

Beyond the State: Rethinking Poverty Alleviation Through Societal Mechanisms – The Case of Zakat in Islam

By

Ahmed Youssef

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Supervisor: Prof Julius Horvath

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AUTHOR'S DECLARATION

I, the undersigned, Ahmed Youssef, candidate for the degree of Bachelor of Science in Data Science and Society, declare herewith that the present thesis titled “Beyond the State: Rethinking Poverty Alleviation Through Societal Mechanisms – The Case of Zakat in Islam” is exclusively my own work, based on my research and only such external information as properly credited in notes and bibliography. I declare that no unidentified and illegitimate use was made of the work of others, and no part of the thesis infringes on any person's or institution's copyright. I also declare that no part of the thesis has been submitted in this form to any other institution of higher education for an academic degree.

Vienna, 19 May 2025

Ahmed Youssef

Abstract

This thesis examines poverty alleviation through societal mechanisms, focusing on Zakat in Islam as an illustrative case. While state-led efforts remain central to development policy, many regions, particularly fragile or poorly governed states, struggle to effectively reduce poverty due to institutional weaknesses. This study argues for a rethinking of poverty strategies that include community-based solutions operating beyond the state. Drawing from interdisciplinary literature on poverty, governance, and Islamic social finance, the thesis situates Zakat as a historically grounded, ethically motivated, and socially embedded tool for redistribution. Through comparative analysis, it explores how Zakat operates in contexts of state fragility, how it reaches populations excluded from formal systems, and how it complements or substitutes public welfare. Additional attention is given to its role in informal economies, its gendered dimensions, and the potential of digital technologies to enhance transparency and impact. The thesis concludes that while Zakat cannot replace comprehensive welfare states, it offers a resilient, value-driven supplement, especially where the state falls short. Integrating societal mechanisms like Zakat into broader anti-poverty strategies allows for a more holistic and ethically grounded approach. Ultimately, the study contributes to debates on the moral economy of development and the potential of grassroots solidarity in poverty reduction.

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1. Introduction

Poverty is commonly conceptualized as a state of severe deprivation in well-being. It encompasses not just low income but also a lack of access to fundamental necessities such as sufficient food, clean water, health care, shelter, and education. By the World Bank's latest definition of extreme poverty—living on less than \$2.15 per day—roughly 700 million people, about 8–9% of the world's population, remain in destitution as of the mid-2020s (World Bank 2024). This stark figure underscores that despite overall global progress, a substantial share of humanity continues to struggle with meeting basic minimal standards of living. Poverty, in this absolute sense, means being unable to attain even a minimally decent standard of living, and it is a condition that persists in many regions of the world.

From a broader perspective, the prevalence of poverty is deeply intertwined with the quality of institutions and governance. Inclusive institutions, to use the terminology of Acemoglu and Robinson (2012), tend to empower broad segments of society, encourage investment in people's capabilities, and thereby foster poverty reduction and lower inequality. By contrast, extractive institutions, those that concentrate power and wealth in the hands of a few, often fail to provide opportunities for the many and are associated with entrenched poverty (Acemoglu and Robinson 2012). In other words, when political and economic institutions are inclusive and accountable, they generally create an environment conducive to growth and social development that lifts people out of poverty. When institutions are extractive or corrupt, development gains seldom reach the poor. Thus, the quality of governance fundamentally shapes the success or

failure of poverty alleviation efforts. Good governance can channel resources toward public welfare, whereas institutional failures can stymie even well-intentioned anti-poverty programs.

Given the vital role of the state and its institutions, an unsettling reality is that today the worst poverty is largely concentrated in places where formal governance is weak or has broken down. Fragile states, conflict zones, and countries plagued by high corruption have not only stalled in economic progress but also often lack effective safety nets for their most vulnerable citizens. In these environments, governments either cannot or do not adequately provide services and protections, leaving populations to suffer the consequences. It is in such contexts that one must ask, might solutions beyond the state help fill the void? When public institutions falter, alternative societal mechanisms may emerge as crucial sources of support. This thesis explores these societal mechanisms of poverty alleviation approaches rooted in communities, social networks, and cultural or religious practices as a complement or alternative to stateled action. The idea is not to romanticize non-state responses but to critically examine how community-driven efforts can contribute to reducing poverty, especially where governments are unable to do so effectively.

A central case study in this exploration is the institution of Zakat in Islam. Specifically, we examine Zakat as an illustrative societal mechanism for poverty relief operating beyond the state. Zakat is a form of almsgiving and social welfare in the Islamic tradition, mandated as a religious duty for those with means. It is one of the five pillars of Islam, making it a fundamental obligation for Muslim believers. In practice, Zakat requires that individuals who possess wealth above a certain threshold (the nisab) must annually give a fixed portion of that wealth

traditionally 2.5% to specified categories of people in need. The concept carries connotations of purification and growth; by redistributing a share of one's wealth, one purifies the remainder and contributes to the collective well-being. Zakat represents a fascinating model in which poverty alleviation is not only an economic or governmental concern but also a broad social obligation enshrined in faith and voluntarily practiced by individuals and communities. It has operated for centuries across the Muslim world, often providing a lifeline to the poor regardless of state capacity or involvement. In this way, Zakat exemplifies how religious ethics and community solidarity can translate into a form of social safety net independent of (though not necessarily in conflict with) government programs.

By looking “beyond the state” at the example of Zakat, we can rethink how societal forces, community trust, religious ethics, and grassroots solidarity might play a larger role in combating poverty globally. The intent is to analyze what a longstanding community-based institution can offer to contemporary debates on poverty alleviation. This inquiry also invites reflection on the interplay between formal state systems and informal or semi-formal community institutions. Rather than viewing poverty reduction as the sole province of governments or expecting charity alone to solve the problem, a broader perspective may recognize the value of partnerships between the state and society.

Structure of the Thesis: In the chapters that follow, the study first reviews relevant literature on poverty and institutions, including key theoretical frameworks and critiques of state-led development models. Next, it presents a theoretical and empirical analysis of the relationship between poverty and institutional quality, drawing on global examples where formal

systems have broken down and where societal mechanisms have stepped up in response. Within this analysis, particular attention is given to the distinctive features of Zakat as a social safety net, examining how it functions and how it compares to conventional state welfare programs. Following that, a discussion chapter considers whether elements of the Zakat model or similar community-based approaches could be adapted beyond their traditional contexts and how such societal mechanisms might complement formal institutions in the shared goal of poverty reduction. Finally, the conclusion reflects on the implications of these findings. The overarching argument is that effective poverty alleviation, especially in environments of weak governance, requires leveraging not only state capacity but also the latent strengths of society: its values, networks, and sense of collective responsibility. Approaches like Zakat demonstrate the resilience and potential of community-driven mechanisms to support the poor where governments cannot, suggesting a need to integrate these mechanisms into broader development paradigms rather than viewing poverty alleviation as the state's job alone.

2. Literature Review

Theories of Poverty: Poverty is a multi-faceted phenomenon, and over time scholars have developed various concepts to capture its nature and causes. A fundamental distinction in the literature is between absolute and relative poverty. Absolute poverty refers to not having enough resources to meet a fixed minimum standard of living necessary for basic human survival and dignity. It is defined against an absolute threshold; for example, the international extreme poverty line (recently updated to \$2.15 per day) is an absolute standard meant to reflect the minimum income required to afford essential goods like food, shelter, and basic health care in the world's poorest countries. If an individual's resources fall below this threshold, they are considered to be in poverty in an absolute sense (World Bank 2024). This concept captures life-threatening deprivation: those in absolute poverty cannot secure the necessities of life.

Relative poverty, on the other hand, defines poverty in relation to the typical living standards of a given society. It recognizes that poverty is not only about subsistence but also about exclusion from the normal life of the community. In a relative perspective, someone is poor if they lack the resources to participate adequately in the customary activities and lifestyles of their society. For instance, being unable to afford decent housing, education, or transportation in a wealthy country might constitute poverty even if that person's income is above the global absolute poverty line. Relative poverty thus reflects inequalities within a society – it is a measure of disadvantage compared to others in the same context (Townsend 1979). While an absolute approach asks, “Does this person have enough to survive?”, a relative approach asks, “Does this person have significantly less than others in their society, to the point of social exclusion?”. Both concepts are important: absolute poverty focuses on life's essentials and has the same yardstick

everywhere, whereas relative poverty highlights social inclusion and varies from one society to another.

In recent decades, researchers have increasingly emphasized the multidimensional nature of poverty. Poverty is not purely an income phenomenon; it involves deprivations across multiple dimensions of human well-being. Amartya Sen's influential work on the capability approach reframed poverty as the deprivation of basic capabilities, the freedoms to achieve minimal functioning in life (Sen 1999). According to Sen, someone is poor if they lack the capabilities to live a life they have reason to value, which could mean being illiterate, in poor health, or lacking civil rights, even if they have a subsistence income. Building on such ideas, measures like the Multidimensional Poverty Index (MPI) (Alkire and Santos 2010) account for education, health, and living standards indicators, reflecting the understanding that poverty's realities extend beyond money. For example, a household might be above an income poverty line but still be considered multidimensionally poor if they endure malnutrition, have no access to clean water or sanitation, or cannot send their children to school. The literature thus suggests that effective poverty alleviation policies must address this broad spectrum of deprivation – tackling not just income poverty but also improving access to services, enhancing opportunities, and reducing vulnerabilities on multiple fronts.

Poverty and Institutions: Parallel to these concepts of poverty, a rich body of scholarship examines how institutions and governance affect poverty outcomes. As noted earlier, there is strong evidence that the quality of governance is a pivotal factor in development. Countries with accountable, inclusive governance tend to invest more in public goods and human development,

creating conditions that help reduce poverty (Acemoglu and Robinson 2012). By contrast, where institutions are weak – marked by corruption, lack of rule of law, or political instability – poverty tends to be more persistent. Government policies and their implementation (or lack thereof) have direct impacts on poverty: for instance, a state that ensures widespread education and healthcare, protects property and personal security, and fosters an enabling environment for employment is likely to see lower poverty rates than one that cannot provide these. The literature on institutional economics (North 1990) and development highlights that institutional failure – such as predatory governance or civil conflict – often goes hand in hand with economic stagnation and social decline. In extreme cases, “fragile states” and conflict-affected regions suffer from a vicious cycle: weak governance contributes to poverty, and high poverty in turn can strain governance and social stability.

It is also recognized in development studies that while state-led policies have achieved considerable successes, they are not a panacea. Over the past few decades, state-led development – including largescale investments in infrastructure, education, and health, as well as targeted poverty-reduction programs – has lifted hundreds of millions of people out of extreme poverty (for example, China’s dramatic poverty reduction through state-driven growth, or social welfare expansions in Latin America). Flagship government programs such as conditional cash transfers (e.g. Brazil’s Bolsa Família) have significantly reduced poverty and inequality in some middle-income countries. These successes underscore that effective states can be powerful engines of poverty alleviation. However, the literature also documents clear failures and limitations in government-led approaches. Many low-income countries have struggled to translate periods of economic growth into broad-based poverty reduction because of deep

structural inequalities, weak governance, or policy missteps. In parts of sub-Saharan Africa, for instance, robust GDP growth in the 2000s did not always reduce poverty proportionately, often due to corruption or the benefits of growth accruing only to elites.

Furthermore, state interventions may fail to reach marginalized groups. Bureaucratic inefficiencies, political patronage, or lack of state presence in remote areas can result in pockets of poverty that persist despite national-level gains. In the worst cases, governments themselves perpetrate harm – through conflict, repression, or misguided policies – exacerbating poverty for certain populations (Easterly 2006). The critique of state-led models in the literature often revolves around these issues: the state can be ineffective or even part of the problem when institutions are extractive or incompetent. Development scholars like William Easterly and others have argued that top-down technocratic solutions often ignore local context and agency, sometimes leading to wasted resources or unintended negative consequences (Easterly 2006). Therefore, while a capable and responsive state is ideal for fighting poverty, real-world conditions frequently fall short of that ideal.

These considerations have led scholars and practitioners to pay closer attention to non-state actors and societal mechanisms in development. When governments fail to deliver, people do not simply give up; they seek support elsewhere – through family, community, religious organizations, NGOs, and other networks. Anthropological and sociological studies show that in many societies, especially under stress, informal support systems are vital. For example, extended family networks often redistribute resources to help poorer relatives, and community groups or faith-based charities provide services in health and education at the

grassroots level. Religious philanthropy, including concepts like Zakat in Muslim communities or tithing in Christian ones, historically formed a parallel welfare system long before modern states had social safety nets (Schweiger 2019). Contemporary development literature is increasingly exploring how these community-based efforts function, what their strengths and weaknesses are, and how they interact with formal state systems.

In summary, the literature review establishes several key points. First, poverty must be understood in its complexity: absolute vs. relative, and across multiple dimensions. Second, strong institutions and good governance are generally associated with better poverty outcomes, whereas institutional breakdown is a recipe for persistent poverty. Third, while state-led efforts have immense potential and have scored notable achievements, they also encounter significant limitations in practice. This opens the door to considering societal mechanisms – the ways in which communities and cultures mobilize to help their members – as both a necessary stopgap in failing states and a potential complement even in well-governed ones. It is within this context that we turn our attention to the role of Zakat as a case study. The institution of Zakat, rooted in Islamic ethical obligations and community practice, stands out in the literature as a historically significant welfare mechanism. The following sections will analyze empirical evidence on how institutional quality and community-based mechanisms like Zakat interact in practice, building on the theoretical insights reviewed here. This sets the stage for a reimagined approach to poverty alleviation that leverages the strengths of society alongside the state.

3. Theoretical and Empirical Analysis

3.1. Poverty and Institutional Quality – Global Patterns

Having established the theoretical background, we now examine empirical patterns in the relationship between poverty and institutional quality and explore how societal mechanisms come into play where formal systems falter. Cross-country evidence vividly illustrates that poverty rates are intertwined with governance indicators (Chong and Calderón 2000). Countries trapped in conflict or kleptocracy often exhibit some of the highest levels of extreme poverty. For example, nations like South Sudan, Yemen, and the Democratic Republic of Congo, which rank at the bottom of governance and stability indices, also suffer from among the highest incidences of extreme poverty in the world (World Bank 2024; Adeba 2019). In these cases, decades of war or chronic state fragility have devastated infrastructure and basic services, making it nearly impossible for many households to escape destitution (Adeba 2019). By contrast, many East Asian countries that achieved dramatic poverty reduction in recent history (such as South Korea, Taiwan, or China) had governments that, despite varying political systems, managed to ensure relative stability, invest in human capital, and pursue inclusive economic growth (World Bank 2022; Asian Development Bank 2002). The correlation is not perfect, and causation runs both ways, but it is broadly evident that when states fail, the poor suffer most. Lacking security, justice, and basic services, ordinary people in failed-state contexts are left extremely vulnerable. Conversely, when states function well and are responsive, they create conditions for poverty to decline (Chong and Calderón 2000; Asian Development Bank 2002).

An additional layer of complexity emerges when considering the interplay between informal economies and poverty alleviation mechanisms. In many low-income and fragile states, a substantial proportion of the population engages in informal labor or self-employment outside the purview of official taxation and regulatory frameworks (Williams 2014). These informal sectors are often overlooked in traditional policy discussions, yet they represent a significant component of how poor households survive and adapt (OECD 2024). Zakat, operating at the grassroots level, has the flexibility to reach individuals in these sectors who are typically excluded from formal welfare programs (UNDP 2019). Its reliance on local knowledge and community networks enables it to identify and support individuals who lack documentation or legal employment status, such as street vendors, seasonal laborers, or undocumented migrants (UNHCR 2025). Recognizing this dimension is crucial, as it broadens our understanding of who the poor are and how different types of assistance can effectively reach them. Lacking security, justice, and basic services, ordinary people in failed-state contexts are left extremely vulnerable (Blattman and Ralston 2015). Conversely, when states function well and are responsive, they create conditions for poverty to decline.

Yet, it is precisely in those environments of state weakness that alternative social institutions often rise in importance. When formal safety nets are absent, informal and community safety nets frequently fill the gap to whatever extent they can (Fitzpatrick et al. 2022). Empirical research and case studies from various developing regions show communities organizing to support their members during crises. For instance, in parts of sub-Saharan Africa and South Asia, village-based rotating savings groups or cooperative societies help individuals

weather economic shocks (Anderson and Baland 2002; Gugerty 2007, 2019). In Latin America, the presence of church groups or NGOs in slums provides education and health services that the state fails to supply (Quartermann 2015). These societal responses, while not typically captured in national poverty statistics, are crucial for day-to-day survival in many poor communities.

A stark illustration comes from Somalia. Following the collapse of Somalia's central government in 1991, the country endured decades with no effective state (Reuters 2006). In this vacuum, Somali communities and diaspora networks became the primary means of social support (Africa Renewal 2013). Remittances from Somalis abroad grew into a critical source of income for families back home, and religiously motivated giving like Zakat and Sadaqah (voluntary charity) was often channeled through mosques or local community committees to help those in need (Ahmed 2000). While these informal systems were no substitute for a functioning state, analysts argue that they helped prevent an even worse humanitarian catastrophe (Ahmed 2000). Studies estimate that during the stateless period, tens of millions of dollars in remittances and Islamic charitable funds flowed into Somalia annually (Ahmed 2000). This injection of resources, distributed via kinship and faith-based networks, likely kept countless households afloat, providing food, medicine, or support for orphaned children in a place where no government assistance existed (Ahmed 2000). In effect, the Somali case showed that societal mechanisms can act as a makeshift safety net amid complete institutional collapse, although of course they could not fully compensate for the absence of stable governance.

A similar pattern was observed in Afghanistan. During the conflict years of the 1980s–1990s and again after 2001, Afghan communities often relied on local councils (shuras)

and religious networks to distribute aid and support vulnerable families (Murtazashvili 2016). Wealthier individuals would give Zakat in the form of cash or in-kind goods (food, clothing) to village elders, local mullahs, or trusted community leaders, who in turn would identify widows, orphans, and the destitute to receive this assistance (Pain and Kantor 2012). Such practices had a modest stabilizing effect at the local level, helping to prevent total destitution in villages that otherwise received scant official aid (Pain and Kantor 2012). In these instances of conflict and fragility, community solidarity anchored in religious duty partially filled the void left by a failing state (Pain and Kantor 2012).

Broad quantitative studies in the Muslim world lend further insight into how community-based welfare operates alongside formal institutions. Research by development economists has attempted to estimate the scale of resources mobilized through Zakat. For example, a study by Shaikh (2016) estimated the potential Zakat that could be collected in Organisation of Islamic Cooperation (OIC) countries and found that the aggregate sums are far from trivial (Shaikh 2016). In practice, even where not centrally collected, large amounts of charitable giving occur. One comparative analysis noted that five populous Muslim-majority countries, Indonesia, Malaysia, Qatar, Saudi Arabia, and Yemen, together were collecting on the order of at least \$5–6 billion in Zakat per year in the 2010s (Stirk 2015). The global volume of Zakat (if one adds up estimates across all Muslim communities worldwide) likely reaches into the tens of billions of dollars annually (Stirk 2015). These figures suggest that there is a significant pool of charitable funds being mobilized through faith-based norms, representing a potentially important resource for poverty alleviation parallel to government spending.

What do these resources translate to on the ground? In countries where Zakat is organized in a somewhat systematic way, the impact can be notable. For instance, Malaysia and several Middle Eastern countries have institutionalized Zakat collection through official or semi-official bodies. Malaysia's experience is illustrative: Zakat institutions there are integrated into the broader social protection system. According to some reports, the funds distributed via Zakat in Malaysia form an important part of the social safety net, reaching an estimated 1–2 million poor individuals annually by the mid-2010s (Bilo and Machado 2020). This complements government anti-poverty programs; for example, Zakat funds often provide monthly assistance to poor households, support orphans and single mothers, and finance education or healthcare for those who might fall through the cracks of public welfare schemes (Bilo and Machado 2020). In essence, Malaysia's case demonstrates a synergy between state and societal efforts: the state encourages Zakat contributions by providing an administrative structure and sometimes tax incentives, while the disbursed Zakat aid extends the overall reach of social protection (Bilo and Machado 2020).

Other countries have similarly tried to harness community resources. In the Middle East, Jordan, Sudan, and Palestine have established formal Zakat funds or ministries that operate under government oversight but rely on religious contributions. Jordan's Zakat Fund, for example, has been a channel for domestic charity that works alongside its national aid programs, reportedly helping hundreds of thousands of beneficiaries (Jordanian Zakat Fund 2021). In Sudan and the Palestinian territories, Zakat agencies have been pivotal in providing food aid, healthcare, and income support in contexts where state budgets are constrained (UNRWA 2023; Medani 2024). These hybrid models, where a religiously inspired societal mechanism is given official

recognition, illustrate an attempt to blend faith-based community action with state policy. The effectiveness of such models varies by context, and researchers continue to debate how well they alleviate poverty and whether they reach the poorest of the poor consistently. But they undeniably mobilize additional resources and community engagement in fighting poverty.

3.2. Zakat as a Social Safety Net: Features and Comparative Perspective

To analyze the potential of societal mechanisms in poverty alleviation, it is crucial to understand how Zakat functions in detail and how it compares to conventional state welfare programs. Zakat is often termed an Islamic social safety net because it formalizes the obligation of wealth redistribution within society (Bilo and Machado 2020). Several key features distinguish Zakat as a mechanism:

- I. **Obligatory Nature:** Unlike voluntary charity, Zakat is considered a compulsory duty for Muslims who meet the wealth criteria. This duty is ongoing (typically annual), which means Zakat establishes a regular transfer of resources from the better-off to those in need. In that sense, it functions analogously to a tax – but one rooted in personal religious commitment rather than state enforcement (in most contemporary contexts) (Bilo and Machado 2020). The obligatory aspect can foster a strong norm of giving; many individuals pay Zakat as a matter of faith even in the absence of legal enforcement (Bilo and Machado 2020).
- II. **Wealth Threshold and Rate:** The obligation of Zakat applies only to individuals whose accumulated wealth exceeds a minimum threshold known as *nisab*, traditionally defined by the value of 87.48 grams of gold or 612.36 grams of silver (MWC 2023). This ensures that those struggling to meet their own needs are not required to give. For those eligible, the standard rate is traditionally 2.5% of net wealth per year on assets like savings, gold, and business inventory (Khirfan 2023). By targeting wealth above one's own needs, Zakat acts as a modest

redistribution from the surplus of the relatively affluent to the deficit of the poor.

Two and a half percent annually may sound small, but if widely observed across a large population, it can amount to significant resources (Gallien, Javed, and van den Boogaard 2024).

- III. **Designated Beneficiaries:** Classical Islamic jurisprudence specifies eight categories of eligible beneficiaries of Zakat, as outlined in the Quran (9:60): the poor (al-fuqarā'), the needy (al-masākīn), those employed to administer Zakat (al-ʿāmilīn ʿalayhā), those whose hearts are to be reconciled (al-mu'allafat qulūbuhum), those in bondage (fī al-riqāb), the debt-ridden (al-ghārimīn), those striving in the cause of Allah (fī sabīlillāh), and the wayfarer (ibn al-sabīl) (Omarjee 2023). In modern interpretations, these categories are often simplified to focus on supporting poor and vulnerable groups in society (Omarjee 2023). The key idea is that Zakat funds are meant explicitly for social welfare and must be used for helping people in hardship or serving the community at large. For instance, some scholars allow Zakat for public goods like schools or clinics, while others restrict it to direct aid to individuals (Boston Islamic Seminary 2025). This earmarking for welfare differentiates Zakat from general taxation, which states may spend on a wide array of functions, including defense or infrastructure.
- IV. **Decentralized Collection and Distribution:** In many settings, Zakat is collected and distributed in a decentralized manner through local mosques, community committees, or charitable organizations (Hammad 2022). Historically, there were periods, and some contemporary efforts, where states took charge of Zakat collection as a formal tax, such as in parts of the early Islamic caliphates and more

recently in countries like Pakistan and Sudan under certain regimes (Salim 2008; Medani 2024). However, the prevalent reality today is that Zakat is largely a grassroots affair: individuals calculate and give their due, often directly to those they deem eligible or through trusted local intermediaries (Gallien, Javed, and van den Boogaard 2024). This approach has advantages and disadvantages. On one hand, local distribution can be very targeted and responsive to immediate needs, as community members are aware of who is struggling, and it can build social cohesion and trust (Muhfeeth 2021). On the other hand, without central coordination, coverage may be uneven; some communities may mobilize significant aid, while others very little, depending on local wealth and generosity. There is also the risk of duplication or gaps, where some individuals might receive Zakat from multiple sources while others are overlooked (Gallien, Javed, and van den Boogaard 2024). These issues of coverage and coordination are important when comparing Zakat to state-run welfare, which tends to have more standardized procedures (Hammad 2022).

- V. Digital Innovations in Zakat Administration: Technological innovation is rapidly reshaping how Zakat can be collected, managed, and disbursed. Several countries have introduced digital Zakat platforms, allowing individuals to calculate and pay their Zakat online while also enabling central agencies to compile more accurate data on giving patterns and needs (Mokodenseho et al. 2023). Blockchain technology, though still in experimental stages, has also been proposed as a way to enhance transparency and traceability in Zakat distribution, potentially addressing concerns about accountability and leakage (Rejeb 2020). For example,

blockchain-enabled smart contracts could automatically release Zakat payments to pre-verified recipients based on real-time criteria, minimizing administrative burdens and delays (Rejeb 2020). These technological developments could significantly modernize the institution of Zakat while preserving its ethical foundations (Mokodenseho et al. 2023).

- VI. Moral and Spiritual Dimension: Zakat carries a profound moral ethos, framing assistance to the poor as a divinely mandated social justice imperative rather than optional charity (Embrace Relief 2024). In classical Islamic thought, recipients are viewed as having a rightful claim to a share of the community's wealth, with givers fulfilling a religious duty (Embrace Relief 2024). This perspective confers dignity upon recipients and fosters a culture of solidarity (Embrace Relief 2023). In contrast, state welfare systems often operate on a rights-based citizenship model or, in weaker states, on a discretionary basis that can sometimes stigmatize beneficiaries (Duffy 2016). The cultural resonance of Zakat in Muslim communities harnesses motivations such as religious devotion and accountability, which governments may struggle to tap into (Embrace Relief 2024).

Comparative Analysis of State Welfare and Zakat-Based Systems: Conventional state welfare programs, such as social insurance, cash transfer programs, food assistance, and public healthcare, are designed to be systematic and potentially universal within their jurisdictions. However, their effectiveness depends on state capacity, budget allocations, and political will, and they may suffer from bureaucratic inefficiencies, leakage, or exclusion errors if poorly administered (Duffy 2016; Mosqueira and Alessandro 2023). In contrast, Zakat-based systems

are typically voluntary and personal, often lacking the reach or scale of national budgets. Nevertheless, they can sometimes reach individuals the state overlooks, such as undocumented persons or those in remote communities beyond the state's logistical reach (Gallien, Javed, and van den Boogaard 2024). Each approach has unique strengths: state programs can mobilize substantial resources through taxation and enforce nationwide coverage, while community mechanisms like Zakat are embedded in local culture and trust networks, potentially achieving a high degree of on-the-ground knowledge and community participation (Gallien, Javed, and van den Boogaard 2024).

Empirical studies increasingly highlight Zakat's role in poverty alleviation. In Indonesia, organized Zakat agencies have implemented successful programs in microfinance and livelihood support, demonstrating tangible contributions to poverty reduction (Herianingrum et al. 2024). Similarly, in Pakistan, research indicates that Zakat assists households in smoothing consumption during economic hardships, though the assistance is often insufficient to lift families permanently out of poverty (Shaikh 2015). A notable challenge is the lack of integration between Zakat systems and government databases, complicating the identification of all eligible recipients and potentially overlooking the most vulnerable populations (Yumna 2011). However, community-based targeting methods can effectively identify needs that official registries might miss, such as temporary hardships or socially stigmatized conditions, due to the local knowledge and proximity of community members (Conning and Kevane 2002).

Analyzing global patterns of Zakat implementation reveals critical insights. Firstly, there's a strong connection between institutional quality and poverty levels; effective governance

significantly contributes to poverty reduction, whereas its absence can entrench poverty (World Bank 2004). Secondly, societal mechanisms like Zakat can partially compensate for institutional weaknesses, providing structured avenues for redistribution in the absence of formal welfare systems (Benthall and Bellion-Jourdan 2003). However, these community-driven responses have limitations, including inconsistent coverage, limited scale relative to the vast needs, and potential deficits in oversight and strategic planning. Therefore, while Zakat and similar societal mechanisms are valuable, they function optimally when complementing effective governance rather than replacing it (Benthall and Bellion-Jourdan 2003).

4. Discussion

The analysis so far suggests that models like Zakat hold significant promise as complements to state efforts, but they also raise important questions about sustainability, equity, and integration with broader systems. In moving “beyond the state” for poverty alleviation, one must be cautious not to idealize community mechanisms or to ignore the fundamental responsibilities of governments. This discussion chapter will consider how societal and state approaches can be integrated, what the potential pitfalls are, and how the ethos of Zakat might be adapted in diverse contexts.

- I. Complementarity, Not Replacement: A key argument emerging from this study is that leveraging societal mechanisms should not be seen as replacing government responsibility, but rather as broadening the overall coalition against poverty. Government programs bring resources, legal authority, and nationwide infrastructure; community and faith-based initiatives bring local knowledge, trust, and moral motivation. A pragmatic anti-poverty strategy recognizes the strengths of each. For example, in a well-governed setting, the state might provide universal basic services and a social safety net floor, while community organizations address niche needs, innovate with local solutions, or provide culturally tailored assistance. In a weak-governance setting, community mechanisms might take on more load out of necessity, but even there the long-term goal would be to rebuild state capacity. The two spheres can cooperate: states can create enabling environments for charities (through regulation, partnerships, or matching funds), and societal groups can align their efforts with national development plans when

possible. This complementarity is evident in countries like Malaysia or Jordan in our analysis, where officialdom works with Zakat institutions. It represents an “all hands on deck” approach to poverty – an acknowledgment that the scale and complexity of the problem demand action at every level of society. (Benthall and Bellion-Jourdan 2003).

- II. **Adaptation Beyond the Islamic Context:** One might ask, to what extent can the principles of Zakat be generalized or transplanted beyond Muslim communities? The underlying concept of mandated solidarity with the poor is not unique to Islam; many religions and ethical systems promote charity and social justice. In secular terms, one could compare Zakat to proposals like a wealth tax dedicated to social purposes. There is growing interest in hybrid models – for instance, could other faith groups formalize similar obligations (some churches do tithe 10%, though it’s often for church operations as well as charity)? Or could secular community organizations foster a culture where members contribute a set share of resources to mutual aid funds? In practice, the success of any such mechanism would depend on social norms and trust. Islam has the advantage that Zakat is theologically embedded and widely recognized by adherents. Exporting that model requires finding analogous cultural hooks in other contexts. Nonetheless, development practitioners talk about community-driven development and participatory budgeting as ways to involve local populations in resource allocation, which echoes the idea of communities deciding how to help their own. The ethos of collective responsibility for poverty could certainly be promoted in various cultural settings – it might manifest as organized volunteer networks, local endowment funds, or other forms of social philanthropy. (Conning and Kevane 2002)

The case of Zakat thus contributes to a broader conversation: how can we nurture values of solidarity and institutionalize them in structures that persist over time?

- III. Addressing Limitations – Towards Accountability and Coverage: While community mechanisms have advantages, the discussion must address their limitations frankly. One concern is equity and coverage. Because community aid often relies on the initiative of givers and the capacity of local institutions, it can result in uneven coverage. Some poor individuals might receive ample support (if they live in a generous community or are connected to multiple networks), while others equally needy are overlooked (perhaps isolated groups, minorities, or those in communities that are themselves resource-poor). There is also the issue of volatility: funds like Zakat may fluctuate year to year with economic conditions and donor sentiment, unlike a state budget which can be planned and stabilized through borrowing or reallocating resources. This can make long-term planning for poverty programs challenging when relying on charitable flows alone. (Conning and Kevane 2002).
- IV. Another critical issue is accountability and effectiveness. Government programs, for all their flaws, can be subject to audits, democratic oversight, and policy evaluation (in theory if not always in practice). Who ensures that community-collected Zakat is used well or reaches the intended beneficiaries? In some countries, Zakat institutions have been criticized for lack of transparency or for being influenced by politics or local power brokers. Strengthening the governance of these societal funds is important if they are to be taken seriously as part of the development toolkit. This might involve setting common standards for reporting, encouraging community monitoring committees, or even integrating reputable NGOs to help manage and track outcomes. There are already moves

in some regions, to professionalize Zakat management for example, national Zakat foundations publish annual reports and impact assessments. These efforts should be supported to increase public trust and maximize the poverty reduction impact of each dollar given. (Susianti 2022)

- V. Preventing Government Abdication: A potential danger in highlighting non-state mechanisms is the temptation for governments to offload their responsibilities. If politicians assume that “the charities will take care of the poor,” they may invest less in social programs or delay necessary reforms. It is therefore crucial to maintain that state obligation to its citizens remains paramount. Community efforts are a supplement, not a substitute. In policy dialogues, one can cite societal mechanisms as partners but should avoid framing them as a reason for austerity in welfare. Indeed, one could argue the opposite: an active citizenry and vibrant community organizations can hold governments more accountable, by demonstrating what is possible and by advocating for underserved groups. For example, data from charitable organizations can highlight gaps in public provision, pressing the state to step up. In disaster relief scenarios, while local groups often are first responders, they also often call upon the state (and international actors) to provide the large-scale resources needed. In sum, a healthy dynamic is one where communities innovate and assist, and also demand better performance from their governments. (Benthall and Bellion-Jourdan 2003)
- VI. Scaling and Integration: Looking ahead, an important question is how to scale up the successes of societal mechanisms and integrate them with formal systems. Zakat, by its decentralized nature, can sometimes struggle to reach scale in a coordinated way. However, technology is changing this landscape – for instance, digital platforms now

enable more centralized collection of Zakat and more systematic identification of eligible recipients (some Muslim charities use online calculators and databases to aggregate funds and distribute efficiently). Governments and development agencies might collaborate with such platforms to target aid. There is also potential to channel excess charitable funds into development projects that have multiplier effects (for example, investing Zakat money in building clinics or schools that benefit the poor, which some interpretations allow). Public-private partnerships could be envisioned where state social workers and community volunteers jointly identify families in need and pool resources to assist them. (Yasni and Erlanda 2020).

The discussion also extends to global development policy: could international organizations encourage donor countries or wealthy individuals to support community-based funds as part of their aid strategy? There is already a notion of “Islamic finance for development,” where instruments like Zakat and waqf (endowments) are being looked at by the World Bank and others as complementary channels for achieving the Sustainable Development Goals. Embracing such pluralism in financing for development might mobilize new resources and stakeholders. The challenge will be to do so in a way that is well-regulated and aligned with broader development objectives, rather than fragmented or at cross-purposes. (Benthall and Bellion-Jourdan 2003)

In concluding the discussion, it is clear that moving beyond the state is both an opportunity and a balancing act. Societal mechanisms like Zakat offer a rich tapestry of local knowledge, ethical commitment, and community engagement in fighting poverty. They remind

us that social justice can be a grassroots endeavor and that the moral fabric of society is as important as macroeconomic indicators in determining human well-being. At the same time, the ambition should not be to let governments off the hook, but to bring every resource to bear on the problem of poverty. The way forward lies in forging effective partnerships between formal institutions and community initiatives – in other words, creating a holistic poverty alleviation strategy that capitalizes on the strengths of each sector. In practice, this could mean integrated social protection systems where government cash transfers, NGO programs, and religious charitable efforts are all coordinated to ensure no vulnerable person is left unseen or unaided.

5. Conclusion

Poverty alleviation demands an all-hands-on-deck approach. This thesis has examined how looking “beyond the state” to engage societal mechanisms offers both a critique of, and a complement to traditional topdown approaches to fighting poverty. We began by defining poverty in absolute, relative, and multidimensional terms, recognizing it as a complex global challenge entwined with economic, social, and institutional factors. We saw that strong institutions – accountable governments with the rule of law and low corruption – are closely associated with success in reducing poverty, whereas institutional failures often perpetuate deprivation. Yet, we also saw the limits of government-led efforts, especially where governance is poor or absent. This led us to consider community and faith-based models, with the institution of Zakat in Islam as a prime example of a societal mechanism that redistributes wealth and provides social support outside the formal apparatus of the state.

In exploring Zakat, we highlighted its potential: a religiously mandated 2.5% wealth contribution that in aggregate can mobilize enormous resources for the poor; an ethical framework that effectively grants the poor a right to assistance (within the moral community of believers); and a historical track record of filling welfare gaps in many Muslim societies. Zakat operates largely on trust and moral duty, enjoying public legitimacy and resilience in conditions where government programs might collapse. Empirical evidence and case studies illustrated that Zakat and similar community efforts do help mitigate poverty – sometimes quite substantially – and that they tend to work best alongside, not against, formal institutions. Where states have constructively engaged with Zakat (as in Malaysia or Jordan), the overall coverage of social

assistance has expanded and the overlap between state and community programs has been managed to reach more people. Where states have failed completely (as in Somalia or parts of Yemen in recent years), Zakat and charitable networks have been literal lifelines, preventing even worse humanitarian outcomes.

The findings underscore that poverty and institutional quality are deeply interconnected, but also that societal strength can partially compensate for institutional weakness. Communities often rise to the challenge when public systems falter. However, this is not a counsel of despair about governments being unimportant – on the contrary, it is an argument to broaden the toolkit for poverty reduction. Just as one would not fight a fire with only one hose when multiple are available, we should not tackle poverty with government programs alone if additional channels of support exist in society. The ideal scenario is a well-governed state that actively partners with empowered communities, each reinforcing the other’s efforts.

Throughout the discussion, we addressed the need to adapt the Zakat ethos beyond its Islamic context and cautioned against romanticizing community solutions. We acknowledged practical risks: uneven coverage (help might not reach everyone who needs it), the volatility and uncertainty of voluntary funding, and the moral hazard of governments possibly shirking their duties if they assume communities will handle welfare. These are real concerns. Therefore, the way forward lies in integrating societal mechanisms with institutional frameworks. Policymakers should consider how to support and regulate community initiatives in a way that maximizes their strengths while mitigating weaknesses. For example, creating registries of NGO and faith-based

aid activities can improve coordination, and setting basic standards for transparency can improve trust and effectiveness.

In conclusion, rethinking poverty alleviation through societal mechanisms invites a more inclusive perspective on development. It suggests that the power to reduce poverty does not reside with the state alone, nor with communities alone, but in a strategic synthesis of both. The case of Zakat in Islam demonstrates that enduring cultural and religious practices can be harnessed to serve contemporary social objectives. By valuing such indigenous systems of support and weaving them into the broader fabric of anti-poverty policy, we enrich the arsenal available to fight poverty. Ultimately, the fight against poverty is too important to be left to governments alone – and too massive to be left to charity alone. A resilient and effective poverty reduction strategy will leverage the goodwill of society when states are weak, and the reach and resources of the state when community efforts fall short. Embracing both channels, in a spirit of partnership and mutual accountability, offers a promising path to alleviating poverty and building more just and compassionate societies.

Finally, the moral force of Zakat reminds us that poverty alleviation is not just a technical policy issue but also a profound ethical and spiritual challenge. In a global system increasingly dominated by economic individualism and transactional logic, institutions like Zakat serve as a counter-narrative: they assert that solidarity, mutual care, and ethical obligations to others are not only desirable but necessary for a just society. Whether framed religiously or secularly, this ethical impulse can and should be a cornerstone of any enduring strategy to fight poverty. It prompts a fundamental question: What kind of world do we want to build, and what do we owe each other as members of a shared human community? In this light, the Zakat model is not

merely a financial tool, but a moral compass pointing toward a vision of social justice rooted in both community and conscience.

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