Historically, the Sultanates or Amirs (leaders) of different regions of Ethiopia used to collect and disburse Zakat dues within their territorial jurisdiction (Wazir and Durmuskaya, 2019). This institutional based Zakat system has been currently disconnected and remained abandoned from its institutionalized framework. Its implementation solely depends on individual's interest (Mukerem, 2015). At this point, the esteemed reader has to keep in mind that the implementation of Zakat system needs caution since any malfunctioning may bring serious negative effects like poverty, illiteracy, economic injustice and above all underdevelopment (Malik, 2016).

International Policy Center for Inclusive Growth (IPC-IG) report indicated that the volume of Zakat collected every year is not

negligible (Machado, Bilo & Helmy, 2018). Kahf (1987) estimated the Zakat potential of eight Islamic countries namely Egypt, Indonesia, Pakistan, Qatar, Saudi Arabia, Sudan, Syria and Turkey. He found that Zakat potential in these countries ranges from 1 to 2 percent of their GDP. Concomitantly, a recent study in Indonesia, Malaysia, Qatar, Saudi Arabia and Yemen showed that these countries collected at least USD 5.7 billion every year. Meanwhile, the global volume of Zakat surpasses tens of billions of dollars (Stirk 2015). In Pakistan alone, Hasan (2015) reported that Zakat amount covered 1.5 per cent of gross domestic product (GDP) or USD 8.1 billion purchasing power parity (PPP) in 2012.

Along similar lines, Wazir and Durmuskaya (2019) calculated Ethiopia's Zakat potential for the year 2017 using Kahf's approach. This approach emphasizes three different views of jurists on Zakat system. The views are Z1 (according to the Traditional Fiqh position), Z2 (with respect to the views of Qaradawi) and Z3 (in line to the modified view of Qaradawi). Their calculation revealed that 0.61% of the country's 2017 GDP was under Z1, 1.5% under Z2 and 1.3% under Z3. The figure implies that Ethiopia has a noticeable Zakat potential by the world standard. Ironically, available finger counted studies, for example, Hania (2009), Mukerem (2015) and Wazir & Durmuskaya (2019) highlighted that Ethiopia has poor management of Zakat System and cannot put it in practice in the area of socioeconomic development. What is more, little is known about the relationship between Zakat system and socioeconomic development (Suhaib, 2009).

Generally, the foregoing discussion suggested that Zakat institution has had historic role in enhancing socioeconomic development. Therefore, many countries (e.g., Pakistan, Saudi Arabia and Indonesia) have benefited from Zakat system and documented its contribution very well. However, in Ethiopia, such things are uncommon and documents regarding Zakat are hardly available, especially in the current area of study. On the top of that, development practitioners have not seen Zakat beyond its religious significance and its potential for socioeconomic development has been ignored. Indeed, hitherto Zakat has been practiced in the country focusing on the poor and this tilts the attention of the researchers to its contribution to socioeconomic development. Against this background, the current study aims to explore the practice and the roles of Zakat with respect to socioeconomic development among South Wollo and Oromo Special zones of Amhara region.

1.2. Literature Review

Examining the role of Zakat towards achieving sustainable development Goals, Atah, Nasr & Mohammed (2018) conducted a case study in Northern Nigeria to address the development challenges in the area and explore the tremendous potentialities of Zakat. The study finds that Zakat can solve socio-economic problems such as poverty, hunger, and inequality through wealth circulation among economic units through a qualitative research method. Similarly, Zakat can promote sustainable agriculture, financial inclusion, and quality of an educational system, healthcare, and public welfare. Thus, the study concludes by emphasizing modern communication tools such as the "e-community-based platform" to ensure the zakat fund's effectiveness in reaching sustainable development goals.

On the same token, Shaikh & Ismail (2017) also examine the potentiality of zakat institutions in their study titled "Role of Zakat in Sustainable Development Goals." This study tries to underline the potential of the zakat institution in meeting development challenges in the Muslim World by interlinking Zakat with the Maqasid Shari'ah (objectives of Islamic law).

After discussing the economic potential and effects of Zakat, the study concludes that Zakat can effectively help in achieving sustainable development in many fields. Hence the research suggests that Zakat can play a sustainable role in poverty eradication, ending hunger, achieving global healthcare, increasing public goods, and welfare, improving quality of education, boosting economic growth, and reducing income inequality. Moving forward, in looking for practical tools in achieving sustainable development goals, Noor & Pickup (2017) conducted their study to explore the role of zakat institutions in supporting sustainability and sustainable development goals. This study indicates few differences between Zakat and SDGs.

The main one is that Zakat is one of the five pillars of Islam and SDGs have no spiritual direction. Despite this difference, the study argues that there is considerable overlap and interest among zakat institutions in Muslim World to pursue sustainable development goals. On the other hand, the study asserts that SDGs reflect Islamic values achieved by implementing the Islamic principles of Zakat effectively. Zakat institution is also a poverty alleviation strategy and tool for achieving SDGs. In this direction, Olanipekun, Brimah & Sanusi (2015) undertook their study under the title "The Role of Zakat as a Poverty Alleviation Strategy and a Tool for Sustainable Development: Insights from the Perspectives of the Holy Prophet (PBUH)." After analyzing relevant Quranic and Prophetic injunctions to zakat institutions in Islam, the study concludes that Zakat is an alternative strategy for sustainable development foundations and Hayat tayibah (the good life). Alike, Zakat is used to ensure social welfare and other Islamic values in the societies. For this reason, the study that Ibrahim did (2015), titled "The Role of Zakat in Establishing Social Welfare and Economic Sustainability," examines the role of Zakat in creating a collective social security scheme for mutual help among Muslim's societies. The study argues that Zakat has its objectives as established by the Quran and the Sunnah that, once fulfilled, could develop social welfare and economic sustainability. In short, the zakat institution plays a vital role in achieving sustainable development goals in one way or another. As noticed before, it contributes to removing several development challenges that could hinder sustainable development and Hayat tayibah (the good life) in societies.

According to Kahf (1999) as quoted by (Bakar and Rashid, 2010) the main objective of zakat is the achievement of socioeconomic justice. No doubt of that, Zakat funds might be used in development projects, educational services, and health care services as long as the beneficiaries of such projects fulfill the criteria to be recipients of Zakat (Hassan, 2010). In this regard, it is needed to be emphasized that zakat has been proven as a unique mechanism of wealth distribution in the history. Whenever Muslims truthfully applied the system of zakat as ordained by Allah and His messenger, the splendid objectives of zakat were fulfilled (Bakar and Rashid, 2010) in line with that, Zakat serves as a unique mechanism of compulsory transfer of income and wealth for bridging the gap between the rich and the poor in the society (Bakar and Rahman, 2007).

The main objective of Zakat is to attain socio-economic development and alleviate poverty in society (Al Haq & Wahab, 2017; Hati & Aida, 2014). Zakat maintains to achieve the goals of social justice and reduce poverty through the enhancement of facilitates; like education, health, human development, and environmental aspects of society (Muliyaningsih, 2013). In Indonesia, the voluntary sector can enhance the facilities of zakat for achieving the community development goals in the shape of eradicating poverty, which results in the socio-economic development of the society (Alam, 2010).

1.3. Materials and Methods

The study was used a cross sectional survey design that uses a combination of both qualitative and quantitative methods were employed. A mix of qualitative and quantitative method is often considered as the best way of handling research questions through triangulation (Cresswel, 2009). Several data collection methods are employed to collect relevant data from the field. Specifically,

questionnaire, in-depth interviews, survey and Focus Group Discussion methods are conducted, and both primary and secondary sources of data are used. The size of the sample for this study is determined based on the formula for single population proportion, taking level of significance as 95% ($Z_{\alpha/2}=1.96$) and margin error of 5%. Then, using Cochran’s formula for calculating sample size (Kothari and Garg, 2014: 168) and the above given information, the sample size (n) were determined as follows:

$$n = \frac{(Z_{\alpha/2})^2 P (1-P)}{d^2}$$

Where, P= The Proportion of the population who pay Zakat dues properly. $Z_{\alpha/2}$ = critical value at 95% confidence level of certainty (1.96). d= the margin of error between the sample and population. n= required sample size So, the sample size is: $n = \frac{(1.96)^2 \times 0.52(1-0.52)}{(0.05)^2}$ n=383

Assuming non-response rate (NR) around 10%, there will be additional 38 (383 x 10%) questionnaires. Hence, for non- responses rate, 38 participants will be added to the calculated sample size. Finally, the total sample size will be 421 (=383+ 38). After the sample size is determined, the researchers go through the following procedure until contacting the sample element/unit (respondent) is possible. Firstly, the researchers classify South Wollo Zone in to four clusters namely; City Administration, Western-Woredas, Eastern-Woredas and Dessie Metropolitan city. Then one city/town were selected from each cluster namely Kombolcha (from city administration), Borena Woreda (from western-Woredas), Tewledere (from Estern-Woredas) & Dessie city (from Metropolitan City) and secondly, from Oromia Special Zone; Kemissie City Administration (from City Administration), Bati & Chefa Robit Woredas (from five woredas of the zone) purposely, especially cities/towns characterized by relatively large number of Category “A” taxpayers’ are given due attention. Participants were selected based on purposive sampling method for collecting quantitative data. As to the qualitative data, snowball-sampling method were employed to gather information from Zakat receivers. By using concurrent mixed research strategy, attempts were made to integrate and present quantitative and qualitative data together. The qualitative data were presented and analyzed by summarizing the words of participants. The quantitative data, on the other hand, were coded, entered, cleaned, and analyzed using the latest version of SPSS software.

1.4. Results and Discussion

The general objective of this study was to explore the practice and the roles of Zakat institution with respect to socioeconomic development among South Wollo and Oromo Special zones of Amhara regional State. To achieve this objective, data were gathered through questionnaire from south Wollo and Oromo Special zones of Amhara regional State. A total of 423 questionnaires were distributed to zakat payers working in study area.

1.4.1 A descriptive analysis of the practice of Zakat in the study area

Table 1. Do you pay zakat contributions on regular bases?

Items (Variables)		Frequency	Percent
Do you pay Zakat contributions on regular bases?	Yes	207	48.9
	No	216	51.1
	Total	423	100.0

Own computation:

As it is indicated in the above table 1, it is possible to observe that 48.9% (207) respondent’s pays zakat contribution on regular bases while the remaining 51.1% (216) respondents are not pay their zakat contribution on a regular bases. This reveals that almost half of the respondents from the total observation are willing to pay zakat on regular bases for supporting the needy and follow Islamic sharia which states that paying zakat to serve the needy is one of the pillars of Islam.

Table 2. Zekat payment is a religious obligation and at the same time the right of the poor

Items (Variables)		Frequency	Percent
Zekat payment is a religious obligation and at the same time the right of the poor	Strongly agree	217	51.3
	Agree	94	22.2
	Neutral	74	17.5
	Disagree	38	9.0
	Total	423	100.0

Own computation:

As indicated in the above table 2, 73.5% (311) respondents are agreed on that zakat payment is a religious obligation and the right of poor this leads to decrease social inequality, while 9% (38) respondents have not a clue on a statement Zekat payment is a religious obligation and at the same time the right of the poor and the remaining 17.5%(74) respondents are refused to say anything. This shows that more than half of respondents have awareness on zakat payment is Muslims duty and is the right of the poor and for those remain ants it needs awareness creation to follow the principle.

Table 3. Do you think you are eligible to pay Zakat?

Items (Variables)		Frequency	Percent
Do you think you are eligible to pay Zakat?	Yes	315	74.5
	No	108	25.5
	Total	423	100.0

Own computation:

The above table shows that 74.5% (315) of respondents response ”yes” that zakat payers are eligible to pay Zakat. On the hand 25.5% (108) of respondents respond ”no” that zakat payers are not eligible to pay Zakat. This reveals that more of respondents are able and willing to pay zakat on a regular bases so as to alleviate poverty.

Table 4. If yes, why do you think you are eligible?

Items (Variables)	Frequency	Percent	
If yes, why do you think you are eligible	I am Muslim	165	39.0
	Have enough money	144	34.0
	My money already reached Nisab	114	27.0
	Total	423	100.0

Own computation:

As shown in the table 4, it possible to observe that 39% (165) respondents reason for eligibility is their religion (Muslim), 34%(144) respondents reason for their eligibility is having enough amount of money and the remaining 27%(114) responded that my money is reached to Nisab. This shows that more of respondent's reason behind paying zakat is their religious principles.

Table 5. Cross-Tab of Eligibility and reasons for paying Zakat

Items (Variables)		Do you think you are eligible to pay Zakat?	
		Yes	No
Reason for eligibility	I am Muslim	111	54
	Have enough money	144	0
	My money already reached Nisab	60	54

Own computation:

As shown in the above table,(111) respondents who said "yes", reasons for their eligibility is their religious belief(Muslims), (144) respondents responded "yes", reasons for their eligibility is having enough amount of money and 60 respondents responded "yes", reasons for their eligibility is their money reached Nisab.

Table 6. Do you know Zekat recipients in accordance with the Quran?

Items (Variables)	Frequency	Percent	
Do you know Zekat recipients in accordance with the Quran?	Yes	270	63.8
	No	153	36.2
	Total	423	100.0

Own computation:

As shown in the table 6, it possible to observe that 63.8% (270) respondents knows zakat recipients in accordance with Quran on the other hand 36.2%(153) respondents are not specifically know zakat recipients. Therefore more of respondents knows zakat recipients.

Table 7.What percentage of your wealth is distributed as Zakat?

Items (Variables)	Frequency	Percent	
What percentage of your wealth is distributed as Zakat?	2.5 Percent	324	76.6
	permanently paid amount	90	21.3
	No Idea	9	2.1
	Total	423	100.0

Own computation: 2022

From the above table 7, the researchers understood that, 76.6% (324) respondents responded that the percentage of zakat paid for recipients is 2.5 percent, 21.3% (90) respondents said that the share of zakat paid for recipients is fixed and the remaining (9) respondents have no idea about the percentage of wealth distributed as zakat. This reveals that more of respondents distributed 2.5 percent of their wealth as zakat for poor.

Table 8. How long did you pay Zakat?

Items (Variables)	Frequency	Percent	
How long did you pay Zakat?	Not yet	201	47.5
	2-5 Years	186	44.0
	6-10 years	36	8.5
	Total	423	100.0

Own computation:

As it clearly shown on the table 8, 47.5% (201) respondents are not paid zakat till, 44%(186) respondents paid zakat for a period of 2-5 years and the other 8.5%(36) respondents paid zakat for a period of 6-10 years. This clearly shows that more than half of respondents have a habit of paying zakat for recipients.

Table 9. Did you take part in any awareness program about Zakat?

Items (Variables)	Frequency	Percent	
Awareness program about the Zakat Did you take part in any awareness program about Zakat?	Yes	339	80.1
	No	84	19.9
	Total	423	100.0

Own computation:

As it clearly shown on the table 9, 80% (339) of respondent's response "yes" that they participate on awareness program about zakat. On the hand 20% (84) of respondents respond "no" that they are not participate in any awareness program about zakat. This reveals that many of respondents take part in awareness program about zakat.

Table 10. Cross-Tab of paying zakat contribution, share of payment and time horizon

Items (Variables)		Do you pay zakat contributions on regular bases?	
		Yes	No
What percentage of your wealth is distributed as Zakat	2.5 percent	197	127
	based on annual income	0	0
	Permanent Paid amount	10	80
	No Idea	0	9
For How long did you pay Zakat?	Not yet	50	151
	one year	0	0
	2-5 Years	121	65
	6-10 years	36	0
	more than 10 years	0	0

Own computation:

As the above table indicates, (197) respondents who pays zakat contribute 2.5 % of their wealth for zakat and other (10) respondents who pays zakat contribute fixed income out of their contribution. Regarding to time period, (121) respondents who pays zakat participate in zakat system 2-5 years and the remaining (36) respondents who pays zakat participate in zakat system 6-10 years. This shows that those respondents paying zakat are engaged in zakat system for a long period.

1.4.2 A descriptive analysis on zakat and development

Table 11. Do you think recipients' life will be changed because of zakat?

Items (Variables)		Frequency	Percent
Do you think recipients' life will be changed because of zakat	Yes	268	63.4
	No	155	36.6
	Total	423	100.0

Own computation:

As the above table reveals, (63.4%) of respondents response "yes" that the recipients living standard will be changed because of zakat. On the hand (36.6%) of respondents respond "no" that the recipients' living standard will not be changed because of zakat. This shows that more of respondents thinks that zakat contribution is useful to enhance the living standard of recipients.

Table 12. Zakat system reduces poverty.

Items (Variables)		Frequency	Percent
Paying Zakat to reduce poverty?	Strongly agree	173	40.9
	Agree	124	29.3
	Neutral	101	23.9
	Disagree	25	5.9
	Total	423	100.0

Own computation:

As shown in the above table, 70.2% respondents agreed upon paying zakat is an instrument to alleviate poverty while some 5.9% of respondents responded that paying zakat is not a method to alleviate poverty. The majority response reveals that paying zakat is used to poorness of the society.

Table 13. Zakat distribution reduces social inequalities

Items (Variables)		Frequency	Percent
Zakat distribution reduces social inequalities	Strongly agree	153	36.2
	Agree	229	54.1
	Neutral	18	4.3
	Disagree	23	5.4
	Total	423	100.0

Own computation:

As it clearly shown on the above table, (90.3%) respondents agreed upon zakat distribution is an instrument used to minimize social inequalities while some (5.4%) of respondents responded that zakat distribution is not a method used to reduce social inequalities. The majority response reveals that applying zakat system to the society is used to reduce social inequalities among the people.

Table 14. Cross Tab of living standard, poverty reduction, and reducing social inequality

Items (Variables)		Do you think recipients' life will be changed because of zakat?	
		Yes	No
Zakat system reduces poverty.	Strongly agree	151	22
	Agree	54	70
	Neutral	47	54
	Disagree	16	9
	Strongly Disagree	0	0
Zakat distribution reduces social	Strongly agree	94	59
	Agree	160	69

inequalities	Neutral	0	18
	Disagree	14	9
	Strongly Disagree	0	0

Own computation:

As the above table indicates, (205) respondents who said recipients living standard will be changed because of zakat also agree on that zakat system reduces poverty with in the society and (254) respondents who said recipients living standard will be changed because of zakat are agreed on zakat contribution will improve the equality with in the society. This shows that zakat system is essential not only to alleviate poverty but also to reduce social inequalities.

1.4.3. Descriptive analysis about zakat institutions

Table 15. Is there any official institutions that collect ZAKAT in your area?

Items (Variables)		Frequency	Percent
Are there any official institutions that collect zakat in your area?	Yes	199	47.0
	No	224	53.0
	Total	423	100.0

Own computation:

The above table shows that (47%) of respondents response "yes" that there is official institutions that collect zakat from payers. On the hand (53%) of respondents respond "no" that there is no official institutions that collect zakat from payers. This shows that a need of official institution to collect zakat timely and the appropriate amount so as to reduce poverty.

Table 16. Do you think there should be a zakat institution that collects Zakat?

Items (Variables)		Frequency	Percent
Do you think there should be a zakat institution that collects Zakat?	Yes	222	52.5
	No	201	47.5
	Total	423	100.0

Own computation:

As indicated in the above table, (52.5%) of respondents response "yes" that there should be zakat institutions that collect zakat from payers. On the other hand (47.5%) of respondents respond "no" that there is no need of zakat institutions that collect zakat from payers. This shows that a need of official institution to collect zakat timely and the appropriate amount so as to support the needy.

Table 17. Do you think that you will have trust if the zakat institution is established in your community?

Items (Variables)		Frequency	Percent
Do you think that you will have trust if the zakat institution is established in your community	Yes	245	57.9
	No	178	42.1
	Total	423	100.0

Own computation:

As indicated in the above table, (57.9%) of respondents said that "yes" that we will have a trust if zakat institutions are established. On the other hand (42.1%) of respondents respond "no" that we will not have trust if the zakat institution is established in the community. This shows that a great interest of respondents to establish official zakat institution to build trust with in the community. The remaining respondent's needs are in dilemma with trust of that will establish in the community due to bureaucracy.

Table 18. In what way, the Zekat institution should be established

Items (Variables)		Frequency	Percent
In what way, the Zekat institution should be established	In the Form of NGO	202	47.8
	In the form of MSE	88	20.8
	In the form of general Muslim council form	133	31.4
	Total	423	100.0

Own computation:

As it is clearly specified in the table 18, 47.8% (202) respondents responded that zakat institutions should be established in the form of non-governmental organizations, 20.8% (88) respondents said that zakat institutions should be established in the form of small scale enterprises and the remaining 31.4% (133) respondents responded that zakat institution should be established in the form of general Muslim council form. This shows that more respondents agreed upon the establishment of zakat institutions specifically for the benefit of the common all not for return.

Table 19. Establishing a zakat institution is a challenging endeavor

Items (Variables)		Frequency	Percent
Establishing a zakat institution is a challenging endeavor	Strongly agree	204	48.2
	Agree	112	26.5
	Neutral	82	19.4
	Disagree	25	5.9
	Total	423	100.0

Own computation:

The above table clearly stated as 74.7% (316) respondents agreed on the establishment of zakat institution in an Ethiopian context is a difficult task. Only 5.9% (25) respondents have conservation on the establishment of zakat institution easily. This implies that establishing zakat institution mainly in an Ethiopian context is a challenging endeavor.

4.2. Analysis of interview questions

1. What kind of people do you choose to offer zakat? The Quran specifies how zakat is to be distributed precisely, but grants Muslims flexibility in its payment. This guarantees the right of the needful while accommodating changes in how wealth is stored, how money is best distributed, and how different cultures change over time. The Quran also makes it possible for Muslims to pay their zakat to trusted institutions that distribute it to those who belong to one or more of the zakat-worthy categories. The poor (al-fuqarâ'), meaning low-income or indigent. The needy (al-masâkîn), meaning someone who is in difficulty. Zakat administrators. Those whose hearts are to be reconciled, meaning new Muslims and friends of the Muslim community. Those in bondage (slaves and captives). The debt-ridden. In the cause of God. The wayfarer, meaning those who are stranded or traveling with few resources are recipients of zakat.

2. What is the contribution of zakat potential to poverty alleviation? Zakat was stated as the third of the five columns of Sharia and that it is due on property such as money, gold, livestock and agricultural products. The requisites to pay zakat every year is carefully linked with the clue of justice and equality that lies beneath Islamic principles. The main purpose of Zakat is to support certain groups such as the needy, poor, or highly indebted. In the hope that this category of people has at least the basic requisites to lead a normal life, thus jettisoning poverty and raising the economy. Zakat is a tool of solidarity among Muslims, and if the rich pay zakat to the poor, then love and affection will be between them. Zakat is of great importance to the poor, and it contributes to improving their standard of living, health and education. It also reduces the financial burden borne by the state by agreeing on the types of benefits it provides to the needy, such as orphans, the elderly, and others, and this has an economic impact on the state budget. It provides security for the state, as poverty is one of the causes of crime, and Zakat fights poverty, as it is a means of fighting crime indirectly.

3. Who does the calculation for you? The Zakat donation should amount to 2.5% of your total wealth accumulated over the year. As an example, if your total assets (after any debts owed) amounted to birr 10,000, then you would be required to pay birr 250 as Zakat. When calculating your total wealth and assets, you must consider the following: The value of gold and silver items owned, Money in your bank accounts or cash at home, Loans that you have given out, Pensions, stocks, shares and investments. Property owned as an investment (excluding the property you live in) and Farm and agricultural produce.

1.5. Conclusion and Recommendations

The zakat is one of the basic components of Islamic Sharia and imposed by the Allah Almighty on every wealthy Muslims who have the nishab to provide it to the poor community of a society. The zakat is playing a crucial part in elevating the poor segment in most of the created and creating nations over the globe. This results in the socioeconomic development of society in their respective countries.

Estimations of the development of economy, for the most part measured by a number of markers, a few of these markers grant a clear picture around the financial development to assist the government to set a clear approach to driving the countries. On the other hand, some of these indicators give misunderstanding picture and then confused the public about the rate of economic growth. Based on that, As Muslims, revealed that Zakat to be considered as new measurement in order to evaluate the growth of economic, Zakat is one of the proper indicators to measure economic growth, when people pay Zakat the level of economic growth will be higher and vice versa. In other words, Zakat as financial system will integrate to bridge this gap and the reduction of social problems in Muslims world as well as may contribute in economic activities in order to achieving sustainable development.

The zakat committee is shaped in a town council-level and is driven by a chairman. We suggest that the local zakat committee shall appoint the members of the village, including the Pesh Imam (person who chairs the mosque of the local village). This is because such a person can efficiently and effectively manage the zakat system in the village council level given he is knowledgeable of Islam. Moreover, the local committee must collect complete data about the poor population, including, orphans, widows, and others, who have not the ability to fulfill their basic requirements of life. The committee shall identify and analyze the individuals, whether the respective individuals have fulfilled the conditions of Mustahik or not. This is done for exploring the roles and practices Zakat for socioeconomic development.

This study is a questionnaire -based analysis of the individuals of the peoples of south wollo and oromo special zones, amhara region. Suggestions for future research on the subject domain is a observation, and semi-structured interview both the methods will use for a comprehensive and broad data for exploring the roles and practices Zakat for socioeconomic development. Moreover, future research can include all the stakeholders of zakat such, Mustahik, Muzakki, and the employers. Finally future researchers may be interested in validating the consistency of the result and provide supplementary results for this study by including other variables in other study area other than south Wollo and oromo special zones, especially in areas on which Muslim communities are characterized by relatively large number of Category "B" taxpayers' should be given due attention.

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