Available online at www.sciencedirect.com

ScienceDirect

Procedia - Social and Behavioral Sciences 164 (2014) 305 – 314

Procedia
Social and Behavioral Sciences

International Conference on Accounting Studies 2014, ICAS 2014, 18-19 August 2014, Kuala Lumpur, Malaysia

Zakah on employment income in Muslims majority states of Nigeria: Any cause for alarm?

Sahiba Abdullahi Ammani[a], Safiyya Abubakar Abba[b], Kabiru Isa Dandago[c]*

[a]*School of Economic, Finance and Banking (SEFB), College of Business, Universiti Utara Malaysia*
[b]*International Institute of Islamic Banking and Finance (IIIBF), Bayero University, Kano, Nigeria*
[c]*School of Accountancy, Universiti Utara Malaysia*

Abstract

This paper aims at adding to reliable solutions of the menace of poverty in the Muslim majority states of Nigeria by providing facts that buttress the payment of Zakah on employment and professional income as a powerful source of funds for dealing with the harsh effect of poverty among Muslim communities. The paper is purely a literature review research that explores the jurisprudential debate and ruling on Zakah on employment income and traces how some Muslim majority jurisdictions benefitted immensely towards eradicating poverty using proceeds from Zakah on employment and professional income. In view of this, the paper recommends to those in authority to take a juristic stance on the matter and generate Zakah funds from employment and professional income as well as ensure proper disbursement of the funds to the target group in order to curb the poverty situations of the Muslim majority states in Nigeria and beyond.

© 2014 Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/3.0/).
Peer-review under responsibility of the School of Accountancy, College of Business, Universiti Utara Malaysia.

Keywords: Zakah, employment income, professional income, Muslim majority states, zakah commission

* Corresponding author. Tel.: +60143032297
E-mail address: kidandago@gmail.com

1877-0428 © 2014 Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/3.0/).
Peer-review under responsibility of the School of Accountancy, College of Business, Universiti Utara Malaysia.
doi:10.1016/j.sbspro.2014.11.081

1. Introduction

Islam as a complete and comprehensive way of life that leaves no stone unturned as it is very flexible to all changing situations and adapts suitable mechanisms to meet the basic needs of the people. It resolves the pressing issue of poverty through its fiscal policy tool of al-Zakah. Zakah, which means an obligatory command which demands every Muslim male or female possessing an amount of wealth equal to or exceeding the prescribed amount called Nisab to pay at the passage of a year of ownership of such wealth a prescribed rate/portion to specifically designated eight categories of people enlisted in the holy Qur'an (chapter 9, verse 60). Zakah is one of the five pillars of Islam; one which if any believer renounces is considered as unbeliever. Its collection and distribution is the responsibility of the state and the distribution is strictly guided by set of rules and for specific needs as this is clearly mentioned in the holy Qur'an and practical examples could be appreciated from the Hadith of the prophet (P.B.U.H).

The institution of Zakah is the cornerstone of the Islamic economic system (Quraishi, 1999). The disbursement of the Zakah fund in line with the Qur'anic injunction ensures equitable distribution and transfer of wealth from the rich to the poor. The most important impact of Zakah can be seen in its ability to increase money supply which turns out to mean increase in the demand for goods and services and hence their corresponding supply; Zakah could also serve as a debt relief. Zakah giving signifies the fact that all wealth belongs to Allah and shades more light on His just dealing. Since by giving Zakah to the poor, poverty is reduced and the general societal wellbeing is improved. In the Holy Qur'an, Allah commanded those who believed to give out of the wealth Allah has made them trust upon[*]. And in another verse, Allah the exalted encourages sharing of wealth so that wealth does not circulate only among the rich[†]. And again, Allah has clearly mentioned that there is a compulsory due upon every earned wealth to the destitute and those who asked[‡].

The prophet (P.B.U.H) has ordered people to give out of their wealth in Allah's cause for benefit in the hereafter. He is reported to have said: "He is not a man of faith who eats his fill when his neighbour is hungry"[§]. He also said in another tradition that "a locality where a person has to sleep hungry deprives itself of God's protection"[**]

Zakah is charged on all kinds of wealth once it meets the conditions required. Such conditions include among others: reaching the minimum requirement (Nisab), passage of a year, freedom from debt, Halal wealth and properties as well as growing wealth and wealth that is in excess above the basic needs (Qardawy, 1999).

Zakah on employment income has been termed by Al-Qardawy and Shahatah (1999) as 'Zakah Al-mal Al Mustafad' meaning Zakah from the source of salary and professional income. It consists of all types of remuneration for service rendered or works done and any income as professionals earned during a lifetime, retirement or death (Nizam et al., 2011). Thus, zakatable income is defined as earnings in form of salaries, wages, capital gains and dividends, gifts, etc. and not earned income that is acquired as a result of sale of assets like crops and animals or mineral resources after Zakah has been paid on them.

Studies conducted on the applicability of Zakah on employment income have revealed that, Zakah on employment income significantly reduce poverty since there are income earners earning salaries and other remunerations in multiples of what the farmers, traders, and other Zakah payers are earning per annum. Income levels are however said to significantly affect Zakah payment: the higher the income, the higher the probability of an individual to pay Zakah (Nor Ghani, 2001; Zyadi & Mariani, 1999).

Poverty is seen as the mother of all evils as it is said that "a hungry man is an angry man, and an angry man is a mad man" (Elizabeth Knowles, 2006, retrieved from <http://www.encyclopedia.com/>) and hence its eradication or its reduction has been the focus throughout human history. All religions have considered poverty to be a

---

[*] Q57:7
[†] Q59:7
[‡] Q51:19
[§] Bukhari and Muslim
[**] Al-Nisaburi, from Ibn Umar

humanitarian issue, very delicate and so paramount that tantamount to special care. Qardawy (1999) states that more than four thousand years ago in Babylon, Hammurabi (about 2250 B.C), in introducing the first law recorded on earth, and stated that "God has sent me to prevent the strong from oppressing the weak and to guide people and secure prosperity for creatures".

Today, poverty stands to be the most hazardous and dangerous feature of all developing nations and a country only develops when the menace of poverty have been reduced to the barest minimum. Hence, poverty alleviation has been the concern and focal as well as central point on every agenda of all international organizations. Reports by World Bank (2000), IFAD (2001), and LLO (2003) have been observed to primarily centre on the issue of poverty. Poverty is considered to be a disease that takes economic, social, political and environmental dimension. Such dimensions are said to have interwoven relationship with one another. In the same vein, lack of enough income to feed, shelter, and educate oneself is generally regarded as poverty, yet we find in the same environment where 80% are leaving below the minimum requirement (at least $1 per day), the rest seems to be earning incomes high above their minimum requirement and only end-up in embezzling the funds or keeping idle cash balances without neither paying Allah's due on the property nor issuing voluntary charities.

Many countries, especially the developing nations are experiencing widespread poverty, which results to so many ailments, epidemics, starvation, and death. According to World Bank report (2003), about 23% people living in developing nations live on less than one dollar a day, also another significant percentage ranging from 27-28% of children in developing countries are estimated to be underweighted or malnourished.

The most painful and heart touching report that shows extent of poverty is the report released by UNDP in 2007 which shows that every year about 350-500 million cases of Malaria lead to the death of 1 million annually mainly because they cannot afford to either get good medical care or simply because they have no penny to buy the desired medication or do not even have access to proper medical care (UNDP, 2007). The school enrolment data of the same report have revealed that about 72 million school age children of the developing countries are not in school. In fact, the UNICEF report of 1999 declared that, nearly a billion people of these nations were unable to either read or write or even sign their names due to abject poverty.

The poverty situation in Nigeria cut across all the six geo-political zones and most shocking, the North Eastern and North Western states have the highest rates of 69% and 70%, respectively, with six states living in extreme poverty (NBS, Harmonised Living Standard Survey, 2010). The North Western states of Sokoto, Kebbi, Katsina, Zamfara, Kano, Kaduna, and Jigawa recorded the highest rates in all the measurement approaches of food, absolute, relative and $1 dollar per day. This ranking is immediately followed by the North Eastern states of Bauchi, Gombe, Adamawa, Taraba, Borno, and Yobe with a very minute difference in the rates of poverty by all measures. The sorry situation is mainly due to poor infrastructure, corruption, insecurity as well as high unemployment and over – dependence ratio.

To curb the situation, the Nigerian governments have answered the call of the United Nations and have resorted to various approaches in order to reduce the poverty level and alleviate it throughout the country. Obadan (1997) identified a number of such measures taken to include such programs as OFN (operation feed the nation (1976-1979), Green revolution (1979-1983) structural adjustment program (SAP 1986), Better life program (BLP. 1987), family support program (FSP, 1994), National poverty eradication program (NAPEP 1999-2003), National economic empowerment development strategy (NEEDS 2003-2007) as well as the seven points agenda (SPA) (2007-2011) and most recently "you win" (2011 to date) were embarked upon with the main aim of tackling the menace of poverty in the country.

The thirty six states of the federation have in one way or another adapted a number of approaches at state and local government levels to tackle the menace of poverty. The Muslim majority states are not left behind as they adopted many programs mainly centred at providing entrepreneurship training and provision of capital at the end of the programs; these programs range from training both men and women on sewing, knitting, poultry farming, animal rearing, perfume making, etc. The democratic dispensation has brought a new dimension to the poverty eradication strategies, Kano state government, for instance, come up with programs such as Lafiya Jari (1999-

2003), Fansar 'Yar Talla (2007-2011), Leda Jari (2004-2007), etcetera which were married with the aforementioned programs to tackle the menace of poverty in the state.

Researches in some Malaysian states, like; Wilayah, Selangor, Kedah, Sarawak, etcetera, and in sharia'ah juristic states of: Sudan and in the Kingdom of Saudi Arabia have shown that employment incomes are zakatable if they satisfy the conditions like all other incomes in the form of profit, agricultural produce as well as capital gain and returns on mineral resources. In Malaysia, for instance, Zakah on employment income contributes the highest percentage in the overall Zakah collection (Wahid et al., 2006). However, eligible citizens of the same country find it difficult to adapt to the issues that revolve around paying Zakah on employment income even though some states made Zakah on employment income compulsory (MD Idris, 2002).

In view of this therefore, the rich segment of the Muslim majority states of Nigeria have no cause to fear since the aim is to enable them discharge their religious obligation and be able to impact positively towards the welfare of the poor and in a way maintain cordial social relation with the poor.

It is against this background that the paper intends to explore the jurisprudential debates that revolve around Zakah, its economic and social implications as well as how well its dues from employment and professional income served in alleviating poverty in some jurisdictions of the world. This is with a view to drawing lessons for the Muslim majority states of Nigeria. The paper, being a literature review type, is divided into five sections, with the introduction above as section 1. Section 2 is about Zakah as a social security measure. Section 3 addresses the arguments for and against Zakah on employment income, citing relevant Quranic verses and traditions of the Prophet (SAW) as well as sound juristic views in line with the Islamic legal maxims (maqasidis-shariah). Section 4 reviews some empirical studies in the area of Zakah on employment and professional incomes, while section 5 concludes the paper.

2. Zakah as a social security measure

Zakah is the heart of Islamic social security guided by the principles of morality, economy, equity, and convenience with the main aim of curtailing any state of hardship. This is why Allah the exalted made emphasis on its collection and proper disbursement to categories of people with specific features. Thus, Zakah is strictly meant for the poor, the needy, those employed to collect it, for reconciling hearts, for freeing of slaves and captives, for settling debts of debtors, for Allah's cause and for the travellers (Q9:60).

Zakah is primarily meant to alleviate poverty as five of its prescribed recipients belong to those who have in one way or another fallen into the pits of poverty. It is a sound system of social security as it washes away the feelings of greediness, self-aggrandizement, and acquisitiveness of the rich (Hairunnizam, 2010) and in a way ensures equality in income distribution, encourages investment, and reduces poverty to the barest minimum.

At a fixed rate of 2.5 percent, Zakah is an important instrument of social security which resembles the modern day social assistance. However, while social assistance is sourced from general revenue, Zakah is financed by specific group of people, the beneficiaries of social assistance on one hand, have legal backing, the recipients of Zakah on the other hand have moral backing, likewise the coverage of social assistance is limited to protection against such contingencies as old age, unemployment, large families and medical care, coverage of Zakah funds are more encompassing as it includes these and a number of other contingencies that the conventional social assistance does not cover. Such contingencies as debt, reconciliation, assistance to travellers and for the fear of Allah are considered paramount. A most unique feature of Zakah is that it does not collect anything from the recipients as the conventional social security which is made up of a common pool contributed by beneficiaries and benefactors.

Zakah discourages keeping of idle cash and assets and encourages their profitable investment, as the prophet (PBUH) was reported to have encouraged guardians of the orphans to invest their wealth before it is depleted by Zakah. So also, when properly distributed, Zakah funds help to create job opportunity and indeed provide relief to its recipients in the short-run and most preferably a permanent relief and helps in saving part of government expenditures being paid in the form of national aid to the poor and for the general societal development.

Apart from it being one of the five pillars of faith, Zakah could be viewed as a unique, spiritually charged filtering device. Primarily designed to cleanse one's possession or wealth necessary to protect the owners of wealth

against spiritual poverty, while protecting the rights of "the haves" and "have not" (Quraishi, 1999), its main outcome could be summed up as: (a) Zakah promotes and stabilizes economic growth through investments, employment, and balanced consumption; and (b) leads to the achievement of greater income equality through an equitable distribution of wealth, increases investment and reduces poverty to the barest minimum.

Zakah discourages keeping of idle cash and assets and encourages their profitable investment, and when properly distributed, Zakah funds help to create job opportunity and indeed provide relief to its recipients in the short – run and most preferably a permanent relief and helps in saving part of government expenditures being paid in the form of national aid to the poor and for the general societal development.

It is also a self-help measure adopted with full religious backing to support those poor and destitute who are unable to help themselves so as to alleviate misery and poverty from Muslim society (Chapra, cited in Hairunnizam, 2010).

From the economic point of view, Zakah generally alleviates poverty as it transfers wealth from those with lower marginal propensity to consume to those with higher marginal propensity to consume (Karwai et al., 2012), it stimulates investment on the part of its payers in order to make up for what is paid out as Zakah. Similarly, Zakah reduces the risk of debt failure (ibid) as debtors are specifically recognized as recipients. It as well encourages job creation through the employment of Zakah administrators and the disbursement of the funds to the economically disadvantaged who may utilize the proceeds to make fruitful investment. Hence, in a nutshell, Zakah improves consumption, production, and distribution patterns of an Islamic state, in general, and removes income inequality, and enhances social cohesion, in particular.

In the same vein, Dogarawa (2008) asserts that Zakah System provides permanent mechanism from within the economy to continuously transfer income from the rich to the poor and that once correctly assessed, promptly collected and properly disbursed, it plays the role of solving dangerous problems such as poverty, unemployment, catastrophe, indebtedness, and ensures equitable income distribution in a Muslim society.

Thus, Zakah on employment and professional income if promptly collected and disbursed accordingly will help immensely in breaching the gap between the rich and the poor and at the same time reduce fear of insecurity of lives and properties.

3. Arguments for and against zakah on employment

The textual provisions of the Qur'an and the Sunnah are general while the issues and problems are unlimited. That is why we find that there are the general texts and basic rules as well as various sources of *Ijtehad*. The Islamic Fiqh is full of rules and sources for *Ijtehad* and inference of rulings. The person who is engaged with Fiqh (understanding of the religion) has a high status in Islam. Prophet Muhammad (peace is upon him) is reported to have said: "The person, whom Allah wants to do good is blessed with Fiqh (understanding of religion).

If the textual provision clearly implies a ruling on the happening, the Fiqh scholar would adopt this ruling and apply it, and if there is no such textual provision which has a direct ruling on the happening, the Fiqh scholar would derive a ruling on the happening on the basis of inference in accordance with the established methods of inference, which is called *Ijtehad* in interpretation of the texts and their implications as well as in application of the basic rules and sources of *Ijtehad* on new developments in the life of people.

There are a number of jurisprudential debates or issues that revolve around payment of Zakah or charging Zakah on employee's income or earnings. While some scholars like Al-Ghazali, Abu Yusuf, Ibn Abi Shaiba, Malik bn Anas, and contemporary jurists like Bn Baaz and Al-Jibrin are proposing that Zakah is similarly obligatory on earned income as is the case with agricultural produce, others like Ahmad bn Hambal and Imam Shafi'i are of the view that employment income is received on regular basis and does not usually remain in the hands of the employees all year round. As such, even if one's income reaches Nisab or the annual income is very much high above the Nisab and in excess of the essential needs but does not remain under the ownership of the employee throughout the year then no Zakah is expected to be paid on the money.

The genesis for the debate in general could be traced to the opinion of Al-Ghazali who said that professional

income/employment income is subject to Zakah based on the verse "Oh you who believed give away some of the good things you have earned (Q2: 267) and "Those who believe in the unseen and establish prayer and give of what WE have provided for them" (Q2:3). He added that: Islam is a just religion and it will not sound rationale to impose Zakah on a farmer who may use simple farming implements simply because he produces the Nisab and exempt the owner of buildings that produce many times the income of the farmer and other professionals whose monthly earning may be equal or above the income of the poor farmer for the whole year.

The focal points of the discussions are, therefore, the issue of Nisab and passage of a year. The issue of nisab is made clear by a number of traditions of the prophet (SAW). For instance, the prophet said "Bring 2.5% of your wealth" and "on money 2.5% is required"[*]. In the same vein, Abu Hanifa, Abu Yusuf, and Ash-shaybani, asserted that; the Nisab Conditions must be satisfied at least in the beginning and the end of the year without reaching zero during the year. On the basis of this, Zakah can be imposed on income from labor on a yearly basis. Earnings from labor are amenable to Zakah for the same reason other earnings are subject to Zakah. However, it is extremely important to reach a strong ruling on this matter since earned income is a major category of wealth in our time (Al-Qardawy, 1999) and Zakah is said to be only payable on 'wealth'.

According to Bin Baz and Al-Jibrin, zakatable income is defined as earnings in form of salaries, wages, capital gains and dividends, gifts, professional fees etc and not earned income that is acquired as a result of sale of assets like crops and animals after Zakah has been paid on them.(retrieved from www.binbaz.org.sa/index). This definition though in contrast with the one offered by the Nigeria's PITA (2003), served as the measuring yardstick of our discussion as it portrays the justice of Islam in preventing double payment of Zakah. Sheik Uthaimin classified income earners into two: (i) an employee who spends all that he earns; and (ii) An employee who earns, expends on his basic needs and still be left with something to save. Al-jibrin also added a third category that involved income earners that earn incomes equal or above the nisab at irregular intervals like contractors, consultants, and other professionals.

As for the first case, no Zakah is expected on the earned income as the income is not in this case considered as wealth and the employee will not be regarded rich. This type of employee can sometimes be counted among the Asnaf, depending on the situation he finds himself. The latter is expected to carefully table out his spending and estimate the expected left over, all things being equal, and if the excess reaches Nisab, pay their due Zakah at the beginning of the year or year ending. The third category is treated like a farmer and hence requested to pay Zakah on each receipt (especially if the income are from different sources). (Retrieved from www.binbaz.org.sa/index)

Looking at all these traditions and the fact that Zakah is paid on one's wealth and no restriction as to the type of wealth once it reaches Nisab is made, it is clear that the issue at hand is whether the earned income must reach one year under the possession of the owner or must earned income be added to similar already earned assets, applying the year of that asset on the newly earned income or should Zakah be paid on earned income at the time of acquisition provided such necessary condition as Nisab, non-existence of debts and being excess of essential needs are met.

3.1 Arguments against zakah on employment income at the time of collection

The scholars that supported the payment of Zakah on employment and professional income at the end of the year based their argument on the sayings and the practices of the prophet's guided companions that revealed that earned income was charged Zakah but at the end of the year. For instance, the first companion of the prophet Abubakar was reported to have collected Zakah on funds but until a year elapses on it. Muawiya (PBUH) was reported to be the first leader that imposed Zakah on salaries and remunerations[†]. As regards to income in general, Amra bint Abdul-Rahman narrates from Aisha that "No Zakah is due until a year elapses". Regarding earned income in particular, Ali Bn Abi Talib is reported to have said "he who earns income is not obliged to pay Zakah on it until one year has passed".

[*] Al mughni pp 7
[†] Al-muwatta pp 95).

The four schools of jurisprudence did not oblige Zakah on earned income at any point in time but until a year passes, each with complicating basis. For instance, while Ahmad obliges Zakah on rent immediately it is collected but earned income must pass a year in the hands of the owner. Abu Hanifa is of the opinion that earned income is subject to Zakah only if a year passes except when the owner has asset of the same value as the earned income adding up to the amount of Nisab from the beginning of the year. Malik has a similar view but also drops the condition of having nisab at the beginning of the year if the earnings are from livestock/animal reproduction. Ashafi'i on his part obliged Zakah on earned income if and only if a year elapses.

3.2 Argument for zakah on employment income when acquired

Some Islamic jurists posit that employment and professional income are zakatable on receipt once the condition of nisab and excess above needs are met. Their arguments are based on the fact that the traditions reported on the passage of a year are said to be reported from four companions, Ali, ibn Umar, Anas, and Aisha, but all these traditions are regarded by hadith specialists as weak. Scholars like Bukhari, Nasa'i, Ibn Hazam, Ibn Hajr al-Athqalany and Ibn Hibban accused some of the narrators such as Asim and Al-Harith. Al-Harith is viewed as a liar and his narrations are disregarded and not accepted. Asim himself though considered trustworthy by most scholars, he is often regarded as very weak with poor memory and often at times attributes the statement of Ali bn Abi Talib to the prophet (al-Qardawy, 1999). Ibn Abi shayba and Malik were quoted to have said in Al-muwatta disregarding the traditions of the passage of a year on earned income that "it is correctly reported from ibn Abbas that "Zakah is obliged on any earned income when acquired by any Muslim" among the companions and their followers who obliged Zakah on earned income when acquired are: Abdullahi bin Mas'ud, Mu'awiya, Umar Ibn Abdul-Aziz, Al-Hasan and Az-Zuhri. It was reported by Ubaid that, Umar bn Abdul-Aziz paid salaries and grants and collects Zakah from them immediately.

The condition of one year on earned income is also removed by the views of the three scholars from the descendants of the prophet. Al-Baqir, As-Sadiq, and An-Nasir, who viewed those Zakah collectors during the life time of the prophet take Zakah from those whose wealth reaches Nisab at the time of collection not considering whether it ever decreased at any point in time or at the beginning of the year.

3.3 Resolutions regarding zakah on employment income

Looking at all these traditions and the fact that Zakah is paid on one's wealth and no restriction as to the type of wealth once it reaches Nisab is made, it is clear that the issue at hand is whether the earned income must reach one year under the possession of the owner or it must be added to similar already earned assets, applying the year of that asset on the newly earned income or should Zakah be paid on earned income at the time of acquisition provided such necessary condition as Nisab, non-existence of debts, and being excess of essential needs are met. It is on the basis of this that we resort to contemporary views offered by the jurists based on maslaha mursala (public interest) and the recommendations offered by the Muslim world league of the Islamic fiqh council and those offered by the international Islamic fiqh academy, Jeddah to provide adaptable resolution to the issue so that the generated Zakah funds from employment and professional income can be utilized to better the life of the poor in the Muslim majority states of Nigeria. The resolutions are summed up below:

The Islamic fiqh academy, Jeddah and the Muslim world league have resolved that:

(i) Employment and professional income are zakatable if all conditions are satisfied once in a year as Islam does not allow charging Zakah on the same kind of wealth more than once in a year, and
(ii) Employment and professional income earned at irregular intervals from different sources but receipts amount or exceed nisab is zakatable on receipt.

Bn Baaz and Al-Jibrin posit that Zakah is due on employment and professional income that is excess above the essential need either at the beginning of the year or its ending and if that annual payment is difficult, then it can be

divided according to income flow, i.e., monthly/weekly etc., this is permissible as the payment of Zakah on such wealth is compulsory and refusal to do so attracts punishment from Allah.

4. Insights from some empirical studies

A number of empirical studies have been conducted on charging Zakah on employment and professional income and how the proceeds effectively reduce income inequality and obviously poverty. Some of these studies are lined up below:

Bidin et al. (2009) conducted a research on predicting compliance intention on Zakah on employment income in Malaysia: an application of Reasoned Action Theory. The research used the theory of reasoned action to investigate the impact of objective norms and attitudes toward behavioural intention (Ajzen & Fishbein, 1980) towards payment of Zakah on employment income. The results of their findings revealed that both subjective norms and attitudes are sound and very influential independent variables that influence compliance behaviour of Zakah on employment income. The population for this research is the state of Kedah which is the first state to make Zakah on employment income mandatory, and cluster sampling technique was employed to select at least 200 employees who are subject to a tax deduction. The respondents were asked to indicate their agreement or disagreement with the proposal on a five point Likert scale and data was analysed using structural equation modelling (SEM) and the findings of the results show that subjective norms and attitude are highly influential in determining compliance behavior of paying Zakah on employment income.

Another paper published in the Malaysian Management Journal written by Bidin and MD Idris (2007) titled a confirmatory analysis of Zakah compliance behavioural intention on employment income attempted to examine the impact of Ajzen and Fishbein's (1980) theory of Reasoned Action using structural equation modelling (SEM) on Zakah compliance intention towards employment income. Confirmatory factor analysis (CFA) was used as the measuring yard–stick and SEM was used in measuring the validity of the independent variables of attitude, subjective norm and intention as outlined in the theory in influencing compliance of Zakah on employment income. Data were gathered from Muslim employees of public and private organizations subjected to scheduled tax deduction in Kedah, Malaysia. The results from CFA revealed that attitudes and subjective norms towards Zakah on employment income among Muslim employees were multidimensional in that Zakah collection authorities need to understand that, the intention to pay Zakah on employment income is the most influential factor towards attitude and behaviour. Similarly, demographic factors such as influence of parent/spouse and peer group significantly affect the intention to comply with Zakah payment on employment income. Therefore, the Zakah collection authorities are provided with useful information to improve their collection techniques having in mind the most influential factors that significantly determine compliance behaviours.

Muhammad and Rahim (2012) wrote a paper titled role of Zakah in reducing poverty in Sarawak. The paper examined the policies implemented at the national level which were also adopted by the state to curtail the menace of poverty in the state. Such policies as New Economic Policy (NEP), National Development Policy, National Vision Policy etcetera were employed and targeted to eradicate poverty and ensure equitable distribution of communal wealth. The researchers collected secondary data from the Zakah collection authority of Sarawak (Tabung Baitulmal Sarawak/TBS) and analysed the collection and distribution mechanisms in relation to poverty reduction in the state using simple descriptive statistical measures of frequency distribution tables, charts, and percentages applying the theory of distribution. The research revealed that the TBS places more effort in cutting down the menace of absolute poverty in the state which comprises the poor (Masakin) and indebted (Gharimiin) as according to them slavery is no more in vogue and those who are working under the TBS have earned income and it is usually destitution that send people to quarrel. The major source of Zakah in the state of Sarawak before 2006 was wealth, followed by income, shares, gold, and livestock. But with the introduction of Zakah or employment income in 2006, the amount collected tripled in less than five years. The willingness to fulfil religious obligation by the Muslim workers was described to have influenced this increases and enabled more even distribution of the Zakah fund.

A most recent work conducted by Abdul Wahab and Abdul Rahman (2013) which centred on public sector efficiency with special emphasis on Malaysian Zakah collection authorities (basically state owned) attempts to

analyse the efficiency of Zakah institutions in Malaysia. The study adapted the Malmquist Productivity Index to estimate both productivity and efficiency of Zakah institutions in Malaysia and the Tobit model to determine the factors affecting the efficiency of Zakah institutions in Malaysia. The data were collected from fourteen Zakah institutions in Malaysia during the period of 2003 to 2007 and the results revealed that Total Factor Productivity (TFP) of Zakah institutions in Malaysia increased at an average rate of 2.4 per cent during the study period and it is seen to be influenced by technical progress and not efficiency components. The empirical findings based on the Tobit regression suggest that Zakah payment system, computerised Zakah system, board size, audit committee, and decentralisation significantly affect efficiency of the Malaysian Zakah institutions.

The above empirical studies are drafted from researches conducted in Malaysian states, and they have covered the issues relating to Zakah on employment income and how the proceeds are utilized for poverty reduction as well as the way and manner Zakah institutions are efficiently managed in an attempt to ensure Islamic socio-economic justice in both collection and disbursement.

5. Conclusion and policy recommendations

Zakah as one of the five pillars of Islam requires the wealthy from the Muslims to share a portion of the wealth Allah entrusted with them with the poor and the disadvantaged members of the society irrespective of religion, ethnicity, or race. The primary role of Zakah is seen in curtailing poverty situations and enhancing cordial social relationship between the rich and poor.

The categories of wealth that are zakatable have no limitation once all conditions are met, this resulted to the debate on whether Zakah is as well obligatory on employment and other professional income and the resolution by many scholars/jurists that all forms of wealth are zakatable owing to the fact that the popularly known categories of wealth are created from endowments be it physical or mental.

Islam addressed the issue of poverty by proving numerous measures some compulsory and others voluntary, the logic behind this is the fact that even when people do not offer charities they settle Zakah as a religious obligation. Numerous studies conducted in the field of Zakah on employment and other professional income revealed that Zakah from employment income serve as the lasting solution to poverty as the generated funds provide constant liquidity to the Zakah collection authorities and thus make payment continuous.

The Muslim majority states of Nigeria are characterised by abject poverty resulted by income inequality, hence the need to address the issue of income inequality between the high income earners and their counterparts through income transfer from the rich to the poor as Zakah. This just dealing has been seen to solve numerous consequences of poverty in Islamic states of Malaysia and the kingdom of Saudi Arabia. These Islamic states took a stand and provided fatwa that charges Zakah on employment income and even though not made mandatory in some of these states but tax reliefs have been made available.

The Muslim majority states of Nigeria share a number socio-economic characteristics with each state having its approach in matters pertaining poverty. This results to the desired need to explore ways by which Zakah can be charged on employment and professional income and utilise the proceeds for poverty reduction in the states.

In view of this, therefore, the paper resorts to providing policy recommendations that may guide collection of Zakah on employment and professional income and how the proceeds can be geared towards poverty reduction. These recommendations are summed up below:

(i) There is the pressing need to explore the juristic stand on Zakah on employment and professional income in the Muslim majority states of Nigeria to resolve doubts and unending controversies.

(ii) There is the desired need for the Muslim majority states to gather views of the classical and modern juristic views on zakatable wealth and come up with Fatawa or stand on zakatable wealth in addition to the popularly known ones, employment income inclusive.

(iii) There is also the need to educate the public on Zakah requirement and Zakah base and be exposed academically to the significance of Zakah from spiritual, economic, and social perspective and appreciate its significance towards societal development through seminars and conferences and even media chats.

(iv) There is the need for the governments of the Muslim majority states in Nigeria to establish (give licence to private Zakah collection authorities) and equip government based Zakah collection authorities with honest administrators to enable disbursement in a just manner and provide them with necessary infrastructure to enhance efficiency and ease both collection and disbursement in line with the principle of economy and convenience.

(v) In order to curb the menace of poverty in these states, the proceeds from Zakah can be utilised as investable funds in order to maintain liquidity of the authority and make the beneficiaries self-employed, thereby curtailing the consequences of joblessness, inequality and the feeling of superiority complex.

References

Abdulkader, R. & Wahid, H. (2010). *Localization of Malaysian Zakah distribution*, *Perceptions of Amil and Zakah recipients*. A paper presented at the seventh International Conference-The Tawhidi Epistemology: Zakah and waqf economy, Bangi, 2010.

Abdul Wahab, N. & Abdul Rahman, A. (2013). *Determinants of efficiency of Zakah institutions in Malaysia: Anon parametric Approach*. Published in Asian journal of business and accounting.

Akram laldin, M. (2013). *Islamic Legal Maxims and their application in Islamic Finance* International shari'ah Research Academy for Islamic Finance (ISRA), Lorong Universiti, Kuala Lumpur, Malaysia.

Al-Qardawy, Y. (1999*). Fiqhuz-zakah: a comparative study*, Translated by Monzer Kahf. Dar Al-Taqwa ltd London.

Al-Sharif, M. M. (2002). *A concise volume of Al-bukhari's correct traditions*, Dar-al kutub Al-Ilmiyyah Beirut Lebanon.

Azmi, S. (2009). *Islamic Economics*. Good Word Books, New Delhi India.

Bidin, Z. & Idris, K. M. (2007). *A confirmatory analysis of Zakah compliance behavioral intention on employment income*. A paper written in Malaysian Management Journal Vol 1 & 2 pp 103-114. University Utara Malaysia.

Hassan, N. (1984). *Social security system of Islam with special reference to zakah*. A paper presented at the international centre for research in Islamic Economics. King Abdulaziz University Jeddah-Saudi Arabia.

Islamic Fiqh Academy Jeddah (2000). *Resolutins and Recommendations of the council of the Islamic fiqh academy 1985-2000.* Islamic Research and Training Institute, Islamic Development Bank, King Fahad National library cataloging and publication, K.S.A.

Ja'afar, N. M., Affif, A., Amri, H. & Sahezan, C. N. (2011*). A study on the factors attributed to non participation of Zakah on employment income among the Muslim community in Selangor, Malaysia*. Paper presented at the 2nd International Conference on Business and Economic Research. (2nd CBER proceeding).

Muslim World League Islamic Fiqh Council (2006). *Resolutions of Islamic Fiqh Council Makkah Mukarramah* (1977-2006).