

**THE ROLE OF ZAKAT ON ECONOMIC DEVELOPMENT AMONG JORDANIAN
COUNTRY**



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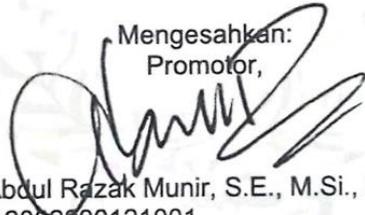
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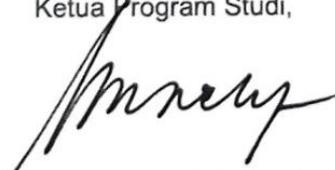
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KATA PENGANTAR

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Penulis

ABSTRAK

ABSTRAK MOHAMMAD RADWAN MOHAMMAD QUDAH.

Peran Zakat pada Pertumbuhan Ekonomi di Negara Yordania (dibimbing oleh Abdul Razak Munir, Muhammad Sobarsyah dan Sabbar Dahham Sabbar). Zakat, sebuah aspek penting dalam Islam, mempunyai peran ganda dalam mendorong distribusi kekayaan, stabilitas sosial dan pertumbuhan inklusif, Yordania menghadapi ketidakstabilan ekonomi pada akhir tahun 1980an, mencapai puncak tingkat inflasi sebesar 25,6% pada tahun 1989. Tindakan perbaikan menjaga inflasi tetap pada kisaran 4% hingga tahun 2008, dipengaruhi oleh faktor-faktor seperti fluktuasi harga minyak dan pangan, krisis keuangan global, dan permintaan yang berubah-ubah. Sedangkan dampak inflasi terhadap pertumbuhan ekonomi masih dapat diperdebatkan. Kebijakan zakat bertujuan mengentaskan kemiskinan, mengurangi kesenjangan kekayaan, dan mendorong pembangunan ekonomi, yang sangat penting dalam mengatasi masalah kemiskinan dan kesenjangan di Yordania. Pertumbuhan ekonomi bergantung pada distribusi kekayaan yang adil melalui zakat. Penelitian terbatas mengenai dampak zakat, Yordania menghadapi penurunan pendapatan, pengangguran, dan biaya hidup yang tinggi. Studi kuantitatif tentang pembangunan ekonomi di kalangan Masyarakat Yordania yang berpenghasilan rendah di wilayah tengah, menggunakan kuesioner skala Likert dengan 400 peserta lokal. Ukuran sampel melebihi 375 yang direkomendasikan untuk penelitian yang kuat. Hasil penelitian menunjukkan bahwa analisis faktor konfirmatori (CFA) mengkonfirmasi validitas model bahwa zakat berdampak pada kemiskinan, distribusi kekayaan, pengangguran, situasi ekonomi, dan peningkatan ekonomi, yang dimediasi oleh kepekaan atas kemiskinan. Selain itu, inflasi juga memediasi secara parsial memediasi hubungan antara zakat dan faktor-faktor tersebut. seperti yang dikonfirmasi oleh ketergantungan pada faktor-faktor tersebut.(bootstrap). Dapat disimpulkan bahwa penelitian ini menggarisbawahi pentingnya mengendalikan inflasi dan memanfaatkan zakat untuk kesejahteraan finansial yang berkelanjutan. Zakat secara tidak langsung meningkatkan pembangunan ekonomi, membantu pengentasan kemiskinan, distribusi kekayaan, penciptaan lapangan kerja, dan perbaikan ekonomi. Zakat berdampak positif terhadap pembangunan ekonomi dan praktik keuangan, menekankan perannya dalam mendorong pertumbuhan ekonomi. Penelitian ini mengkaji zakat, inflasi, dan dampaknya terhadap pembangunan ekonomi. Penelitian ini menawarkan wawasan teoretis bagi bangsa-bangsa Arab, pertimbangan metodologis untuk survei, dan saran-saran praktis untuk meningkatkan peran Zakat dalam perbaikan perekonomian. Tantangannya mencakup kepekaan INF dan kendala peraturan, dengan fokus utama pada Yordania. Studi ini merekomendasikan penerapan sistem zakat wajib yang dikendalikan pemerintah di Yordania, dengan menekankan peran pemerintah dalam pengumpulan dan distribusinya. Hal ini juga mendorong pendidikan dan kesadaran tentang pentingnya Zakat.

Kata kunci: *Zakat, Inflasi, Pembangunan Ekonomi, Distribusi Kekayaan, Kemiskinan, dan Zakat yang dikendalikan Pemerintah*

ABSTRACT

Mohammad Radwan Mohammad Qudah THE ROLE OF ZAKAT ON ECONOMIC DEVELOPMENT AMONG JORDANIAN COUNTRY Prof. Dr. Abdul Razak Munir, SE., M. Si., M. Mktg, Dr. Muhammad Sobarsyah, SE., M.Si, Dr. Sabbar Dahham Sabbar, Dip., Sc.Pub.Adm.,M.BA. Abstract Background:

Zakat, a vital aspect of Islam, serves a dual role by fostering wealth distribution, social stability, and inclusive growth. Jordan faced economic instability in the late 1980s, reaching a peak inflation rate of 25.6% in 1989. Remedial actions-maintained inflation at around 4% until 2008, influenced by factors like oil and food price fluctuations, global financial crises, and changing demand. While the effect of inflation on economic growth remains debated, Zakat policies aim to combat poverty, reduce wealth disparities, and drive economic development, vital for addressing Jordan's poverty and inequality issues. Problem statement: Economic growth hinges on fair wealth distribution through zakat. Limited research on zakat's impact; Jordan faces income decline, unemployment, and high living costs. Methodology: Quantitative study on economic development among low-income Jordanians in the central region, using a Likert scale questionnaire with 400 local participants. Sample size exceeded the recommended 375 for robust research. Result: The confirmatory factor analysis (CFA) confirmed the validity of a model where Zakat impacts poverty, wealth distribution, unemployment, economic situation, and economic improvement, mediated by poverty sensitivity. Additionally, inflation partially mediates the relationship between Zakat and these factors, as confirmed by bootstrapping. Conclusion: The study underscores the value of curbing inflation and utilizing zakat for sustained financial well-being. Zakat indirectly enhances economic development, aiding in poverty reduction, wealth distribution, job creation, and economic betterment. In conclusion, zakat positively influences economic development and financial practices, emphasizing its role in fostering economic growth. Implication: The study examined Zakat, inflation, and their impact on economic development. It offers theoretical insights for Arab nations, methodological considerations for surveys, and practical suggestions for enhancing Zakat's role in economic betterment. Challenges included INF sensitivity and regulatory constraints, with a central focus on Jordan. Recommendation: The study suggests implementing a mandatory government-controlled Zakat system in Jordan, emphasizing the role of government in collection and distribution. It also encourages education and awareness about Zakat's significance.

Keywords: *Zakat, Inflation, Economic Development, Wealth Distribution, Poverty, and Government-Controlled Zakat.*

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Chapter I

Introduction

1.1 Background of the study

The economic system is one of the aspects of building Islam, and one of the factors for its son's' success and prosperity, the nation dispenses with others, and progresses and prevails. From this point of view comes the importance of zakat, as in addition to its importance as a religious issue, it is considered an Economic tool, It is one of the pillars of the Islamic economic system, because it moves money and prevents hoarding it, and pushes it to the areas of development and investment(Bte & Ibrahim, 2008a).

The jurists have studied the subject of zakat from three main aspects: it is the devotional or moral aspect, and its reflection on the soul of the one who performs it in terms of purification and purification and liberation of him from the diseases of poverty, fear of poverty, love of the world. And the jurisprudential aspect in terms of specifying its conditions and pillars. The types of funds subject to zakat, how it is paid, and other legislative matters. The economic aspect of zakat, as a financial obligation, and in terms of its economic consequences. This aspect was not discussed by the Salaf scholars much, but came as a result of the attempts of a number of contemporary scholars to show the economic role of zakat. It is the first financial organization in Islam, and one of its advantages is that it is a continuous resource, not like spoils and other resources that come according to circumstances or during wars(Aisha et al., 2019a).

Throughout the time, zakat has been like a rescue ship from the scourge of poverty and destitution. Muslims today are in greatest need of this obligation; Poverty bit them with its fists, and hunger gnawed at them with its claws, despite the presence of money and wealth, especially oil, but there are no safe hands on these capabilities, so the result was that they extended their hands to their enemies to feed them from hunger; As a result, dependency increased and poverty remained

unchanged. Zakat today is still qualified to play the same role it played previously (Mubtadi, N. A., 2019). For this reason, this study comes, hoping that Allah help us to serve our religion in an aspect that still needs further research and attention (Suprayitno, E., Aslam, M., & Harun, A., 2017).

The Islamic economy is distinct from the mainstream ones due to its sharia-compliant foundations. Islamic and Western economies do, in fact, differ in terms of their guiding principles, organizational frameworks, and income transfer. These characteristics are likely to trigger different development factors. The zakat-growth nexus is one of the particular concepts in the Islamic framework in this regard.

The third pillar of Islam is zakat (Yusroni & Chadhiq, 2021a). One aspect of the Islamic economy is the requirement to pay zakat legally. It has a special place inside the Islamic economic system, to be more precise. When the owner's wealth reaches al-nisab (al-mal), he or she is required to pay the zakat (minimum amount of wealth that a Muslim must possess for a whole year before zakat becomes due). The economic growth may be impacted by the religious tax (zakat), which is paid annually to designated recipients and affects a variety of assets (cash, shares, pensions, gold, silver, company goods, and revenue from investment property), among others (Amsari & Nasution, 2019a).

Zakat is "essential social insurance" in addition to having economic consequences. In fact, it helps solve social problems by promoting social stability, community harmony, and justice. Zakat is anticipated to lessen the amount of money concentrated in a select few hands and to maintain social security as an efficient method of income redistribution. Zakat serves as a safety net for the underprivileged and destitute. It is a tool for battling poverty and bolstering the recipient's economy. According to this theory, zakat encourages inclusive economic growth. Islamic social science research is growing right now. According to Purnomo, A., Rofan, G. N. K. M., & Maulida, A. Z. (2020), who reviewed the evolution of the zakat literature using scientometrics analysis, scholarly publications have recently given zakat greater attention than in prior years.

In many Islamic countries, charity gifts are motivated by religion(Amsari & Nasution, 2019a). They ask you what they should spend, says the Quran (2:215). utter the following: "Whatever wealth you spend, it is for the parents, the near of kin, the orphan, the destitute, and the traveler, and whatever good you perform, Allah assuredly knows it." The goal of zakat is to purify the donor's riches. Zakat is a type of taxation that could have an impact on society and the economy.

Zakat can stimulate economic growth in a variety of ways. Consumption, investment, and public spending—the three pillars of aggregate demand—are influenced by the zakat distribution, which has an impact on economic growth. First off, zakat encourages the poorest and disadvantaged to consume more. Second, zakat monies can be used to boost investments in local projects that zakat recipients are working on developing (Utami, P., Basrowi, B., & NASOR, M., 2021). Furthermore, the uninvested funds will eventually be completely consumed by zakat due to the requirement of zakat payment and the ban on interest. Therefore, zakat can encourage investment by lowering the need for money for transactions and careful reasoning. According to Purnomo, A., Rofan, G. N. K. M., & Maulida, A. Z (2020), zakat is a tool for monetary policy that can be used in economies in transition to replace interest rates and get around liquidity problems. Thirdly, zakat funds might enhance government spending by substituting for some budgetary expenses(Kazak et al., 2020).

This research has come in five chapters, the first of which is to define zakat and explain its ruling and legitimacy, and the ruling on its prohibition. As for the second chapter, it talks about economic development in Islam in comparison with development in the positive economy. The third chapter was the methodology of the study. While the fourth chapter included analyzing the data that will be collected from the study sample and the results of the analysis in the fourth chapter and comparing them with previous studies. The last chapter includes a summary of the research, and its role in helping future researchers, in addition to shedding light on the importance of Zakat and its role in economic development.

1.1.1 Jordan's economic situation

At the end of the eighties, the Jordanian economy witnessed a financial crisis that overthrew the exchange rate of the dinar against the dollar, as the Jordanian dinar lost 50% of its value against the dollar in 1989 compared to the value in 1987, and this greatly affected the

inflation rate in Jordan, which rose to record rates. Figure No. (1) shows that the inflation rate reached (25.6), the highest percentage witnessed by the Jordanian economy, and the money supply increased by 17 times over what it was in 1973 (Central Bank, 1989). The reaction of the decision-makers in Jordan was to adopt economic correction programs aimed at stabilizing the exchange rate and controlling the growth rate of liquidity and the general budget deficit, which led to a decrease in the inflation rate in 1990 to (16.2), and the government continued to take economic measures that help achieve a balance between Aggregate supply and aggregate demand to prevent the occurrence of inflationary pressures to a large extent and follow balanced government spending to reduce the inflation rate to (4%) in 1992 (Central Bank of Jordan, 1993). This stability in the inflation rate continued until 1995, but it began to rise in 1996 affected by the government's decision to remove price distortions, restructure government subsidies for wheat and fodder, raise the general tax rate on sales, and the rise in prices of imports, especially foodstuffs (Central Bank of Jordan 1996). The years (1997-2001) witnessed stability in inflation rates, which came as a result of the decline in world prices, the reduction of customs duties and the additional sales tax imposed on cars, and the Central Bank worked during this period to provide an appropriate level of money supply to finance economic activity. (Central Bank of Jordan, 2001).

Inflation rates continued to stabilize around 4% until 2008, which witnessed a rise in the rate of inflation that the Jordanian economy had not witnessed since 1990, reaching (13.9%) due to external factors, the most important of which are the rise in oil prices and food prices. As a result of the decline in economic activity affected by the repercussions of the global financial crisis, the decline in trade, employment and investment with the Gulf countries, and the decline in remittances of workers and foreign aid, which led to a decrease in aggregate demand, which was reflected in the decrease in the inflation rate in 2012 at a rate not seen in the Jordanian economy since 1987 - 2012, when the consumer price index recorded a rate of (-0.75%). In 2015, the Jordanian economy began to recover from the financial crisis, as the economic growth rate rose compared to 2008 to reach (3.4%), after the recovery of the local service sectors and the increase in exports. However, the inflation rate rose to (4.8%), due to factors External reasons, the most important of which is the high prices of imported raw and final materials, and internal reasons, including the high prices of construction and some foodstuffs (Yaser ALMANSOUR et al., 2021).

In 2019, inflation decreased by (-0.87%), and this was due to the decrease in the prices of some imports, the decrease in the costs of domestic production, and the Land Transport Regulatory Authority's decision to reduce transportation fares by (10%), and in light of the continued decline in global oil derivatives prices, the inflation rate continued to be measured. The consumer price index reached (-0.78%) in 2020 (Batarseh, 2021).

1.1.2 Inflation

The phenomenon of inflation is one of the economic phenomena that poses a challenge to the economies of developing and developed countries alike, through its impact on macroeconomic variables such as savings, investment and economic growth. Therefore, the economic literature focused on studying the phenomenon of inflation and finding out its causes.

In the traditional thought (the monetary school), Fisher formulated the theory of exchanges to clarify the concept of inflation, which believes that the cause of inflation is an increase in the amount of money offered, in the sense that an increase in the supply of money in relation to the demand for it reduces its purchasing power, and this means an increase in prices (Batarseh, 2021). Therefore, the theory of exchanges considers that there is an inverse relationship between the amount of money and the general level of prices, assuming that the speed of money circulation is constant. This also means that according to market equilibrium, when the money market is equal to the goods and services market, an increase in supply in the money market leads to an increase in demand in the commodity market, and thus the price level rises (Yaser ALMANSOUR et al., 2021).

The monetary school also believes, and its pioneers, Milton Friedman, that inflation is a purely monetary phenomenon, due in its origin to monetary and financial factors, and its cause is the expansion of the monetary issuance in a way that leads to the outweighing of aggregate demand over the aggregate supply, resulting in bottlenecks and inflationary pressures represented in the rise in prices, and constitute obstacles to the creation of development (Ahmed Aldaas, 2020).

Marshall also formulated the theory of cash balances under the name of the Cambridge equation, which concerned the demand for money as a cash balance, "what the individual wishes to keep

from his real annual income in the form of cash”(Gabriel et al., 2022). Marshall considers the mixed balances of individuals, projects, and others to be a cash balance for the state in general. In this theory, inflation is attributed to the income that is kept in the form of liquid money or as a cash reserve (Anzoátegui Zapata & Galvis Ciro, 2022).

Thus, we see that the traditional thought was adopted in defining inflation on the principle of the increase resulting from the conditions of demand or the conditions of supply of money, which leads to an increase in prices. But the circumstances of the global recession in 1929 opposed the traditional thought, as the increase in the amount of money did not lead to an increase in prices, just as the system of controlling markets and prices used by countries in the event of inflation opposes what came with the traditional thought (Gabriel et al., 2022; Kenneth, 2012; Moi et al., 2017).

Therefore, the works of the Keynesian school emerged by focusing on national income and what is related to it, such as the marginal propensity to consume, and the interest rate. According to the supporters of this school, inflation results from a tangible and continuous increase in the volume of aggregate demand over the volume of aggregate supply(Gabriel et al., 2022), so he searched for the factors that govern the level of national income, given that fluctuations in it include an explanation for fluctuations in the general level of prices.

Keynes also showed that the labour market has an effect on the rise in the price level (inflation) by increasing the demand for goods and services, which in turn leads to an increase in the demand for the labor force to produce these goods and services, and an increase in the demand for work will lead to an increase in wages, so if the marginal rate of savings for workers is low and the marginal rate of consumption is high, this will lead to a further rise in aggregate demand by a greater rate than the increase in aggregate supply, which will consequently increase inflation levels (Vagnozzi, 2020).

Keynes' theory relies on analyzing the factors that determine the level of income, and he gave the amount of money a secondary role through its impact on the interest rate, then on the volume of investment, and then on the national income, considering full employment an exceptional case. He

paid great attention to the direct demand for money, and studied its relationship to the level of expenditure. The Keynesian school also indicated that disasters and wars help increase the level of demand for goods and services, which helps in rising inflation rates. On the other hand, (Mishra et al., 2019) believes that the demand for money motivated by transactions is affected by the rate of interest and not, as Keynes assumed, that it is affected by income only, and that the high rate of interest and income makes individuals keep part of the income for reserve and invest the rest (Gabriel et al., 2022)t.

After the Keynesian theory was unable to explain the inflationary stagnation after the Second World War, Friedman reformulated the traditional theory in a new way, using new tools in the interpretation of inflation, so that the monetary theory appeared in the study of inflation, where he revived the idea of demand for money and considered that inflation is a monetary phenomenon, as the high Prices occur if the total demand exceeds the total supply, and consider that the demand for money is not only in the form of cash but also in the form of capital like machines, and that money can be kept in the form of shares and bonds to obtain returns. Friedman believes that inflation occurs in the event of issuing a large amount of money that exceeds the normal rate of production growth, and that the domestic product is inflexible in the short term and cannot respond to the increasing demand, which leads to a rise in prices (Batayneh et al., 2021).

The Swedish school, at the hands of Hansen and Lyndall, took expectations into account in the monetary analysis of inflation, as it studied the relationship between investment plans and savings plans (McDonald, 2020), and it considers that investment decisions made by individuals according to their desires differ from the desires of individuals who seek to save. Inflation occurs when planned investment is not equal to planned saving, and therefore this means that demand is greater than supply, which leads to inflation, and thus producers achieve greater profits because the purchase plans (demand) were greater than the production plans (supply) that they decided to implement (Vagnozzi, 2020).

As for the effect of inflation on economic growth, (Mishra et al., 2019) found that inflation has a positive effect on economic growth, based on the fact that inflation encourages investment and saving, which in turn leads to an increase in economic growth rates. This is justified by the fact

that high prices lead to lower levels of consumption under the concept of compulsory saving, in addition to that it leads to searching for additional alternative financial resources, which creates greater opportunities for investment. The study also confirms that inflation leads to money losing part of its purchasing power, which motivates money holders to buy fixed assets because it retains its value, and this leads to increased capital accumulation, which in turn stimulates economic growth (Gabriel et al., 2022).

On the other hand, (Acemoglu et al., 2009a) believes that the relationship between inflation and economic growth is negative, as inflation affects consumption, because high prices make the consumer unable to satisfy his desires and needs, and the fact that consumption is considered the largest component of the GDP, especially in countries. Therefore, the rate of economic growth will decrease. It also affects the decrease in the demand for the labor component due to the reluctance of consumers to buy, and thus the decrease in income as well (Gunday et al., 2011).

This result agreed with what was stated by (Nunn, 2020) that the effect of inflation on economic growth is negative and that it limits investment due to the rise in the prices of raw materials that go into production, which will in turn affect the price of the final product as well.

Greenwood et al., (2010) stressed that the rise in prices reduces the real value of money and thus there will be no value for saving, which will affect the financing of investment, which is reflected in the discouragement of economic growth. On the other hand, (Demeter et al., 2016)) concluded that there is absolutely no relationship between inflation and economic growth.

Other studies (Demeter et al., 2016; Mohamed et al., 2019; Utami & Nasor, 2021; Yusoff, 2011a, 2011b) also dealt with the nature of the relationship between inflation and economic growth, meaning is there a linear or non-linear relationship between inflation and economic growth? The results of these studies indicated that the relationship between economic growth and inflation is a non-linear relationship. In the sense that inflation does not have any negative impact on growth unless it exceeds a certain limit, which is called the critical level of inflation (Ramadan, 2020).

1.2 problem Formulation

Economic growth usually depends on the distribution of wealth among members of society and the non-monopolization of money in the hands of a specific group of society, as well as the distribution of wealth among people in any society leads to the imposition of taxes in a fair and Islamic way (zakat) and thus achieve social cohesion, reduce poverty and achieve sufficiency in Islamic societies (Suprayitno, E., 2020; Miah, A. A., 2019).

While considerable research on the origins of economic development has been undertaken, especially in nonarabic countries, the findings are inconclusive. Literature has shown that most of the research conducted all over the world, including Jordan, is related to the relationship between economic development and zakat. Nevertheless, to date, academic research on Zakat related to economic development in Jordan and other parts of the world is limited. Furthermore, many previous studies have argued regarding zakat and its impact in economic development; many were based in Malaysia, China, and certain Arab countries like Yemen, Saudi Arabia, and the United Arab Emirates. Only a few studies concerned Jordan and its poor people. And there is many researchers conducted in field of inflation, and what is the role of inflation in economic development.

Various investigations discussed the relationship between the application of Islamic Sharia standards and unemployment (Suprayitno, E., Aslam, M., & Harun, A., 2017; Bte & Ibrahim, 2008a, 2008b; Miah, n.d.) or between Zakat and the small number of poor people in the general population. However, most of the tests did not take into account the relationship between the application of zakat according to Islamic law and economic development including fight poverty, wealth distribution, Reducing the unemployment rate, bring about a tangible change in the deteriorating economic situation, and contribute to economic development (Achmad, W., 2022; Miah, A. A., 2019).

According to the Jordanian Department of Statistics (JDS, 2021), during the past two years, household income has decreased significantly in conjunction with a clear decrease in the number of appointments to jobs from the youth category, which is part of the general income of the state. to 20% in 2021 from 42% at the end of 2018. There are two types of jobs in Jordan; Employees in

government jobs and employees of companies and private institutions that belong to a very limited category of citizens. According to the Jordanian Department of Statistics, there is a decrease in the number of employees in both the public and private sectors as shown in Figure 1.1.

Zakat, as identified by Bilo, C., & Machado, A. C. (2019), is the real and direct cause of economic development. When zakat is given, economic development is achieved, but if zakat is low, people will be poor and economic situation will not develop. According to the Ministry of Labor (2021), the average achieved per capita income for 2018 decreased from 68% to 57% in 2021, while the poverty rate increased to 69% in 2021 compared to 2018, when the poverty rate was 48%.

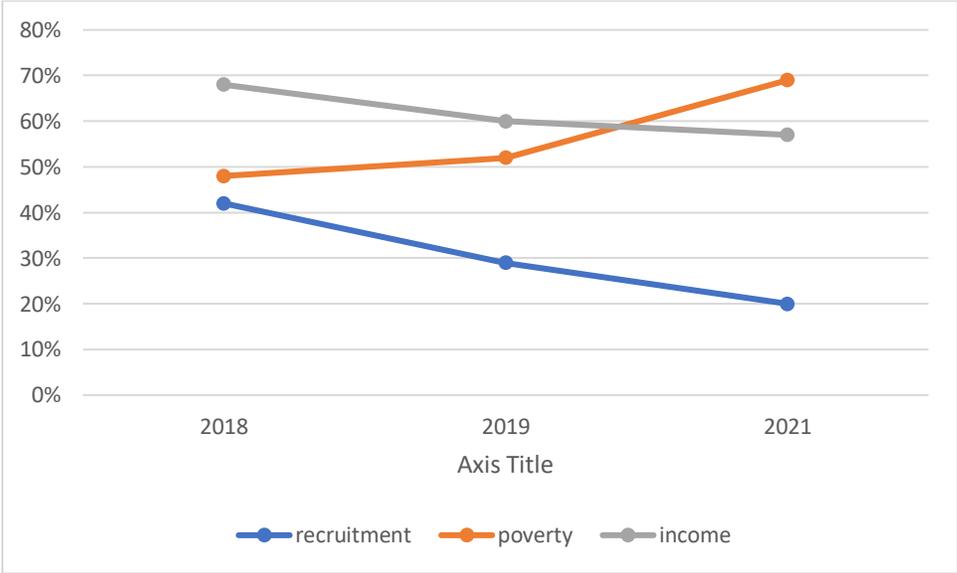


Figure 0.1: Number of employment people

A decrease in the number of employees occurred due to a decrease in the general financial return of the state. This, in turn, has affected per capita income (Wilson, 2021) Therefore, according to the Jordanian Department of Statistics, the reasons for the decline in per 2capita income are due to:

- I. The high cost of living for Jordanian citizens.
- II. The economic and political conditions surrounding the Hashemite Kingdom of Jordan in the neighbouring countries
- III. the spread of the covid 19, which imposed economic restrictions on Jordan and very high financial costs.
- IV. The bankruptcy of many private companies and institutions during the covid 19 period
- V. The high requirements of life for the Jordanian family, such as education, health, and so on.

1.3 Research purposes

The current study came to show the importance of Zakat and its great role in developing the economy in countries, especially Islamic countries. many previous studies dealt with the issue of zakat and its impact on the local economy and community and corporate development. Where they discussed the subject of zakat and its impact on society from a religious and legal point of view. The importance of explaining the essential role of Zakat in the prosperity of countries and economic development has emerged, as much of the research was in non-Arab Islamic countries and a few were in Arab countries, especially Jordan (Al et al., 2011a; Kazak et al., 2020; Kidwai et al., 2020.; Suprayitno, 2019). In previous research, its methodology was a review of literature and financial statements. The researchers did not conduct sufficient studies that highlight the opinions and views of Muslim peoples about zakat, especially poor countries such as Jordan (Kidwai, 2020).

Hence the importance of conducting a study in Jordan that highlights the importance of Zakat and its role in improving living conditions and thus developing the international economy, according to the views of the study sample, and what is the role of inflation in this filed. This study's questionnaire focuses on clarifying the opinions of poor peoples about the role of zakat in fighting poverty, the role of zakat in the distribution of wealth, the role of zakat in reducing unemployment, making a tangible change in the deteriorating economic situation, and investing zakat funds economically to harness its proceeds in bringing about development.

1.4 Research uses

This study aims to examine the impact of zakat on the economic growth for a sample of Muslim countries. As a matter of fact, Zakat is a religious tax on wealth paid annually to specified recipients. As it leads to income redistribution and increases the aggregate demand, zakat can be a growth factor in the Islamic framework.

1.4.1 Theoretical uses

Based on the review of previous empirical studies, a research framework was established to examine the impact of zakat on economic development. Figure 1.1 illustrates the relationships.

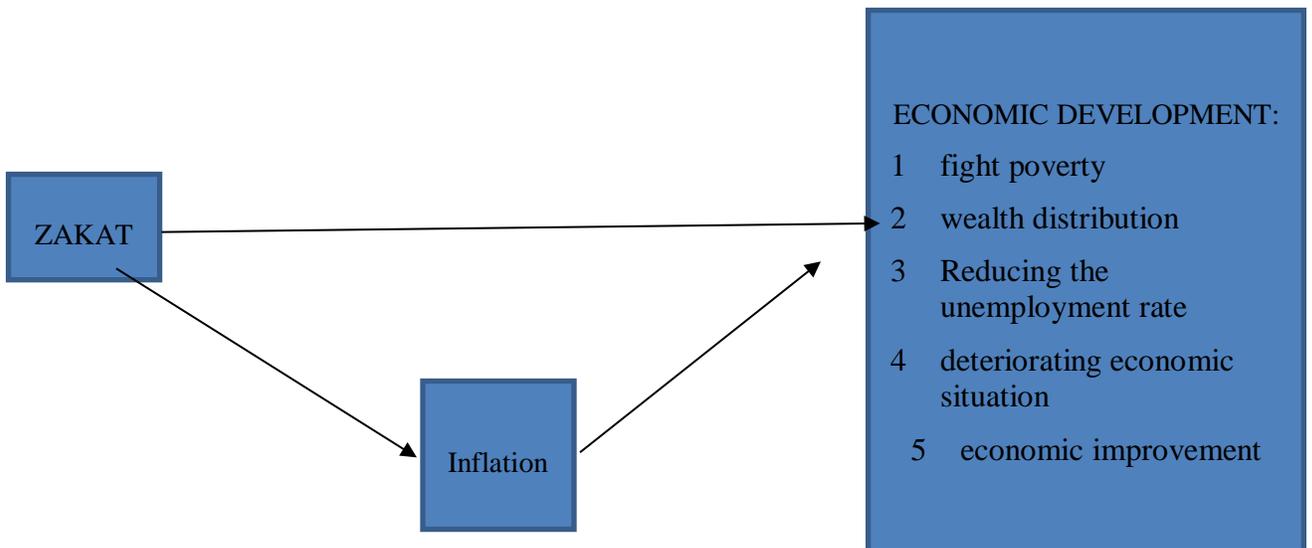


Figure1.1: Theoretical Framework

The figure above shows that zakat has a direct effect economic development in Jordan by its role on each of fight poverty, wealth distribution, reducing the unemployment rate, bring about a tangible change in the deteriorating economic situation, and contribute to economic development. While the inflation mediates the relationship between zakat and economic development.

1.4.3 practical uses

The importance of this study is reflected in the fact that it revolves around zakat, which is the second obligation of Islam's great duties from this side. On the other side, the study examines the issue of economic development on its importance in the period we live, where Muslims live in a reality dominated by weakness and financial and economic dominance, calls made by globalization and the leading countries' dominance over not just the economic but also morals, religion and values, it was necessary for every Muslim to confront this reality. and its results, and the defense of Sharia in general and its economic system in particular, and hence this study came to contribute to this required role.

The importance of this study in the fact that it worked on combining jurisprudence, ancient and modern, and sought to find solutions to urgent questions and issues, and defended zakat in the face of those who describe it as insufficient in solving our contemporary problems, and considers it a duty that has passed for a time past, and its inability now or financially to achieve what positive taxes achieve.

1.4 research scope

The scope of service in this research includes Jordanian citizens residing in the central region, namely Amman Governorate, Madaba Governorate, Balqa Governorate, and Zarqa Governorate. Where citizens who do not have a job are always present in crowded places to get a job with a wage that meets the basic needs.

Where the study focused on citizens who do not have a job in the first place, and then those who have a job with a low income.

1.5 definitions and terms

- i. Economic development: is the sustainable and coordinated actions of policy makers and joint groups that contribute to enhancing the standard of living and the economic health of

a given area. Also, economic development can refer to both quantitative and qualitative changes in an economy

- i. Islamic Sharia: is an Islamic term that refers to the commands and prohibitions that God has legislated for his Muslim servants, the halal and the forbidden, which are the provisions, rules and regulations legislated by God to establish a just life and manage people's interests and security in beliefs, worship, morals, transactions and the different systems of life in its people
- ii. Zakat: in the language means: growth, increase, blessing, praise, righteousness, the elite of something, and purity is tangible or moral, meaning: zakat on money. Zakat is applied to the money spent by the giver of charity, and it is used in monotheistic religions in this sense, which is intended to worship, which is in the sense of giving charity with money.
- iii. Inflation: is an increase in the general price level of goods and services in an economy. When the general price level rises, each unit of currency buys fewer goods and services; consequently, inflation corresponds to a reduction in the purchasing power of money. The opposite of inflation is deflation, a sustained decrease in the general price level of goods and services.

1.6 systematics of writing

This study tested the effect of applying zakat on economic development (fighting poverty, wealthy distribution, unemployment rate, economic situation, and economic improvement) while the mediating role of inflation among Jordanian poor people live in the central of Jordan and near to capital Amman. This thesis has seven chapters:

Chapter I: Introduction

Consists of the research background, problem formulation, research purposes, research uses, research scope, and finally systematic of writing.

Chapter II: Literature Review

Comprises an introduction section, review of the theory and concepts, and finally empirical review.

Chapter III conceptual framework and hypothesis

Consist of conceptual framework, and hypothesis developed based of research model.

Chapter IV: research methodology

Consist of research design, research site and time, population, sample and sampling technique, data typs and sources, data collection, and research variable and operational definition.

Chapter V: research results.

This chapter contain descriptive data, descriptive of research results.

Chapter VI: Discussion

This section discus the research result and illustrate the hypothesis relations.

Chapter VII: closing

In this chapter the implication of this research and limitations were conducted, and finally suggestion.

CHAPTER II

LITERATURE REVIEW

2.1 Review of the theory and concept

This study aims to study the effect of Zakat on the economic growth of a sample of the poor in Jordan. As a matter of fact, zakat is a religious tax on wealth paid annually to specific recipients. As it redistributes income and increases aggregate demand, Zakat can be a growth factor in the Islamic framework.

1.3.1 ADAM smith's theory

The majority of notions of poverty are frequently linked to economic factors. It is appropriate to place it in the perspective of a developing nation. that has a problem with poverty that is centered on two key issues: the degree of actual poverty and the significant income inequality (economic disparity) (Athoillah M. A., 2014).

Poverty is separated into two categories based on the measurement point of view. poverty, both extreme and relative (Subandi, 2012). A constant standard is referred to as absolute poverty. If the income is below the poverty threshold, anyone, even the very poor. It refers to not having enough money for bare necessities (Kuncoro, 2010).

The government has made a number of measures to reduce poverty through the implementation of both direct and indirect policies (World Bank, 2005). This is a part of the development process, which affected the citizens of the nation either favorably or unfavorably.

Various elements are examined in regard to problems with economic development. In an effort to boost economic development by raising real income, economists have turned their attention to these issues. The so-called trickle-down effect can be used to tackle the issues facing developing

nations (Pendi Dewanto, 2014). If economic expansion benefits the poor, then it can have a positive effect on reducing poverty (Soleh, 2015).

Economic growth in actual economic activity refers to the financial expansion of the production of goods and services that publish by (BPS, 2018). Although measuring production units is highly challenging, we can use income as a proxy for economic development success (Sukirno, 2010).

Islamic economic theory acknowledges that the issue of income inequality and poverty is a phenomenon that cannot be isolated (Huda dkk, 2015). The incident is logical and sunnatullah (Mubarokah, Beik, & Irawan, 2017). If nothing is wealthy, it won't be referred to as impoverished. Because, as stated in Qs. Yasin: 36, Allah created everything in pairs.

سبحن الذي خلق الأزواج كلها مما تنبت الأرض

means: "The Most Holy (Allah) has created all pairs, both from what is grown by the earth and from themselves, as well as from what they do not know."

Islamic economics contend that by incorporating Islamic principles into everyday activities, such as the use of zakat instruments, these problems can be resolved (Senadjki, 2015). Zakat is generally regarded as Islam's most significant social security mechanism (Athoillah A. R., 2015). According to the theory, zakat will lessen poverty and the income gap (Anriani, 2010).

The study by Suprayitno, Kader, and Harun (2013), which discovered that the distribution of zakat had a favorable but minor impact on aggregate consumption, supported the claim. Azam, Iqbal, and Tayyab (2014) reported on empirical studies conducted in Pakistan that found zakat significantly raises household wellbeing and reduces poverty. According to the findings of his study, poverty and zakat disbursement are inversely related in both the short- and long-term.

Another study by Senadjki (2015) demonstrates that while zakat considerably lowers both poverty incidence and deep poverty, it has no appreciable impact on income inequality as measured by this

coefficient. The study's findings, according to Shaikh (2016), indicated that zakat institutions had a good enough chance of reducing poverty. If all 17 OIC countries pooled their resources to collect zakat, it would be sufficient to reduce poverty throughout the OIC region as a whole.

The idea of economic growth has long been central to the economic development paradigm (Huda dkk, 2015). through the process of raising economic production, which results in an increase in national income (Soleh, 2015). This is conceivable because it takes into account the evidence of successful economic development in industrialized nations, which consistently emphasizes how the market mechanism works (An-Nabhani, 2010). In actuality, the rise in per capita income also obscures communal real income (Juliana, 2018).

As a result, it's essential to provide ideas that are drawn from sources outside the system, have been applied, and can be employed in actual situations (Ghofur, 2016). It seems to reason that Islamic economics could provide distribution tools to promote community wellbeing. One of these involves using zakat instruments as part of their standard operation (Senadjki, 2015)

Adam Smith was an economist and philosopher who lived in the 18th century. The Wealth of Nations, which later led to the development of macroeconomics, was undoubtedly Smith's most well-known work. Smith, who is frequently referred to as the founder of economics, is the source of most of contemporary economic theory. Smith contends that individuals looking out for themselves (rather than the government) end up doing a better job deciding what people should create in one of his most well-known theories, the invisible hand theory. In contrast to the "physical hand" of a central planner employed by the government, he compared the process to a "invisible hand" that better directed the market. Later, capitalism was built on top of this premise.

According to Adam Smith's economic theory, markets typically function most effectively when the government keeps out of the way. The optimal way to employ the country's resources, according to Smith, would naturally be discovered by rational people working in their own interests. According to Smith, government regulation may actually hinder economic growth.

When it came to economic policy in the 18th century, Smith adopted a laissez-faire (French for "let it/them do") philosophy at a period when governments were discouraging cross-border trade. Many people thought that a country's worth was determined by how much gold it possessed; therefore, while imports involved bringing commodities into a nation, they also involved exporting gold. Due to the elimination of foreign competition for their goods, domestic firms (also known as merchants) tended to favor these measures. Later, mercantilism was the name given to these merchant protection measures.

Smith demonstrated in *The Wealth of Nations* that a country's wealth was independent of the amount of precious metals it had stored in its vaults. The value that a commercial society created via industry and commerce, he contended, was where wealth actually lay. Smith's theories served as the foundation for how most nations still calculate their wealth: by estimating the market worth of the goods produced inside their borders (also known as their gross domestic product) or by their citizens (aka gross national product).

Adam Smith not only made contributions to economics, but he also created it. The closest thing to what we now conceive of as economics in the early 18th century was moral philosophy. Smith was raised in Kirkcaldy, Scotland, and later attended the University of Glasgow to study moral philosophy. Francis Hutcheson, a well-known Scottish philosopher of the era, was one lecturer in particular who had a significant influence on Smith's education and appears to have influenced his early work.

The Theory of Moral Sentiments, Smith's first significant body of work, was published in 1759. Smith expressed the premise that self-interested people will inevitably work toward a solution that is advantageous to everyone in it. He referred to this concept as a "invisible hand" that led people along the right road while also bettering the lives of those on the other side of a deal. Perhaps the most important contribution to what is now known as economic theory is this idea that natural liberty produces optimal results.

The Theory of Moral Sentiments, which Smith co-published with Andrew Millar of London and Alexander Kincaid of Edinburgh, was released in 1759. Up to his passing, Smith made

considerable edits to the work. Smith is thought to have thought *The Theory of Moral Sentiments* to be a superior work, despite the fact that *The Wealth of Nations* is largely regarded as his most influential work.

Smith's book critically investigates the moral philosophy of the day, and he makes the argument that conscience develops as a result of social interactions that are active and interactive and include people looking for "mutual sympathy of sentiments." Given that people are born with no moral convictions at all, his aim in producing the essay was to explain the origin of mankind's capacity for moral judgment. According to Smith's theory of sympathy, people become aware of their own behavior and how other people perceive it when they observe others and see the judgements, they make about them as well as themselves. The input we get from sensing (or imagining) other people's opinions encourages us to build "mutual sympathy of sentiments" with them and pushes us to form behavioral norms that eventually become one's conscience.

Some academics have said that *The Wealth of Nations* and *The Theory of Moral Sentiments* are at odds with one another since the former emphasizes empathy for others while the latter emphasizes the importance of self-interest. Some Smith scholars have asserted that there is no contradiction in recent years, nonetheless. They contend that Smith presents a psychological theory in *The Theory of Moral Sentiments* wherein people want the endorsement of the "impartial spectator" out of a natural need to have other people understand their feelings. Some Smith scholars believe *The Wealth of Nations* and *The Theory of Moral Sentiments* emphasize different parts of human nature that change depending on the circumstance rather than offering conflicting interpretations of human nature. He outlined his philosophy of people and society in the first section, *The Theory of Moral Sentiments*. He expanded on the virtue of prudence, which for him meant the relationships between people in the private sector of the economy, in the second book, *The Wealth of Nations*. He intended to go into further detail about the importance of justice in the third volume. Otteson contends that both volumes use a Newtonian approach and a "market model" to explain how large-scale human social structures, such as morality, economics, and language, arise and grow. A different perspective is offered by Ekelund and Hebert, who note that both works contain self-interest and that "in the former, sympathy is the moral faculty that holds self-interest in check, whereas in the latter, competition is the economic faculty that restrains self-interest."

2.2 Empirical Review

2.2.1 Economic Development

Recent years have seen the emergence of an intriguing new body of literature that experimentally investigates the question of whether past occurrences have any bearing on current economic development. This literature has its roots in three study areas that started about ten years ago. The significance of factor endowments and colonial governance for the following economic growth of colonies within the Americas was investigated by Saad, R. A. J., Farouk, A. U., Wahab, M. S. A., & Ismail, M. (2019). A study agenda was created by Kidwai, A., & Zidani, M. E. M. (2020) in an effort to comprehend the historical background of current institutions and the significance of these institutions for long-term economic growth. While (Yusroni & Chadhiq, 2021a) also looked at the significance of colonial rule, they concentrated on the legal institutions that the various colonial powers transplanted and the long-term effects these had on investor protection and economic growth.

These three areas of research were related by their consideration of the possible significance of colonial control as a historical event for long-term economic development, which made them particularly innovative at the time. These three studies gave rise to a sizable body of empirical research examining the significance of historical occurrences for economic growth (Todaro, M. P., & Smith, S. C., 2020). The earliest succeeding research usually looked at correlations between variables assessing the impact of historical events, which were almost exclusively colonial rule, and usually the unit of observation was a country. This initial research was successful in drawing attention to data correlations that supported the idea that history can have an impact, even in the long run. The evidence was, however, suggestive at best due to their inability to demonstrate causality.

The literature has changed in a number of fundamental ways since these early contributions. On the basis of comprehensive historical data, much more work has been made into gathering and assembling new variables. Recent studies are also able to use much more effective identification strategies, which typically rely on instrumental variables, falsification tests, regression

discontinuities, differences-in-differences estimation, or propensity score matching techniques, by taking advantage of these richer data sources (Adilla et al., 2021).

Early perspectives of economic growth focused on reviewing the economic status of individuals. For example, Suprayitno, (2019) described economic growth into four classifications, per capita income. Self-sufficiency and loyalty of citizens, and meet the individual needs of citizens. A few researchers (Hanson, A. H., 2019; Franko, P., 2018; Kjekshus, H., 2020; Baklanova, O., Petrova, M., & Koval, V., 2020) have suggested that the definition of economic growth is inadequate in light of the fact that peoples suffer from poverty and displacement in some stricken countries, for example, from having no one to guarantee them minimum standard of living. In light of these interactions, researchers have proposed estimating economic growth through methods for measuring attitudes yet measuring behavior for governments and individuals (Mustafakulov, S., 2020).

Economic growth is one of the most important economic indicators, and it is defined as the total value added to all production units operating in the different branches of production in a particular economy, such as agriculture, mining and industry (Acemoglu et al., 2009a).

The added value of a given unit of production is the difference between the value of the total production of that unit and the value of intermediate goods and services consumed in that production.

Growth in this sense is the increase in the quantity of goods and services produced by a particular economy, and these goods are produced using the main factors of production, namely land, labour, capital and organization (Hanson, A. H., 2019). Economic growth is also defined as a positive change in the level of production of goods and services in a country in a certain period of time, and therefore economic growth means - in general - an increase in income for a particular country. Economic growth is measured using the percentage of GDP growth, and the ratio is compared in a given year to the previous one. The increase in capital, technological progress and improvement in the level of education are the main reasons for economic growth (Aisha et al., 2019b).

Accelerating the process of economic growth has become an essential function of economists, planners and politicians in developing and underdeveloped countries during the past five decades, because the prevailing belief is that achieving economic growth is the main factor that determines living standards (Suprayitno, 2020a).

However, there is another factor that determines living standards, which is income inequality and the poor distribution of wealth in society. Increased economic growth does not necessarily mean an improvement in living standards, because the fruits of growth are not distributed equitably and the few often account for most of the benefits of growth (Aisha et al., 2019c).

The capitalist economy looks at economic growth at the level of society and not at the level of individuals, and deals with the increase in total production and national income, not in the production of each individual and the amount of his income. According to the capitalist theory of the economy, economic growth may occur in the society, but prosperity may reach a few members of the society, while a large part of the society will be affected by poverty (Miah, A., 2021).

Therefore, there is a clear difference between economic growth and economic development. The latter is of a qualitative nature and not quantitative, meaning that achieving economic development requires an increase in economic growth, but this growth is linked to making changes for the better in the various economic and social sectors with coordination among them, most notably education, health and employment (Saad, et al, 2019)).

Economic growth is a process in which real income is increased cumulatively and continuously over an extended period of time (a quarter of a century) so that this increase is greater than the rate of population growth, while providing productive and social services, protecting renewable resources from pollution, and preserving non-renewable resources from depletion (ben Jedidia & Guerbouj, 2021a).

There are multiple definitions of economic development. One of the common definitions is that it is a process that includes achieving a high growth rate of the average real per capita income over

an extended period of time (3 decades, for example), provided that this is not accompanied by a deterioration in income distribution or an increase in the level of poverty in society (Bouanani, M., & Belhadj, B., 2019).

It is also defined as the increase in the quantity of goods and services produced by an economy. These goods are produced using the main factors of production, namely land, labour, capital and organisation. In addition, economic growth is the increase in the market value of goods and services produced by an economy over time (Kjekshus, H., 2020).

Poverty is one of the biggest challenges facing humanity, and it has many dimensions that negatively affect the economic situation in countries. Therefore, all countries seek to adopt a number of effective policies to get rid of the problem of poverty and improve the standard of living of citizens. During the past decade, Jordan witnessed a period of stagnation, which had negative effects on employment and the standard of living in Jordan, and contributed to a clear increase in poverty rates in Jordan (Mahmood, J., Hassan, M. K., & Muneeza, A., 2022).

The problem of poverty is one of the most important obstacles that countries face in raising their economic growth rate and achieving sustainable development. Especially since the phenomenon of poverty represents a direct threat to the economic, social, political and security stability in any country, and this is because it generates an environment in which various forms of extremism and deviation arise. Poverty is a multi-dimensional phenomenon, which has attracted great attention from various state leaders and planners, as well as scholars and various international bodies, due to the negative effects of poverty that affect societies significantly (ben Jedidia & Guerbouj, 2021b).

For this reason, all countries are keen and striving to adopt all the necessary policies and procedures to confront and eradicate poverty, and thus improve their standard of living. Especially since the phenomenon of poverty is present in most societies, but the degree of its prevalence and severity varies from one region to another. All countries have agreed to adopt appropriate international policies to eliminate the problem of extreme poverty, which is the first goal of sustainable development (Suprayitno, 2020).

Unemployment is currently the most important problem facing most countries of the world with their different levels of progress and their political, economic and social systems. It is no longer the problem of developing countries only, but it has become one of the most serious problems of developed countries, because of its economic and social effects on these countries. Unemployment is also considered one of the obstacles to development (Miah, A., 2021.). The rates and causes of unemployment vary from one society to another, and therefore the methods of dealing with it varied from complete disregard to partial or total support to mitigate its severity. Unemployment has negative and dangerous effects on the economic, social and political levels, as it threatens stability and peace in any society where this phenomenon is prevalent (Miah, A., 2021). The Arab countries are among the countries that suffer from unemployment resulting from a shortfall in the use of the surplus labor element due to the increase in the population and the inability to link the outputs of education with the requirements of the labor market, in addition to the restrictions imposed on the renewal of the productive forces as a result of the halt in development and the aggravation of external debt in some of these countries, which prompted them to request assistance from the International Monetary Fund and the World Bank, which resulted in the application and strict conditions, represented in the privatization of a large number of economic institutions and the layoff of many workers, which had negative effects on Arab societies (Hanson, A. H., 2019).

Unemployment causes a number of effects on the individual, society and the economy. Its economic impact can be summarized as follows ((Kazak et al., 2020; Miah, A., 2021.; Suprayitno, 2019):

1. Raising the cost of state subsidies for the unemployed.
2. The state had to borrow more money to pay the increased interest as a compensatory result.
3. Reducing spending in a specific area, which will have a negative impact in the future.
4. A decrease in the proportion of GDP.

Table 2.1 The Selected Empirical Research on patient Loyalty

| Field of study | Key findings |
|---|---|
| historical development of economic growth | The research extracted the historical development of economic growth and the factors conducive to economic growth. The research also shows how to measure economic growth |
| Manufact institute | Economic development in factories in ancient times was based on slavery serving a specific class of people. Here, the researcher points to the importance of breaking slavery in pursuit of the first step of economic development |
| Small factories | Employee loyalty positively affects the organization's survival, market share, profitability, and reputation. The loyalty of employees is affected by their satisfaction. |
| Small services companies | Performance development clearly and directly affects economic development based on the profitability achieved from providing high quality services and products to citizens that suffice their needs and meet the basic requirements of life. |
| banks | The distribution of wealth positively affects the development of the economy and the economic development of societies |
| Health care sector | Reducing the poverty rate in societies directly affects the prevention of crime and the preservation of the capabilities of the state, as well as economic development through increasing small and large investment operations. |
| Small services companies | There is a direct and strong relationship between economic development and the provision of employment in different countries, where the economy is developed by providing jobs based on the provision of projects, development and investment in all fields. |
| Health care sector | There is an impact of individual economic development of people (through financial aid and recurrent financial support through tax revenue) on international economic development and development. |

2.2.2 Inflation

Inflation represents “the increasing and continuous rise in the general level of prices” one of the economic problems that afflict the national economy due to the imbalance between production and consumption, investment and saving, as a result of weak productive capacities, and these imbalances result in a continuous rise in prices that in turn leads to an increase in wages and prices Elements of production and other costs thereof, and this problem has prevailed in a large number of countries of the world(McDonald, 2020), especially in the seventies after the world abandoned the metallic “gold” coverage of banknotes, which led to a decrease in the purchasing power of money, and an increase in prices; Because the nominal value of money is greater than its

real value, and this in turn affected the exchange rate of paper currencies, which became linked to the extent of the relationship of this or that country in political or economic terms with the countries that dominate the new world order(Vagnozzi, 2020).

Inflation is an economic problem that Islamic law can work to address through its various financial tools, including zakat, the prohibition of monopoly, the regulation of pricing, the development of production, and the rationalization of consumption. And mitigate its harmful effects on the economy as a whole, as it is one of the tools of fiscal policy that the state can use in directing economic activity by redistributing wealth and income in a fair manner according to priorities, away from hoarding and luxury consumption(Mishra et al., 2019).

The imposition of zakat as an expense on capital leads to the elimination of unemployment. It is given to the strong poor who are able to work, earn and produce by providing the necessary tools and machines for him in proportion to his talents and capabilities, thus transforming him from unemployed into a productive one(Gabriel et al., 2022).

Collecting and distributing zakat in kind contributes to a large degree in maintaining the purchasing value of money without change or deterioration, and increases the level of production, which in turn is reflected in the economic activity as a whole so that the end result is maintaining prices, thus eliminating inflation, and achieving the purpose of the zakat proceeds that It is characterized by regularity and flexibility, in line with the multiple and increasing economic requirements without harming the requirements of monetary and price stability(Anzoátegui Zapata & Galvis Ciro, 2022).

In their definition of inflation, economists proceed from the effects resulting from inflation, most notably the rise in prices. The various definitions of inflation have been built on the basis of the quantitative theory of money, which is the theory adopted by traditional (classical) economists in the monetary field, as it dealt with the interpretation of the determinants of the general level of prices. Inflation has been defined as: “a lot of money chasing a few commodities,” “a tangible increase in the quantity of money,” “it results from an increase in the supply of money and credit,” and “an increase in prices as a result of an increase in issuance or an increase in bank credit” . The

comprehensive definition of inflation is: “The upward trend in price movement due to the increase in the quantities of money in a way that exceeds the increase in commodity and service production, which leads to a rise in the general level of prices and a decrease in the purchasing power of money.” Prices continue, and it is clear here that the economy will be subject to inflation if demand increases at a certain moment, and is not matched by an increase in production (Batayneh et al., 2021; Yaser ALMANSOUR et al., 2021).

The problem of inflation dominated the attention of economic thinkers, so they studied its causes in order to reach appropriate solutions to treat it and its harmful effects on the national economy. Aggregate demand as a result of an increase in money in circulation over the value of commodities offered, which leads to higher prices and wages, which is the same as Keynes’s general theory, where it becomes clear what inflation is in the presence of excess demand that exceeds the current capacity for productive capacities, and the inflationary gap is the expression of this imbalance between demand and supply (Yaser ALMANSOUR et al., 2021). As for the owners of the Chicago School, headed by Friedman, they believe that inflation is a monetary phenomenon due to the growth of the amount of money by an amount greater than the growth of production, which leads to increased spending and thus an increase in prices, and that addressing this phenomenon is by drawing up a wise fiscal and monetary policy that targets achieving a balance between the amount of money and the volume of production (Batarseh, 2021). As for the structuralists, led by Schuler, they see that inflation is a monetary, economic and social phenomenon that goes back to the brother Structural imbalances that exist especially in developing economies, and include the structural nature of specialization in the production of raw materials, the rigidity of the financial apparatus of governments, and the decline in demand for food and industrial products, and Investment opportunities for all and increasing the efficiency of the tax system by raising the ratio of taxes to national income, and distributing income between investment and consumption in order to reach the optimal exploitation of the energies of society (Yaser ALMANSOUR et al., 2021).

Types of inflation, its causes, effects, and treatment in traditional and Islamic economics, Economists differed in the concept of inflation, which made them differ in defining its types, which we explain in the following (Anzoátegui Zapata & Galvis Ciro, 2022; Batarseh, 2021; Batayneh et

al., 2021; Gabriel et al., 2022; McDonald, 2020; Mishra et al., 2019; Vagnozzi, 2020; Yaser ALMANSOUR et al., 2021):

1. True Inflation: Keynes defines this type of inflation as the situation in which an additional increase in aggregate demand does not lead to an increase in production, and the reason for this is that Keynes assumes a state of full employment in the economy. Inflation here results from an increase in the total demand to More than full operation which leads to an increase in prices(McDonald, 2020; Vagnozzi, 2020).
2. Suppressed Inflation: It is the government's restriction of inflation through direct intervention to limit the continuous rise in prices, by imposing price control and government support, which leads to the emergence of the black market as a result of this restriction, setting upper limits on prices will lead to an increase in demand for supply, the inequitable distribution of goods among individuals, and the deviation of market forces from achieving the optimal use of resources in achieving the satisfaction of the necessary needs of society, which leads to the state bearing exorbitant costs and expenses(Gabriel et al., 2022; Mishra et al., 2019).
3. Creeping inflation: In this type, prices rise slowly but continuously. This is what developing countries suffer from and is characterized by limited government intervention(Anzoátegui Zapata & Galvis Ciro, 2022; Gabriel et al., 2022; Mishra et al., 2019).
4. Hyper Inflation: Prices rise at a large rate, so that the function of money is limited to being a medium of exchange, and it loses its function as a store of value, so its value drops dramatically and individuals or producers tend to monopolize and store goods due to fear of high prices, and producers anticipate a rise in prices. Prices and putting them on the market, especially in abnormal economic conditions, and this type of inflation is one of the most dangerous types(Batayneh et al., 2021; Yaser ALMANSOUR et al., 2021).

Inflation arises due to various economic factors, the most prominent of which is the imbalance between production, consumption, savings and investment, which leads to a rise in operational

costs, which are represented in the rise in salaries and wages, and the general rise in prices as a result of the inflation of alimony resulting from adding interest to the invested capital (Anzoátegui Zapata & Galvis Ciro, 2022; Batayneh et al., 2021; Gabriel et al., 2022). Most economists believe that the phenomenon of inflation is due to There are two main reasons, the first of which is an increase in aggregate demand due to an excess of demand for goods and services, meaning an increase in the volume of demand for goods and services with a constant supply available as a result of an increase in cash income, which leads to an increase in the amount of money without increasing its orientation in production (Anzoátegui Zapata & Galvis Ciro, 2022). And the rise in prices with every increase in the demand for the commodity, just as the change in the composition of aggregate demand in the economy, even if this demand is excessive or there is no economic concentration, leads to the emergence of inflation, as prices are subject to rise and are not subject to decline despite the decrease in demand, and the second reason is the decline The total supply, as the decrease in production leads to a decrease in the supply of commodities, and thus prices rise, especially when it is accompanied by an increase in the money supply, in the sense that there is a lot of money chasing few commodities, and there is a A range of other elements may lead to inflation, such as achieving the full utilization stage; The economy may reach the stage of full utilization of all energies so that the productive apparatus is unable to stabilize the increasing demand, as the shortage of productive elements, such as workers, specialized employees (Batayneh et al., 2021), raw materials and raw materials, and the inflexibility of the productive apparatus leads to the inability to meet the increasing demand, just as the shortage in in-kind capital The used in production reduces the money in circulation and causes a decrease in the supply of goods and products, and this means the beginning of the emergence of inflation, as well as the inability of projects to expand for technical reasons such as wars, drought, the high cost of imports from abroad, and the lack of foreign currency needed to import raw materials leads to inflation as well. And the shortage in aggregate supply may arise as a result of the practice of economic blockade against certain countries by external powers, as import and export stop in the case of total blockade, which leads to high inflation rates, depreciation of the national currency, and unreasonable price hikes (McDonald, 2020; Mishra et al., 2019).

Inflation causes an increase in prices, an increase in the amount of money in circulation, and one of the prominent effects of inflation is the rise in prices of consumer goods and services, which

leads to a decrease in the purchasing power of money, and turmoil in the market between sellers and buyers, and between producers and consumers, and this prompts small savers to replace the local currency that losing value with more stable currencies, buying gold as a safe investment, or buying assets such as real estate (Vagnozzi, 2020). Inflation also causes a redistribution of income among the classes of society, so those with fixed incomes such as government employees and retirees are affected, and their incomes deteriorate due to inflation, while those with variable incomes such as merchants benefit, so their incomes usually increase with the increase in inflation rates, and inflation also causes a redistribution of national wealth among randomly, the rise in prices causes small savers to suffer large losses when the real value of their savings decreases, while those who invest or save their money in tangible assets such as land or gold benefit from the rise in prices (Batarseh, 2021; Yaser ALMANSOUR et al., 2021).

The effects of inflation are directly reflected on society in the form of a continuous rise in the prices of goods and services as a result of several reasons mentioned, which negatively affects the purchasing power of fixed-income owners (Yaser ALMANSOUR et al., 2021). High prices with stable incomes leads to a lack of consumption ability, so they are forced to waive demand for some goods because they are unable to obtain and consumption is limited to basic materials that guarantee their continuity of living, which makes them suffer from the burdens of daily life, and in a social situation that forces them to search for means that help them raise their level of income by working in more than one profession, or heading towards illegal gains such as accepting bribery, fraud and deception (Batayneh et al., 2021). Inflation also leads to a number of their children not enrolling in education to join work, or the practice of begging to earn some money to meet their daily living needs, and inflation also leads to an increase in unemployment, and an increase in the number of unemployed people in poor societies. For the local or foreign private sector, job opportunities are limited to the few governmental jobs, and the offered non-governmental job opportunities are much less than the demand for work, which leads to J leads to an increase in unemployment, and the state's tendency to issue cash continuously to cover the deficit in budgets leads to a rise in foreign exchange rates against the national currency, which leads to an increase in the rate of inflation and an increase in the severity of the economic and social problem (Batayneh et al., 2021; Gruzina et al., 2021; Miah, A., 2021).

Traditional economic systems have failed to find radical solutions to eliminate inflation, as evidenced by the fact that it has become a global phenomenon that is difficult to control. The treatment of inflation differs between traditional and Islamic thought. In traditional thought, the state uses fiscal and monetary policies to control inflation. Achieving balance by reducing aggregate demand to equal the total supply of goods and services (Miah, n.d.). Within the framework of monetary policy, the state reduces the amount of money offered in the economy by raising the compulsory reserve ratio, which reduces the volume of liquidity available for lending in banks. Inflation refers to the heavenly approach represented in Islamic law with the fairness of its principles, especially with regard to the distribution of wealth and its circulation between the rich and the poor, to reduce the gap between all classes of society, and since zakat is one of the most important tools that can be relied upon in this field (Bte & Ibrahim, 2008).

The monetary inflation due to the increase in expenditures is due to the increase in the prices of the factors of production involved in the production process, the most important of which is the usurious interest that is paid on financing, which contributes to the rise in the prices of produced goods (Miah, n.d.). There is a clear relationship between the growth of demand and the increase in costs on the one hand, and between structural imbalances and the rise Demand on the other hand, because the inflation of demand often turns into inflation of costs through the structural imbalances represented in the rigidity of the supply functions, and therefore the treatment of monetary inflation must be done from a holistic perspective, and the obligation of zakat is considered a comprehensive organization that achieves alleviation of the burden Inflated costs by addressing its most important causes represented by the high prices of factors of production, the high level of wages, and the high interest rate (Bte & Ibrahim, 2008; McDonald, 2020; Moi et al., 2017). Zakat addresses the sources of inflation resulting from the high expenditures through several means:

First: Support and provide resources for the developing productive sectors

Naturally, the increased demand for certain products leads to an increase in investment in them, which leads to an increase in the demand for their production elements. Because this demand is derived from the demand for the commodities themselves, and thus leads to a rise in the prices of these elements through the market mechanism, and the rise in prices is transmitted to other

products due to the lack of supply for the elements of production required for them, and the zakat reduces this type of inflation because the sectors and institutions with The low efficiency falls under the pressure of reducing its resources in order to reduce its entitlement to zakat, so it directs its investments to the productive sectors that demand for them increases and works to raise their productive efficiency(Vagnozzi, 2020).

The application of the obligation of zakat works to raise the productive efficiency of each of the resources and sectors that face high demand, and this leads to their full operation. It has a goal to achieve capital interdependence, and to set the minimum amount of zakat in amounts that are not high, “twenty dinars or its equivalent.” We see that zakat expands the circle of those who are entitled to pay zakat; What is meant is the entry of everyone into the circle of work and employment and the desire to provide the surplus that enables them to invest, and to provide productive resources for the growing sectors at lower prices than in status economies(Mishra et al., 2019).

Second: combating the inflationary spiral of wages and prices.

High wages represent one of the main reasons for inflation of expenditures, as the high cost of the human labor component corresponds to the producers’ raising of prices, which constitutes a new burden on incomes, and workers demand an increase in their wages through trade unions, and thus the processes of rise in both wages and prices follow, and it may not The increase in wages causes inflation if it is accompanied by an increase in labor productivity that compensates for the increase in wages, and for this reason some institutions are working to raise the salary increase for workers if they achieve an increase in production or an increase in profit (Anzoátegui Zapata & Galvis Ciro, 2022), and there are other reasons that lead to an increase in wages such as pressure on the balance of payments, if The imposition of zakat as an expense on funds leads to a trend towards investing these funds, and thus reducing unemployment and bringing the level of employment to a level in which the output of the labor element is commensurate with the wage paid for it, and this is reinforced by the prevailing Islamic market legislation that prevents harm to society, and prevents sectarian gathering that imposes a wage A particular person is not required by market conditions, and the state may follow an employment policy that leads to an increase in wages

without coinciding with an increase in the productivity rate, and here the employment policy is more like a system of subsidies. Social, and Islamic societies do not need such policies that entail inflation in the costs of development (Gabriel et al., 2022), as the imposition of zakat takes care of performing this task in the best way, so it helps those whose personal capabilities help him to complete his sufficiency, and forces the strong who are able to work to move towards the labor market in application. For the hadith, zakat works to enable the poor who owns the craft and is able to work to enrich himself by himself by having a fixed source of income that suffices him from seeking help from others if he is given from zakat what enables him to practice his profession so that he returns to him from Behind that is an income that suffices him and his family. Imam al-Nawawi says, quoting the Shafi'i audience, "If it was his habit to become a professional, he was given something to buy his craft with, its value decreased or increased, and its value is such that he obtains a profit from it that often suffices him, and that differs according to the profession, country, times, and people." But if he is not a professional, does not improve his craft or trade, and is not proficient in any type of earning, then he is given the sufficiency of the life span of those like him in his country, and it is not estimated at the sufficiency of a year. The majority of people like him remain in his country because the intention is to enrich him (Ahmed Aldaas, 2020; Anzoátegui Zapata & Galvis Ciro, 2022; Gabriel et al., 2022).

Third: Reducing the burden of capital.

The cost resulting from calculating the interest rate on borrowed funds is one of the elements of production costs, so the fluctuations in this price have an impact on the price of the product (Ahmed Aldaas, 2020). One of the elements of cost inflation, and financing various projects by borrowing with interest will inevitably lead to an increase in commodity prices in general. The real cost, as Islam prohibits dealing with usury, Allah says " وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا " (Al-Baqara: 275) *means Allah has permitted trade and has forbidden interest*, The short-term loans that banks often prefer in anticipation of a rise in the interest rate in the market, make producers reduce the production of goods, once the market demand decreases on her ; In order to avoid loss and bankruptcy, as for long-term loans, producers often raise prices; To cover the instalments of their debts, the usurious system encouraged the establishment of banks, and made the most important of their functions lending and borrowing, which leads to the generation of credit money in huge quantities and in a

large increase from actual money, which is the main cause of inflation and its misfortunes (Acemoglu et al., 2009; Yaser ALMANSOUR et al., 2021).

And if we look at the zakat on the really growing capital and estimate it at a fixed low rate (a quarter of a tenth), we will find that it is a motive for the money towards real investment, and since Islam prohibited dealing with interest, these investments will be in productive assets that retain the real value of the capital in the future. An image of real purchasing power, and therefore we find that zakat leads to a reduction of this expense from the expenditure structure, in contrast to usury, which leads to sabotage of the economy, the occurrence of inflation, and the distribution of money in an unfair manner (Aisha et al., 2019; Gruzina et al., 2021; Kazak et al., 2020).

Fourth: Reducing inflation due to structural imbalances.

Structural imbalances represent a form of imbalance in the relationship between economic variables, some of which are due to internal factors such as the budget deficit, high unemployment rates, low productivity and inflation, and external factors such as the balance of payments deficit and worsening indebtedness. There are structural imbalances that accompany the start of the development process due to the existence of a period of time (Asher & Novosad, 2018). between the formation of social capital and the reflection of its effects on raising the level of productivity in various sectors, and these imbalances result from the dual nature of investment, and the lack of increasing ability to import the foreign component necessary for the manufacture of local industrial goods at a rate faster than the growth rate of production, and also result from the low price flexibility of products The private sectors, and the disparity in the distribution of incomes, where a small minority of some social segments acquire the fruits of development, and this minority is characterized by its luxurious spending behaviour. Technically, it does not have a sufficient degree of flexibility to allow it to increase the supply of products that it offers The demand for it has increased, and it suffers from the structural nature of specialization in the production of raw materials (Adilla et al., 2021), and the meagre flexibility of product supply, in addition to the feature of the rigidity of the government's financial apparatus, as well as the imbalances generated by the nature of the development process in its early stages, and economists believe that the radical treatment of inflation In this case, it is done by following a policy that leads to the distribution of

income between investment and consumption in order to reach the optimal utilization of the community's resources, and to operate its productive capacities at the highest levels, and this can only be achieved by the state restricting the consumption of the rich classes and segments, increasing taxes on them, and using the resulting surplus For this in increasing investment rates (McDonald, 2020; Yusroni & Chadhiq, 2021).

The application of the zakat obligation contributes to alleviating inflation due to structural imbalances by addressing its main causes, according to the following:

A- Redistribute the cash surplus according to production orientations.

Specialization in the production of raw materials entails the growing importance of the export sector in the national economy, which always exposes it to renewed waves of monetary instability when the prices of these products are subject to fluctuation in the short term. In terms of international trade, it is accompanied by waves of inflation that are difficult to stop; This is due to the inflexibility of the productive apparatus, and its inability to meet the increased demand for local products, and as a result of the increase in the wages and incomes of the owners of production factors operating in the sector, which results in higher production costs on the one hand and an increase in demand for local products, which strongly pushes them towards higher prices on the one other hand Paying the zakat imposed on the revenues from exports of raw materials contributes to mitigating the inflationary effects by not spending the bulk of the export revenues on buying imports of various consumer goods and directing investments to local production areas to meet the increase in the effective demand for increasing wages and incomes distributed to workers in production sectors. raw materials, and also leads to a change in the structure of national production and its diversification in a way that liberates the economy from the bondage of submission to one crop, and also rids the country of economic dependence on the outside, and zakat contributes to achieving this as it is necessary to distribute the proceeds of zakat in the country from which it was collected (Adilla et al., 2021; McDonald, 2020; Yusroni & Chadhiq, 2021).

B- Directing zakat investments towards locally required commodities.

The principle of the locality of zakat is an effective legal policy to mobilize and participate in the workforce in society, with the foundations and beliefs of faith and legitimacy available in it, in directing capital, income and investments to the sectors for which there is an increase in demand internally, especially the agricultural sector. Developing countries by providing the growing food needs of the population and keeping the prices of food and beverages away from the continuous rise (Batayneh et al., 2021).

C- Overcoming the rigidity of tax systems coupled with the budget deficit.

The state resorts to the banking system to finance the budget deficit, as the low flexibility of tax revenues towards changes in income increases the problem of financial stagnation, so that the growth of tax revenues is not commensurate with the volume of public spending necessary to mitigate the required development rates, and economists attribute the stagnation of the financial system to inefficiency. The administrative organs of the tax system, and the control of private interests over the legislative institutions and their standing as a stumbling block in front of attempts to develop this system, and to get rid of this stagnation, which leads to an increase in the inflationary money supply, it is necessary to increase the efficiency of the tax system by raising the ratio of taxes to national income, and adopting a fiscal policy that leads to To encourage savings and increase investment, which will eventually be reflected in advancing the wheel of development forward, and the proceeds of zakat in the Islamic economy are characterized by a high degree of flexibility and regularity compared to the tax proceeds in tax economies, and this is due to (Batayneh et al., 2021; Gabriel et al., 2022; Mishra et al., 2019; Vagnozzi, 2020):

1. The inclusion of zakat for every free Muslim, regardless of his gender, age, and adulthood, if the quorum is available for him. A decrease in zakat shares leads to a broadening of the base of those who pay zakat, which leads to an increase in the gross national product in positive economies.
2. Comprehensiveness of zakat and its inclusion of all the developing funds in practice and appreciation, as the developing funds contribute to an increase in the average ratio of zakat resources to the gross national product, by a rate that exceeds it in statutory economies.

3. The flexibility of the zakat proceeds towards the change in income, as zakat is linked to income, and increasing the income provides its owners with the zakat quorum, thus adding new resources to the zakat proceeds, and increasing the incomes of those who have the quorum means an increase in those due from zakat on the returns and profits of its investment or on top of Uninvited money, just as zakat is an incentive for investors to achieve a higher return than the zakat rate, so if we assume that the profit of the owner of the capital was 2.5%, it is as if zakat eats this return, and therefore the investor must increase the profit so that charity does not eat his money, and this is an indication of a high percentage of proceeds To enter into the total financial receipts such as taxes so that the increase in the zakat proceeds is commensurate with the increasing economic requirements without resorting to increasing the tax revenue. What guarantees the proper application of this obligation, and governs the abundance of the zakat proceeds, are important doctrinal matters in terms of impact. Zakat is divine legislation that does not allow for the intervention of those with influence and the control of those with special interests over the legislative institutions (Yaser ALMANSOUR et al., 2021).

2.2.3 inflation in Jordan and Indonesia

Inflation is a persistent problem in Jordan, which is mainly attributed to the country's dependence on imported goods and energy. In recent years, inflation has remained high, with the annual inflation rate averaging 4.6% between 2010 and 2020 (Trading Economics, 2021). The COVID-19 pandemic has also contributed to inflationary pressures, as it disrupted global supply chains and led to a rise in commodity prices. The Jordanian government has implemented several measures to control inflation, including raising interest rates, reducing subsidies on fuel, and introducing price ceilings on essential goods. However, these measures have had limited success in curbing inflation, and more efforts are needed to address the underlying structural issues.

On the other hand, Indonesia has also been facing the issue of inflation, but the country has managed to keep it relatively under control in recent years. The annual inflation rate in Indonesia averaged 3.41% between 2010 and 2020, which is within the government's target range of 2-4% (Trading Economics, 2021). One of the key drivers of inflation in Indonesia is food prices, which account for a significant portion of the consumer price index. The government has implemented various policies to address food price volatility, such as increasing the supply of staple foods,

regulating imports, and providing subsidies to low-income households (Bank Indonesia, 2021). Additionally, Bank Indonesia has maintained a tight monetary policy to keep inflation in check, including raising interest rates and reducing liquidity in the financial system. These measures have helped to keep inflation relatively stable, but the government will need to remain vigilant to prevent any potential spikes in inflation in the future.

2.2.4 Zakat

The Arabic term zaka, which means "to expand, increase, and purify," is where the word zakat originates. According to Ibn Taymiyyah, "the blessings in his riches multiply" and "the spirit of the individual who pays zakat becomes purified from greed and avarice." 9 According to Islamic law, zakat is the distribution of a share of income to one or more asnaf, or deserving beneficiaries, in accordance with the Qur'an. Zakat, the third pillar of Islam, is required of every Muslim who has assets worth at least as much as specified by shariah (the nisab) and that have been in their possession for at least a year (haul) (Miah, A., 2021).

Only eight categories of people are eligible to receive zakat: the needy (miskin), the poor (faqir), zakat workers (amil), those whose hearts are inclined toward Islam (mu'allafah qulub), those who are in servitude (fi al-riqab), those who are in debt (gharimin), those who are on the road (ibn al-sabil), and those who are on the way of Allah (fi sabilillah) (Kazak et al., 2020). Livestock, gold, silver, agricultural products, animal products, minerals, commercial inventories, capital goods, and the wages of workers and professionals are some examples of the sources of wealth that are liable to zakat. There are differences between these categories in the requirements for nisab, haul, and zakat rates. For instance, because zakat is imposed immediately after harvest, it is not necessary for agricultural items to meet the requirement of haul (Adilla et al., 2021). The rate also varies, being 10% for naturally watered crops and 5% for artificially watered crops. In the meanwhile, the zakat rate for corporate inventories is set at 2.5% of net asset value for the year in question (Suprayitno, 2019).

Zakat is a component of Islam's socioeconomic system, in addition to its spiritual and moral aspects. By enabling the impoverished (faqir) and the needy (miskin) to become economically productive, zakat boosts the economy. Islam keeps the gap between the rich and the poor from

expanding by implementing zakat, which permits a certain amount of the wealthy's income to be distributed to the less fortunate (Suprayitno, 2019). Additional socio-economic uses of zakat include advancing the productivity of the underprivileged and financing healthcare, social welfare, and education. Zakat is therefore an efficient measure in the Islamic socioeconomic system from an economic perspective (Kidwai et al., 2020; Yunita, 2021).

Zakat plays an important role in the financial policy of the state, as it is considered the main financier for the eight categories of the unemployed, and the poor who are compulsorily unemployed in particular. These cases are represented, so he gives this needy person from the zakat money what enables him to continue and carry out his work and achieve returns (Aziz et al., 2020).

But if the unemployed person did not receive vocational training, and is not qualified, in addition to being poor, then in this case he is given zakat money that is sufficient to achieve that in order to learn a trade. Spending on students of useful knowledge is also included here, as it is not possible to combine earning and seeking knowledge. Because the benefit of his knowledge is not limited to the seeker of knowledge only, but rather the benefit to the community as a whole, and consequently it entails raising the level of the quality of work available in the community, but rather the benefit to the community as a whole (Mohamed et al., 2019).

But if the person carries out an economic activity and debts accumulate on him and he is unable to pay them, then this results in workers dropping out, thus increasing the problem of unemployment. Within the category of debtors, and here zakat plays a major role in bringing him back to practicing his activity normally by paying his debts, as zakat thus guaranteed the continuity of the productive elements of the work component and head the money (Hammad, 2022).

Zakat also enables Ibn al-Sabil who is unable to return to his country or the place where his work is located to obtain financing that enables him to return, and thus the productive elements that were cut off from their work site are returned, which leads to an increase in the amount of work available (Mubtadi, 2019).

Through the foregoing, we find that zakat has an impact on the amount of work offer as follows: We find that the amount of about The work available in a society during a certain period of time depends on two factors: the desire to work and the ability to do so. In terms of the ability to work, it depends on the quantity and quality of work available for the production process, and the amount of work depends on the standard of living (food, treatment...) that is available. For those who are able to work (Amsari & Nasution, 2019a).

As for the effect of zakat on the quality of work expended in the productive process, it depends on the level of education and training. Therefore, the agreement is part of the proceeds of zakat on seeking knowledge that benefits society, if it is not possible to combine the request for knowledge and work, and therefore the agreement is part of the proceeds of zakat in the field of knowledge and training. Training of all kinds. It raises the quality of work available in the community, and thus zakat has a role in raising the ability of the worker to work (Bahri et al., 2020).

From the foregoing, we can say that zakat has an effective role in eliminating the phenomenon of unemployment, whether the poor is able to work or is incapable of it because of his old age or illness that prevents him from doing work and earning a living, as this is more effective by investing zakat funds, whether by means of offer money For the owner of the craft, what is sufficient to purchase the tools and machinery necessary to carry out his activity, so that it does not provide financial assistance to those who are unable to work, but rather provides them with real estate that generates permanent income for them by establishing an investment project, or the Zakat Foundation invests the share of the poor, the unemployed and those who are able to do it by establishing projects operating economy in it, and profits accruing to them without owning it (Aisha et al., 2019; Amsari & Nasution, 2019; Gazar, 2020; Sari et al., 2020).

Zakat in the language means: growth, increase, blessing, praise, praise, righteousness, the best thing, and purity is physical or moral, meaning zakat on money. Zakat is given to the money that the giver of charity spends, and it is used in the monotheistic religions in this sense, which is intended to worship, which is in the sense of giving charity with money. And zakat in Islam (money that must be spent in its eight banks according to specific conditions), which is a known right of money, estimated in a known amount, the Muslim must under specifically conditions, in specific

things: zakat funds, and zakat al-Fitr. In Islamic law, it is a type of worship, meaning spending money on the obligatory aspect, as it is one of the five pillars of Islam, and charity is applied to the imposed spending and others (Khairuddin, S. H. I., 2022).

As for other religions, there is a meaning of spending money, or paying some money to people with needs, despite the difference in the details of the rulings, as well as the difference in the terminology of naming, in Christianity, for example, there is the word charity (Owoyemi, M. Y., 2020). The Islamic religion agrees with Christianity and Judaism in the general concept of charity, in that it is an act of worship and a closeness by which a person draws near to God, and that it is one of the doors of goodness, and that the rich should give a portion of their money to the poor and needy and meet their needs, with their differences in the details of the rulings. And zakat in Islamic law: “a share of money and the like that the law requires to be given to the poor and the like on special conditions.” Or it is: “A name for a specific money that must be paid to those who deserve it, under specific conditions.” It is called zakat; Because it has prescribed zakat money to purify money, and zakat al-fitr to purify the soul, and paying zakat is a reason for the increase and growth of money, and a reason to increase the reward in the hereafter by multiplying the alms-giving (Aisha et al., 2019; Suprayitno, 2020). Zakat is called charity, but charity includes obligatory and supererogatory duties, unlike zakat, which is specific to obligatory duties.

Giving zakat in Islam is an act of worship related to money, which is the third of the Five Pillars of Islam, and it is imposed by the consensus of Muslims, and it is imposed by evidence from the Qur'an and Sunnah, and the consensus of Muslims. From the Qur'an “Establish your prayers, pay the obligatory charity, and bow with those who bow.”

﴿وَاتُوا الزَّكَاةَ﴾

﴿وَأَقِيمُوا الصَّلَاةَ وَآتُوا الزَّكَاةَ وَارْكَعُوا مَعَ الرَّاكِعِينَ﴾ (البقره، 43)

And extensive hadiths, such as the hadith, Islam is built on five, and he mentioned among them giving zakat. Zakat is associated with prayer in the Qur'an in eighty-two verses. It was imposed in Mecca as a whole, and its provisions were made clear in Medina in the second year of migration. Zakat on money or body is obligatory for the rich in a known amount, to be paid in the eight zakat banks (Utami, P., 2019).

Zakat in Islamic jurisprudence includes the study of zakat on money, zakat al-fitr, zakat funds and their amounts and rulings, and it is obligatory on blessings, gold, silver, types of crops and fruits, trade goods, ore and metal. Zakat is a legal obligation with an integrated system, which aims to achieve the interests of the people and the country, social solidarity, meet the needs of the needy, and enrich the poor (Baklanova, et al, 2020). Zakat is the imposed charity, with a known amount in money, and it is obligatory. It is not a charitable contribution. It is not considered a tax. Rather, it differs from it. There is no disagreement in its amounts and provisions except in a few minor issues. It was necessary to pay it to him, and spent in the zakat banks. It is not spent on charitable societies, or for building mosques, and other charitable works. The prohibition of zakat is a reason for the destruction and loss of money and the punishment in the hereafter, and the obstacle to it with the belief that it is obligatory, the sultan takes it from him, even if it is beyond the control of the imam; Fight him for the right of Islam, and that does not deviate him from Islam (ben Jedidia & Guerbouj, 2021; Golzare Nabi Bangladesh Bank et al., 2021; Yusroni & Chadhiq, 2021).

Zakat is a financial worship and it is one of the most important means of social solidarity that contributes to eradicating poverty, satisfying the needs of the needy, and achieving the minimum cost of living for every individual in society (Suprayitno, E., 2020). Most of the rich and owners of institutions and companies pay zakat in the blessed month of Ramadan in order to double the wage and the reward from God, and the Department of Zakat and Income collects zakat from capital and profits that enter the institutions and companies subject to zakat according to Islamic Sharia and transfer it to the Ministry of Social Affairs represented by the Social Security Agency (Mustafakulov, S., 2020).

Zakat has many economic and social effects, including Zakat contributes to eliminating economic stagnation, as the recipients of Zakat are among the poor who spend the bulk of the Zakat they receive on their basic consumer needs, and thus contribute to increasing sales of shops and selling goods and merchandise in the markets, and helps merchants To pay their financial obligations and thus move the economic cycle, the rich contribute when paying zakat in the economic and social construction, so the burden and the burden remain on the state, which takes care of everything, and people demand everything from it despite the presence of well-to-do people who are able (Yusroni & Chadhiq, 2021). Taking care of them and spending on them has a role in advancing the economic

wheel, and allocating economic projects whose proceeds go back to the poor and needy is of great importance in construction and progress. With zakat, the importing country can become a producer, and the country will turn into an exporter, through projects established from zakat funds, directly or indirectly (Achmad, W., 2022). Zakat contributes to reducing unemployment and eliminating poverty problems by supporting the concept of a productive family by providing aid and charity To establish small projects or rehabilitate needy families by teaching them a profession or craft, or facilitating the purchase of raw materials needed for them, or supporting the disposal of their produced goods; To transform the idle energies of those who are entitled to zakat into productive energies individually or collectively, zakat contributes to increasing the affection between the rich and the poor, as it removes the grudges and grudges that arise in the chests of the poor and needy as a result of the rich enjoying money and thus thinking of stealing them, but if the rich spend them something of Their money will eliminate hatred and grudges and establish affection and harmony (Suprayitno, E., 2020). Charity and zakat are considered a contribution to social responsibility and have a major role in achieving economic and social development goals through the participation of businessmen and companies in development plans and programs, and this is very common in developed societies where companies bear their responsibilities towards society, by realizing projects that benefit (ben Jedidia & Guerbouj, 2021).

Islam is not opposed to personal riches, but rather to its growth at the expense of others, as stated by ben Jedidia & Guerbouj, (2021) Zakat serves to avoid exploitation, accumulation, and social conflict. It must be distinguished from sadaqah, a type of charity that is intended to be given voluntarily. According to Aisha et al., (2019), in the second decade of Islam, zakat evolved into a formal and obligatory transfer system.

Zakat is typically calculated as 2.5% of the total productive wealth gained over a calendar year. 3 The wealth that is taken into account to establish the nisab—the bare minimum required to avoid having to pay zakat—can include gold, silver, as well as produce and livestock. However, in modern times, tangible property such as rentable buildings, bank accounts, and financial assets are also taken into consideration (Aisha, 2019). The Quran identifies eight types of persons who are eligible to receive zakat, with the poor and the needy being the two most frequent.

Zakat is a centuries-old institution that is often unrelated to politics and frequently enjoys high levels of public trust. In several nations, zakat funds have been used to support national poverty reduction programs. Zakat funds have recently grown to be a substantial source of funding for humanitarian efforts (Gazar, 2020).

Estimates show that the amount of zakat collected annually is not insignificant. A recent analysis found that Indonesia, Malaysia, Qatar, Saudi Arabia, and Yemen collectively collect at least USD5.7 billion annually, with the total amount of zakat collected worldwide exceeding tens of billions of dollars (Stirk 2020). In Pakistan alone, zakat is projected to have represented USD8.1 billion in purchasing power parity (PPP), or 1.5% of GDP, in 2017. (Aisha, 2019).

Waqf (plural awqaf), a permanent endowment of personal property or other items made by a donor who also chooses its purpose and beneficiaries, is a concept similar to zakat. In Muslim communities, awqaf is extremely significant since it funds vital social services including hospitals, orphanages, schools, and sewage systems (Aisha 2019).

Everywhere throughout the world, zakat is administered differently. However, the State still has some control over or oversight over citizens in a sizable number of nations. While zakat collection is mandated by law in a select MENA nations, like Saudi Arabia, Libya, Sudan, and Yemen, other nations have organized systems that are thought of as voluntary (Amsari & Nasution, 2019). Zakat is managed in Saudi Arabia by a division of the Ministry of Finance. The Zakat Chamber in Yemen is in charge of collecting it. Money are then dispersed to the governorate and district levels as well as to the Social Welfare Fund, where zakat payments are combined with other funds for social protection. ⁶ In contrast, the central Zakat Fund in Lebanon is regarded as a member of civil society (Hammad, 2022).

Although the establishment of a central fund is being discussed in both Morocco and Tunisia, zakat donations are voluntarily made and are currently collected by mosques in both countries. Malaysia is an intriguing example outside the MENA and is frequently regarded as having a somewhat advanced system (Aisha, 2019), where the employment of private zakat collection organizations has assisted the nation in increasing zakat funds by 400% since 1991.

A long-standing issue in Jordan that has not yet been remedied is poverty. According to statistics department data, the number of the poor increased from 27.73 million in September 2018 to 28.51 million in September 2021, a 3% rise. Zakat was one method used in Jordan to lessen poverty. Amounts taken from assets that have met the conditions of haul and nisab for zakat are then allocated to muzakki. One of the foundations of Islam as a requirement for all Muslims to engage in social activity is zakat. Zakat purifies property from violating others' rights, sanctifies the soul from stinginess, greed, and selfishness, and has a good effect on the community's economy by lowering poverty, boosting economic growth, and raising purchasing power parity (Amsari & Nasution, 2019a; Bayinah, 2019.; Utami & Nasor, 2021) Zakat is a type of economic and social value worship that helps lessen societal economic imbalance. It is anticipated that money can be allocated fairly with efficient zakat administration.

Research has not yet been done on the potential of zakat, the impact of zakat on people's welfare and other social issues, or the investigation of how zakat monies are actually realized. In eight Islamic nations, including Egypt, Indonesia, Pakistan, Qatar, Saudi Arabia, Sudan, Syria, and Turkey, Kahf (1987) calculated the potential of zakat. The study calculated zakat in three different ways: based on traditional fiqh, Qardawi's calculation of income, which calculates zakat at 2.5% while calculating net profit on fixed assets at 10%, and a modification of the Qardawi version, which calculates zakat at 2.5% for all fixed assets and income. According to the findings, Indonesia's zakat potential is between 1 and 2 percent of GDP (Kazak et al., 2020; Miah, A., 2021).

In Indonesia, zakat is thought to have a potential of IDR 6,132 trillion, according to Kurniawati (2004). Although Firmansyah (2009) makes the following estimates of the potential of zakat with the assumption that each regional economic sector (GRDP) will contribute at least 2.5% of the total zakat: In the first instance, the agricultural zakat level is 2.5 percent of the GRDP value; in the second, the mining zakat level is 2.5 percent of the GRDP value; and in the third, the zakat rate for all other sectors is 2.5 percent per sector. According to Firdaus (2017), Indonesia has a total zakat potential of Rp217 trillion, or 3.4% of its GDP, from multiple sources, including household, business, and savings income. According to Kazak et al. (2020), between 2006 and 2010, the amount of zakat funds received by BAZ in Bogor Regency increased significantly each year. The Bogor Regency BAZ received Rp1.5 billion in zakat funds in 2010, an increase of 119% from

2006. Meanwhile, according to BAZNAS data, Indonesia received Rp3.2 trillion in zakat donations in 2019(Adilla et al., 2021).

Despite the fact that there has been extensive research on zakat in Indonesia, the authors believe that they have not yet come across a study that examines the potential and actual use of zakat money as well as how it affects societal welfare and economic progress. Therefore, the purpose of this study is to determine the possible size of zakat funding, particularly zakat maal in Indonesia, and to examine how it may affect both economic development and the welfare of Indonesian citizens(Utami & Nasor, 2021).

Islam is the ideal religion because it has laws that govern every element of life. Such regulations also place a strong emphasis on material wealth in this world. Zakat, or alms-tax, one of the five pillars of Islam, is one of the laws. Zakat incorporates societal principles that contribute to eradicating poverty and boosting prosperity in society in addition to its religious objectives. The religion that the Prophet Muhammad (PBUH) introduced is one of many practiced today, and it is regarded as a religion that provides goodness to the world (Aisha et al., 2019).

Islam has a doctrine known as "fiqh," which is derived from the Prophet Muhammad's Hadith and the Qur'an, which is the ultimate source of Islamic law (PBUH). The two categories of fiqh are fiqh ibadah and fiqh muamalah. All issues pertaining to the worship of Allah or the relationship between a human being and Allah as a servant are covered by fiqh ibadah. The term "interpersonal relationship" in fiqh muamalah refers to everything that has to do with how one person interacts with another. In order to keep up with the changing needs of society and the speed of global development, fiqh muamalah deals with sharia decisions pertaining to commercial and financial transactions (Suprayitno, 2020a). The muamalah principle states that anything is possible unless there is evidence or dalil that says otherwise (haram).

Fiqh ibadah and fiqh muamalah are both included in zakat. Giving zakat to those who are due it can improve their religious standing as well as their ability to flourish in this world. In addition, giving zakat can remove the giver's greed, selfishness, and conceit while also gaining Allah's grace. Zakat comes in two varieties: zakat maal and zakat fitrah (Miah, 2021.). According to Islamic law,

zakat maal may be paid at any time whereas zakat fitrah may be paid only during the holy month of Ramadan. Zakat maal is not required to be paid at any particular period of the year or month. Although the proportion is 2.5%, the amount of zakat that must be paid by an individual depends on how much money or assets they own. The five pillars of Islam and a few Qur'anic texts both refer to Muslims' need to give zakat (Bte & Ibrahim, 2008a).

According to the Quran, the three (three) categories for which zakat payments are required are: I gold and silver; (ii) plants, fruits, and livestock; and (iii) treasure. When the conditions are met—namely, the source is fully owned, the value is likely to increase, there is no debt, and the source has been owned for more than a year—zakat is due. Furthermore, the Quran gives Muslims latitude in how to pay for zakat while also laying out exactly how it should be given (Muliadi et al., 2020).

The eight categories eligible for zakat (asnaf/mustahiq) are: The Fuqara' or the poor, i.e., those who do not have enough money to live a regular life like others and are below the poverty line; The Asnaf/mustahiq; The Fuqara' or the Middle Class; The Asnaf/musta The term "needy" is used to refer to a variety of people, including the "masakin," or "the needy," who are extremely poor and in need, "the zakat collector," "the Aamileen," "the Mu'alaf," or "the poor and needy who recently converted to Islam," "the slave," or "those who free captives," "Ibnu Sabil," or "stranded travelers needing financial assistance," "Gharim," or " (Aziz et al., 2020).

According to Mohamed et al. (2019), except in three countries where the poverty line is set at \$1.25 per day, the zakat to GDP ratio is higher than the Poverty Gap Index to GDP (PGIGDP) ratio. It indicates that the combined resources from the possible collection of zakat in all 17 Organization of Islamic Cooperation (OIC) nations will be sufficient to pay for resources for reducing poverty in all 17 OIC nations. According to the aforementioned reasons, it is interesting and crucial to research the phenomenon of zakat (Hammad, 2022; Mubtadi, 2019).

There is no question that zakat is a crucial issue for prayer and a social obligation to the society's needy and deprived members as well. Bringing social equality between the rich and the poor, as well as bolstering the nation's overall economy and the global economy, are also essential tenets of Islamic economics (Amsari & Nasution, 2019a). In order for the poor to escape the poverty trap,

however, the capacity of the poor should be enhanced through health, education, vocational training facilities, etc. Additionally, company entrepreneurship should be prioritized for development. Because entrepreneurship development initiatives would make it possible to both eradicate poverty and provide many additional disadvantaged people the opportunity to find jobs. In the long run, removing poverty from Muslim society by paying zakah in the right amount and through the right procedures will contribute to the peace, harmony, and prosperity of the Muslim world (Bahri et al., 2020).

Many nations with a majority of Muslims have laws that require the payment of zakah to organizations established by the government for a limited number of specified items while leaving the voluntary payment of zakah for other items that are not covered by the law to a government body or somewhere else (Amsari & Nasution, 2019). On the other hand, there are also Muslim-majority nations like Saudi Arabia, Malaysia, Libya, Pakistan, Sudan, Bahrain, Bangladesh, Egypt, Jordan, Kuwait, Oman, Qatar, and Indonesia that have legislation in place allowing governments to formally collect and distribute zakah (Gazar, 2020).

To attain sustainable economic development and raise their level of living, many emerging nations, including all the Muslim countries, have been pushing and developing development policies. According to the Islamic viewpoint, progress significantly affects poverty. Each person has a moral and societal obligation to reduce poverty, as stated in the fikih muamalah. Planning an effective education strategy to establish and provide human capital in accordance with national needs is one of the difficult undertakings. Muslim developing countries should prioritize education in science and technology at the basic, secondary, and tertiary levels to enhance their capability for research and development so they can introduce innovations and the necessary technologies needed for their economies' industrialization. One of the most significant social investments is in education and training since they will benefit a nation in the long run. According to Suprayitno et al. (2017), under (Sari et al., 2020), zakat could be used as a crucial tool to encourage human growth. The distribution of zakat for human resource development and education encourages recipients to lead better social lives. Thus, an increase in zakat can, in the short term, improve beneficiaries' quality of life, social life, and education. In the long run, it can boost demand for labor, investment, and the conversion of zakat recipients into zakat payers (Aisha et al., 2019). A component of the

indicators used to calculate the Human Development Index (HDI) are the expanding social life, which can be characterized as an expectancy, and education (Aisha et al., 2019; ben Jedidia & Guerbouj, 2021). The Human Resource Development Index is regarded as one of the key measures of economic progress in any nation and plays a significant influence in it (Yusroni & Chadhiq, 2021).

According to Aisha et al., (2019), the zakat plays a crucial part in reducing poverty. They have demonstrated that zakat payments can take the place of government budgetary spending in the range of 21 percent of the Bangladeshi government's Annual Development Plan (ADP), which can be used for other social and development costs. Zakat can also boost output, employment, and productivity, which will boost the government's ability to collect taxes. Unfortunately, neither the government nor the IMF or World Bank recognize the importance of using zakat as a tool to combat poverty (Aziz et al., 2020). It is well known that Muslims give their own zakat to the needy and various charity organizations. However, none of these transactions are being recorded, they are not going through the correct channels, they are not being planned, and they are not being part of any strategy. As a result, it is impossible to evaluate the effectiveness of zakat in reducing poverty (Medina et al., 2020).

Zakat is a required donation that is given out to fight global poverty. There is an eight-member group of zakat recipients, all of whom are in terrible health. They cannot afford to perform muamalah on their own because of this predicament. On the other hand, the zakat distribution procedure is comparable to the income transfer process, where one of the requirements is missing. The lifestyle of society and the percentage of zakat recipients have an impact on the situation. For example, when there are a lot of poor people and a small number of individuals control the production chain, the distribution of zakat will not have a substantial impact on income redistribution (Choiriyah et al., 2020a; Medina et al., 2020).

2.3 Zakat in Jordan

One of Islam's five pillars, zakat can be seen as a type of religious obligation that purifies one's riches while also serving as a mechanism for distributing wealth to those in need. Zakat denotes, among other things, development and purity in Arabic (Sari et al., 2020). It has a long history of giving poor and marginalized populations in Muslim-majority nations revenue, consumer goods, and other essential services like health care and education. The importance of zakat as a tool for reducing poverty and its role in the provision of social protection—defined here as income and in-kind transfers meant to shield vulnerable individuals from risks—have been the subject of a growing corpus of studies (Choiriyah et al., 2020; Medina et al., 2020). Zakat provides a number of benefits when it comes to helping the needy, despite the fact that much of the criticism of zakat institutions revolves around their lack of coordination, efficiency, and transparency (Sari

| Field of study | Key findings |
|------------------------|--|
| Charities | The important role of zakat in economic development by promoting social and economic solidarity among citizens |
| Governmental companies | A positive relationship between the application of the provisions of Islamic sharia represented in the imposition of zakat on Muslims and financial sufficiency. |
| banks | An inverse relationship between the application of the obligation of zakat and poverty in Arab Islamic societies |
| Islamic banks | A study of some experiences applied in Islamic countries showed the role of zakat in achieving economic development, noting that zakat is not mandatory in many Islamic countries. |
| Algeria | Zakat has a prominent role in combating the phenomenon of poverty through its subsidies to the poor and disadvantaged |

et al., 2020). Zakat can play a significant role in helping those in need in nations where the State offers little social protection—for instance, as a result of prolonged hostilities.

According to (Adilla et al., 2021)), Jordan has a well-developed social protection system that provides long-term assistance to its residents. The National Aid Fund and the Zakat Fund offer non-contributory social security programmes. Zakat in Jordan is used to carry out a variety of

services for both Jordanians and non-Jordanians, including financial aid, in-kind food donation and help with medical expenses.

The National Aid Fund was established in 1988 as a board of directors that includes representatives from various institutions, including the Mufti of the Kingdom, the Ministry of Finance, the Ministry of Social Development, and appointed members of the private sector. by the Cabinet. The National Aid Fund is part of the Ministry of Endowments and Islamic Affairs, which holds the chair of the President on the Zakat Council. The Board is responsible for recommending the Fund's general policy, plans, and the Foundation's general budget(Suprayitno, 2019b).

The National Aid Fund is the main organization responsible for handling zakat resources in the country, including collection and distribution. Local representations spread throughout the country with 233 voluntary zakat committees and branches in all governorates (Zakat Fund Offices), and they are responsible for identifying beneficiary families, obtaining donations, directing and supervising zakat activity (Kingdom of Jordan)(Ammar & Arabiyat, 2019; Machado et al., 2018).

The first rule governing the collection of zakat was issued in 1989, and the Jordan Zakat Fund is one of the oldest Islamic charitable funds in the region. The National Aid Fund, established by law in 1988, is now an essential part of the country's social protection system. In accordance with the ideals of justice and equality, all zakat-supported assistance programs are open to anyone, regardless of country, and are funded through individual voluntary contributions (Kazak et al., 2020).

The Fund's main funding sources are: 1) Zakat contributions from the Muslims of the homeland. 2) gifts and donations (cash and in kind); 3) Charitable goods and any other resources that the Board of Directors deems appropriate. The fund's regulations stipulate that administrative and management expenses cannot exceed 10% of the fund's annual revenue(Suprayitno, 2019a).

Over time, the National Aid Fund's overall spending has gradually increased. In 2019, the fund received a sizable donation of 3 million dinars, which enabled an increase in the amount spent on

in-kind relief in the form of food. The program's funding has continuously expanded; in 2020, the monthly cash aid program alone received 1 million dinars, while its largest program, the orphan sponsorship program, received 2 million dinars as opposed to just 425,000 dinars in 2019.

As was previously mentioned, Jordan's zakat benefits include sporadic in-kind transfers, attempts to create jobs and income, emergency cash transfers, a health care program, monthly financial aid to the poor, and a cash support program that focuses on orphans. Poor students, individuals impacted by emergencies (such as floods, fires, or earthquakes), elderly people over 60 who are living alone, people with disabilities (including organizations that offer support for them), and people with disabilities are all eligible for zakat assistance. Applications are submitted to the Zakat Offices and Committees, and a group of social researchers is in responsibility of reviewing submissions and meeting with applicants. The Director of Studies and the Managing Director are then given the ultimate say (Suprayitno, 2019b).

More than 30,000 families benefited from the emergency relief program in 2020, while 20,000 households received regular monthly cash assistance over the same period. The majority of zakat spending in 2020 went toward the orphan sponsorship program, which creates a personal connection between the sponsor and the child. This program benefited more than 43,000 kids (Department of Statistic, 2020). Additionally, the health care program shielded more than 150,000 low-income people from the risks associated with mounting medical debt.

Emergency assistance (a one-time payment) benefit levels are determined on an as-needed basis and are not fixed. However, recipients of monthly cash assistance receive JOD30 per month in addition to an additional JOD5 per household member (not capped). Additionally, the cost of orphan sponsorship is JOD30 per month, transferred every two months (Machado et al., 2018).

In Jordan, zakat administration has advanced quickly. The Zakat Fund was established in order to reflect this. It is the sole entity of the federal government that was created by government decree in 2003. This will collaborate with all Jordanian zakat authorities to gather and disperse zakat, donations, and alms at the national level. The administrative body of the Zakat Fund is responsible for managing the zakat system, that is, the planning, implementation, and control of the process of

collecting zakat and then distributing it to the appropriate recipient, after payment of all zakat received by the Jordanian Zakat Fund and all zakat institutions in Jordan. The zakat fund body must also provide an accountability report to the muzaki, or zakat payers, when the zakat is provided (Batayneh et al., 2021).

According to Sharia, zakat should be paid as a distribution of resources to a group of receivers who typically have low incomes . Zakat also encourages societal investment because it is based on asset retention. The people will be encouraged to prefer investing their money or giving support in the form of capital for modest initiatives by receiving zakat on the riches they have saved. The investment will spur the expansion of small businesses, which will increase the number of open positions and possibly lower the unemployment rate. In these circumstances, giving zakat will encourage inclusive economic growth, which not only boosts the economy but also lowers unemployment, poverty, and inequality while being environmentally friendly. Governments of Muslim nations should pay close attention to enhancing the use of zakat as a source of investment funds for economic growth and development, according to Batayneh et al. (2021). Zakat is frequently thought to provide more social and economic justice as well as a fair distribution of wealth. According to Machado et al. (2018), zakat has a favourable effect on Jordan's economic development (2019) Zakat can boost economic growth and improve family well-being.

As a result of this assertion, zakat's impacts from a microeconomic standpoint can help to uphold the aims of Sharia on three separate levels. At the most fundamental level, zakat can provide for the basic necessities of the poor and impoverished, such as food, clothes, shelter, and education. Zakat can educate people on a second level about human dignity and intellectual prowess(Batayneh et al., 2021; Machado et al., 2018; Mishra et al., 2019).

Zakat recipients who support dawah and have the noble goal of learning more may also benefit from it. In this way, criminality and moral turbulence brought on by illiteracy can be gradually addressed. By providing for basic needs and educating people, zakat can, at a third level, promote social justice in society and preserve morality and human dignity (Batayneh et al., 2021). Zakat, on the other hand, is a suitable metric for gauging economic expansion. Economic growth is higher when people pay zakat, and vice versa. In other words, the integration of the Zakat financial system

will help to close this gap, lessen social issues in the Muslim world, and possibly support economic activity in order to achieve sustainable growth (Yaser ALMANSOUR et al., 2021).

It cannot, however, lessen the inequity that existed in Jordan. According to statistics released by the Jordanian Department of Statistics in November 2020, both the GINI index's measure of inequality and the poverty rate showed no signs of abating. The GINI index is calculated by dividing the average income gap between all pairs of individuals by the average income (Mishra et al., 2019).

| Year | Zakat in JD (in a million) | Zakat in USD | | GDP's Growth(%) |
|------|----------------------------|----------------|------------|-----------------|
| | | (in a million) | Growth (%) | |
| 2016 | 0.875 | 56.159 | 6.827 | 2.90 |
| 2017 | 1.113 | 71.457 | 12.15 | 2.78 |
| 2018 | 1.366 | 87.697 | 10.14 | 2.57 |
| 2019 | 1.670 | 107.18 | 9.916 | 2.24 |
| 2020 | 1.872 | 120.17 | 9.465 | 2.13 |

The relationship between the institutionalization of zakat and economic equality was the subject of a research by Powell in 2010. Nearly all countries with a majority of Muslims were included in his sample group of 40 countries. He produced two crosstab analyses that categorize nations into three groups: (1) those that do not utilize the legislation to institutionalize zakat; (2) those that do so in order to create a voluntary system for gathering and dispersing zakat; and (3) those that enforce forced zakat. His analysis shows that 50% of the nations with voluntary zakat systems are high-wealth nations. Similar to nations that create zakat institutions on a voluntary basis, nations that impose zakat fall into two categories: great wealth and high equality (Kazak et al., 2020; Machado et al., 2018).

Contrastingly, in nations where zakat is not allowed, the lowest income group (45.8%) and the group with the highest equality are represented, followed by the intermediate equality group (41.7%) and the low equality group (41.7%). It is probable that countries that institutionalize

income redistribution systems like zakat do so to some extent because they are a priori more concerned with economic inequality, even though zakat may have an impact on economic equality. Because 60% of the nations with voluntary zakat institutions are in the group with high equality, Powell suggests that there may be a positive association between institutionalizing zakat and economic equality in the wake of the Wealth Study (Adilla et al., 2021).

The choice of the poor may be made by the local representative, such as the members of the local zakat committee, who are familiar with the locals personally, especially in the rural areas, in order to strengthen the confidence of society with the government or zakat institution. Government beneficiary lists should be made public for third-party scrutiny and observation in the sake of openness (Adilla et al., 2021). According to Aziz et al. (2020), accountability and openness are the development industry's current buzzwords. The use of social audits has been a significant development in this area. In a social audit, information about the financial and non-financial resources utilized by public bodies for development efforts is shared with the public, frequently through a public platform. Social audits give people the chance to impose accountability and transparency, giving the final consumers of services and projects a chance to examine development efforts. It is a type of citizen advocacy that is founded on the right to information and the influence of knowledge. Stakeholder participation is necessary as part of the social auditing process, which enables an organization to evaluate and demonstrate its social, economic, and environmental benefits and constraints (Medina et al., 2020).

2.4 Economic benefit of zakat

Zakat has a substantial economic influence on society when a specific percentage of one's wealth is distributed annually among the aforementioned eight categories as directed by the Qur'an. The provision of income assistance to the underprivileged would lead to a measured expansion of the money supply in the economy, which would raise demand for goods and services (Acemoglu et al., 2009a, 2009b). Food, clothes, shelter, and other needs of existence would see an increase in demand, and the manufacturing facilities would gradually develop and start absorbing the idle capital to meet this. The economy would produce more jobs and more chances for employment to support the increasing production. A balance in economic growth would result from the growth cycle based on balanced consumption as a result of the increased employment, which would

increase demand for products and services and create more space for additional investments(Adilla et al., 2021; Miah, A, 2021.).

Freeing slaves is the sixth type of zakat spending. Obviously, people are no longer treated as commodities to be bought and sold. But by expanding the meaning of this category, it is acceptable to say that one of the fundamental goals of zakat is to free people from all forms of economic servitude. The vast majority of people in developing nations experience horrible economic enslavement at the hands of numerous local landowners, wealthy businessmen, and multinational corporations that rob the world of its natural resources (Suprayitno, 2019). Giving those who are being oppressed temporary reprieve first, and then providing them with the necessary financial resources to obtain education, tools, and materials for economic rehabilitation, is one of the finest ways to free people from economic slavery. Small firms or privately held "cooperatives," for instance, could be established(Kidwai et al., 2020). The receivers would benefit from a consistent flow of income from these entities. The value of these businesses would progressively increase based on the rate of profit and retained earnings. The income multiplier effect would help the economy in excess of the initial investment made in these businesses, as well as allowing the poor to finally break free from economic slavery and contribute to the stability of the economy as a whole (Yunita, 2021a).

Spending on the al-gharimun is intended to help those who, due to debt overload, are unable to meet their responsibilities. When this category is understood more thoroughly, it becomes clear that Islam forbids bankruptcy, which is when debtors—whether they be people or financial institutions—pass on their bad debts to customers in the form of higher costs. If other components of the consumer price index do not balance out these gains, inflation eventually results from them (Aziz et al., 2020).

The expenditure of zakat for the redemption of the debts of al-gharimun not only helps maintain price stability, it also eliminates one of the significant factors which contributes to the inflationary cycle. This is done to prepare for contingencies where debtors who contracted debts in good faith but due to circumstances beyond their control, such as sudden illness, natural disasters, or economic catastrophes, cannot redeem them (Mohamed et al., 2019).

Regarding the fee-sabeelillah (in the cause of God), zakat funds, when used for social welfare, healthcare, and education for those who would not otherwise be able to afford it or are oppressed, give the recipients moral stability and human dignity, which are crucial components in maintaining economic harmony. The expenditure of zakat also aids in the financial independence of ibn as-sabil, who may be refugees or political exiles, by providing financial support while upholding their human dignity and general well-being. After some time, they will cease to be a burden on society (Hammad, 2022).

The way that zakat is gathered and dispersed demonstrates how widespread in breadth it is. The zakat fund is intended to meet the needs of eligible receivers who reside in the community where zakat is collected before moving on to those who reside in the county, state, country, and lastly the world at large.

The institution of zakat provides essential emergency reserves during periods of weak economic growth when zakat revenues may not be enough to cover the requirements of the society through the building of surplus in zakat coffers during prosperous years (Mohamed et al., 2019).

The imposition of zakat, especially on the unproductive component of a person's income, compels the zakat payer to seek a return on his money at a rate at least as high as the rate of zakat in order to be able to pay zakat without losing fortune (Aziz et al., 2020).

"That percentage of a man's wealth that is dedicated for the poor" is referred to as zakat (Sari et al., 2020). It is also described as "a obligatory levy imposed on Muslims in order to collect surplus income or money from the relatively well-off members of the Muslim Society and distribute it to the underprivileged and needy" (Amsari & Nasution, 2019a; Mubtadi, 2019). According to a study by Aisha et al., (2019), zakat should theoretically lead to economic success because it is paid from those who have surpluses to the poor. Therefore, this will strengthen and increase the poor's purchasing power, which can result in a rise in the demand for goods(Gazar, 2020).

According to literary definitions, zakat can indicate blessing, growth, development, purity, and neatness. Zakat is the portion of property that Allah SWT mandates the owner to give to the appropriate person in order for that person to possess it with specific requirements, according to the definition given by Islamic scholars (Suprayitno, 2020a). In accordance with Qardhawi (1999), who quotes *Lisan al Arab*, the term "zakat" is praiseworthy, pure, and grows throughout the Al Qur'an and Hadist. According to Aisha et al., (2019), Zakat, on the other hand, has the literary meanings of purification, growth, blessing, and praise. In reality, Zakat is a Moslem's financial obligation to pay some net property or agricultural produces, if those properties exceed the nishab limit to some degree. It is paid as the part of religion obligation.

According to Golzare Nabi Bangladesh Bank et al., (2021), since the marginal propensity to consume of the zakat payer is lower than that of the zakat recipient, increasing consumption has the potential to increase purchasing power parity for the poor. It is undisputed that the primary goal of zakat is the achievement of socioeconomic justice. As a result, in Islam, the notion of transfer payments—from the wealthy to the poor in order to redistribute wealth and income in society—has become crucial to creating the Ummah (Machado et al., 2018). Furthermore, it is proved that the Quran and the Prophet's example (Sunnah) include abundant evidence that shows that the Islamic system does not approve of or recognize any sort of concentration of wealth or income in a small number of people (Yusroni & Chadhiq, 2021b).

Along with the other well-established distributions, such as living allowance, medical assistance, shelter help, and the like, zakat distribution in the form of revenue generation initiatives has been implemented (ben Jedidia & Guerbouj, 2021b). Muslims' awareness of the need to turn zakat from solely a matter of personal piety into an Islamic socioeconomic system is largely responsible for the development of the program, which is seen as a progressive transition from the consumption-based to the productive distribution of zakat (Suprayitno, 2020b). As a result, it is believed that zakat will contribute more significantly to raising the socioeconomic standing of Muslim communities.

Islam established a number of mechanisms, like the zakat institutions, to combat and improve social welfare. Zakat contributes to the flow of money and the hiring of the essential labor. Arabic

for "zakat" is "development," "cleanness," and "purity" (ben Jedidia & Guerbouj, 2021a). Zakat is mentioned 30 times in the Qur'an, and three of those times it says that God has mandated it (Allah s.w.t). Many of the Prophet Muhammad's sayings also stress how important zakat is as a duty for Muslims. A Prophet statement that states that refusing to pay it amounts to a rebellion against the Islamic State might be used to determine the significance of the institution (Choiriyah et al., 2020a). As a result, zakat can be seen as a crucial aspect of worship and spiritual cleansing.

Zakat also serves as a fiscal instrument, carrying out some of the most important duties of contemporary public financing, including social security benefits, childcare grants, food subsidies, education, health care, housing, and public transit in welfare states (Miah, A, 2021.). It places the responsibility of addressing the social welfare needs of society where it belongs and divides public welfare spending from other budgetary items. The Qur'an and Sunnah determine zakat and its heads of expenditure regardless of the economic conditions of the society, in contrast to tax levied by the government for services supplied to tax payers on a quid pro quo basis (Medina et al., 2020).

Zakat also promotes a healthy growth cycle. Zakat has a substantial economic influence on society when a specific percentage of one's wealth is distributed annually among the aforementioned eight categories as directed by the Qur'an (Kazak et al., 2020). The provision of income assistance to the underprivileged would lead to a measured expansion of the money supply in the economy, which would raise demand for goods and services. The production facilities would progressively expand and start absorbing the idle capital to supply this increase in demand for necessities of life like food, clothing, and shelter. The economy would create additional jobs and new employment possibilities to support the increasing production. The growth cycle based on balanced consumption would then contribute to a balanced economic growth since the additional employment would increase demand for goods and services, create more space for new investments, and so on (Asher & Novosad, 2018).

Poverty has emerged as a global economic, social, and political problem, particularly in developing and third-world countries, many of which are Muslim-majority states (Gruzina et al., 2021). To end poverty, parties from many organizations, including the United Nations and World Bank, are making great efforts through a variety of initiatives, services, programs, and policy changes. The

UN held a meeting in 2000 where the heads of state signed the "Millennium Development Declaration." On that day, these world leaders committed to cooperating to eliminate the prevalence of severe poverty and hunger worldwide, one of the "Millennium Development Goals," by the year 2015 (United Nations, 2012). Similar to this, a year prior, the International Monetary Fund (hence, IMF) and World Bank unveiled the Poverty Reduction Strategy (henceforth, PRS), which outlines a thorough country-based strategy to dramatically reduce poverty (Miah, A, 2021.). In general, it is thought that governments and markets by themselves are unlikely to be able to eradicate poverty. In order to promote economic growth and welfare and thereby reduce poverty, it is essential that other parties, such as general societies, non-profits, and non-governmental organizations, actively participate (Medina et al., 2020).

Usually, the level of income or consumption per person or per household is used to calculate poverty. Based on purchasing power parities, the World Bank revised the international poverty threshold in 2008 as \$1.25 per day rather than \$1. (World Bank, 2008). It was proposed that anyone who made less than \$1.25 a day fall into the category of absolute poverty based on this new number. Furthermore, poverty is described as: "in a UN declaration. deprivation of possibilities and choices, a breach of human dignity (Sari et al., 2020). It denotes a basic inability to contribute to society in a meaningful way. It entails not having enough to feed and clothe a family, not having access to a school or clinic, not having a job to support oneself, not having access to credit, not having a place to live or a place to grow one's own food. It entails uncertainty, helplessness, and exclusion of people, homes, and communities. It entails living in marginal or unstable areas without access to clean water or sanitary facilities, making one vulnerable to violence (Kazak et al., 2020).

Islam, on the other hand, bases its definition of poverty on a person's failure to meet any of the five essential needs for human existence as stated in MaqasidSyariah1: Religion, physical well-being, education, wisdom, honor, and riches round out the list (Gruzina et al., 2021). Being a religion of balance, Islam sees social and ideological issues with poverty. Due to the fact that society as a whole is affected, it is regarded as a social problem. It is also an ideological issue because it interferes with fulfilling one's social and religious duties to the community and Islam

and may even result in kufr. Furthermore, according to a hadith³, the Prophet Muhammad (pbuh) asked Allah for protection from famine (Mohamed et al., 2019).

Therefore, it was suggested that poverty cannot be alleviated through income redistribution only, but it needs to include a holistic approach. Utami & Nasor, (2021) argues that based on the Islamic perspectives, poverty may be eliminated by using three distinct set of measures; i) positive measures, ii) preventive measures, and iii) corrective measures. The poverty eradication strategies forwarded by Sadeq(1997) is summarized in Figure 1 below

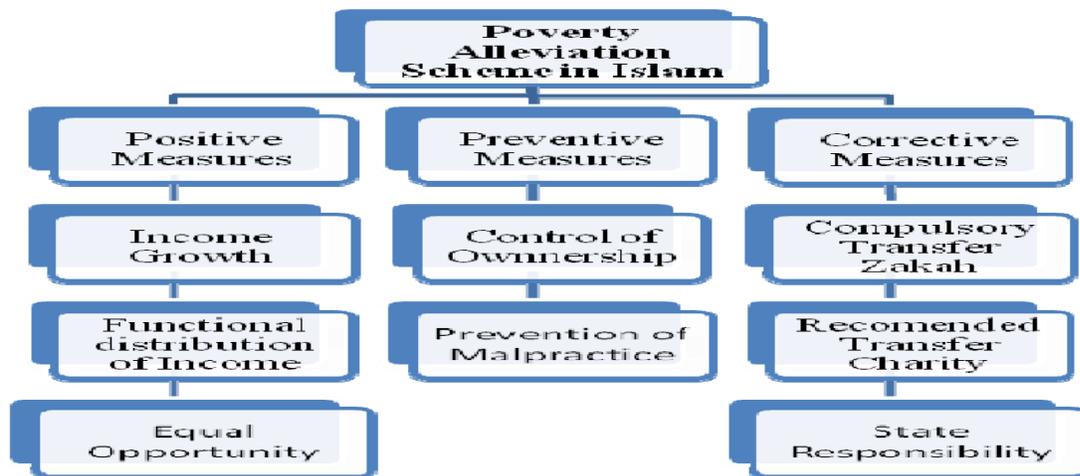


Figure 1: Poverty Eradication Scheme of Islam (Sadeq, 1997, p. 121)

The payment of zakat is one of the corrective steps for ending poverty, as seen in Figure 1 above. The word "al-zakah" is mentioned thirty times in the Holy Quran, according to Qaradawi (1999). Zakat is a notion in Shari'ah that refers to the transfer of wealth as directed by God to the deserving category of people. Zakat literally means to expand and increase. In addition to eradicating poverty, zakat attempts to eradicate Muslim avarice and promote socially responsible behavior. Overall, it is anticipated that paying zakat will cleanse the payer's income, bring about peace between the payer and asnaf, meet the basic requirements of the poor and needy, and address social issues like unemployment, poverty, debt, and unequal income distribution (Gruzina et al., 2021). According to Aziz et al., (2020), tithing in Christianity and the Hindu notion of almsgiving (known as datrtadartva) are just a few examples of other religions that have systems similar to zakat. For instance, the term "tithe" refers to the obligation to donate a certain percentage of one's income to

the church for the upkeep of the organization, the support of its clergy, the promotion of its causes, and the aid of the needy.

Zakat has a long history and was first practiced by the early Muslim community in Mecca with the primary goal of aiding the needy and the destitute (Qaradawi, 1999). Muslims were actively urged to care for the underprivileged in their community, in keeping with the brotherhood principle of Islam. The failure to feed the needy and the destitute, as stated in Surah Al Muddahthir verses 38–45, is one of the reasons such people are consigned to Hell. Zakat was already practiced in Mecca, but it wasn't until hijra to Medina that it became obligatory. Zakat can be divided into two categories: zakat al-fitr, or zakat on oneself; and zakat al mal, or zakat on wealth. zakat al-fitr became obligatory for all Muslims (after Hijra). All Muslims are required to pay this little fee throughout the month of fasting (Ramadhan). However, Muslims are also required to pay zakat al-mal, and it is due whenever a person's annual income (haul) exceeds the exemption threshold (nisab) (Medina et al., 2020).

The zakat percentage that must be paid is not specified in the Al-Quran, nor are the zakatable commodities. It is up to Prophet Muhammad (pbuh) to specifically explain or give examples to the followers of the broad directives in the Quran. However, according to Qaradawi (1999), there are a few things or assets that are mentioned in the Quran as being zakatable, such as gold and silver based on verse 34 of chapter 9, "And those who hoard up gold and silver, (the money for which the Zakah has not been paid) and spend them not in the Way of Allah, announce unto them a painful torment". Spend of excellent things that you have (legally) earned and of that which We have generated from the soil for you, Allah says in the second chapter, verse 267. (p. 60). The aforementioned passage is thought to call for the payment of zakat explicitly on revenues from trades or other economic endeavors, as well as gains from agricultural and horticultural products. In addition to these things, the Quran makes general mention of zakat in verses like "and in their properties, there was the light of Sa'il (the beggar who asks) and the Mahrum (the destitute who does not ask further questions)." (p. 708).

Based on the general texts found in the Quran and Sunnah, such as in verse 103 of the ninth chapter, Qaradawi (1999) highlighted that zakat should be paid on amwal (wealth or possessions). Take sadaqah from their wealth, Allah commands, and use it to purify them. (p. 262).

According to Qaradawi (1999), the term "amwal" initially meant "owned gold and silver" during the time when The Quran was being revealed, but it later came to denote "all things that people prefer to acquire and own, including animals, agricultural products, and land."

There are some discrepancies in the definitions of amwal among Islam's four main schools of thought. The Hanafis claim that anything a person typically purchases and uses is included in amwal. The possibility of earning it and the possibility of using it are the two requirements that must be met in order to classify the products as amwal (Choiriyah et al., 2020b). As a result, the definition of amwal was expanded to encompass all property, including furniture, money, and equipment. In accordance with The Hanafis definition, goods that have the potential to be gained and used in the future, such as fish in the sea or animals that can be used as food in the forest, are also considered to be amwal. Therefore, according to The Hanafis' definition, services like banking and customer services are not amwal because they are not accessible (Qaradawi, 1999).

The Malikis, Shafiis, and Hanbalis, however, contend that an object should only be regarded as amwal if the requirements for attaining the source of amwal have been met. According to these three schools of thinking, a business's services should therefore be regarded as amwal based on the circumstance. This is predicated on the idea that since an automobile can be physically acquired, its utility will be regarded as amwal. However, Qaradawi (1999) prefers the definitions offered by The Hanafis since they seem to be more accurate and closer to the original concept of Amwal. The expert argues that because services are not regarded as tangible possessions, it is improper to collect zakat from them and give it to the needy. For instance, if a poor family is let to remain in a zakat payer's home for free, this does not relieve the zakat payer of their responsibility to pay zakat because utilities are not material and cannot be procured (Qaradawi, 1999).

The Al-Quran particularly lists the eight types of zakat receivers, including the hard-core poor, poor, amil, mu'allaf, riqab, gharmin, fi-sabilillah, and ibnussabil. However, the quantity and the

zakatable items are not stated in the Al-Quran. Allah Subhanahu wa ta'ala says in the Holy Quran: “Alms are for the poor and the needy, and those employed to administer zakat (amil), for those whose hearts have been reconciled to the Truth, for those in bondage and in debt, in the cause of Allah and for the wayfarer” (9:60)

Although the Qur'an mentions eight different kinds of asnaf, it is not necessary to distribute the zakat budget equally among them. Al-Qaradawi (1999) argues that if all asnaf categories call for a same amount of zakat money, it must be distributed equally among them. But if some people need more zakat than the rest of us, we can give them additional money from the zakat budget. He made it clear that it is up to the zakat organizations or agents to allocate the money to those with the highest needs. However, it is generally agreed that the first two groups of asnaf—the hard-core poor and impoverished—must receive the majority of the zakat income (Miah, A, 2021.; Sari et al., 2020).

In general, the zakat distribution technique is still centered on the periodic type of direct payment, where asnaf is paid zakat money on a monthly or yearly basis, claim (Kazak et al., 2020). However, numerous instances have demonstrated that direct payments decrease asnaf's desire to work and cause them to become dependent on zakat monies. Although zakat payments made directly are still appropriate, especially for non-productive asnafs like the aged and crippled, it is advised that zakat be given to the needy and destitute in the form of capital financing in order to support asnaf entrepreneurial operations. Over time, it's anticipated that the productive asnaf will become more self-sufficient and capable of providing for themselves and their families, so escaping poverty. Additionally, in some nations like Jordan, zakat donations are utilized to support the costs of education and university for family dependents (Kazak et al., 2020). These educational and training initiatives appear to be helpful in preventing the future impoverishment of the asnafs' children due to their parents' ignorance.