

*Full Length Research Paper*

***Religion, Redistribution and Poverty Alleviation:  
 The Case of "Zakah" in Addis Ababa, Ethiopia***

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**ABSTRACT**

Recent interests in poverty alleviation endeavors have gone beyond mainstream mechanisms to include religious dimension in their undertakings. In response to such initiatives, this research attempts to explore the extent to which the religious practice of "Zakah" contributes to poverty alleviation in the city of Addis Ababa. Its findings are based on a case study carried out during the six weeks of fieldwork. It proves the initial assumption that Zakah contributes to poverty alleviation, though at a partial level only. However, it also found that it has some limitations that might affect its potential. In general, it concludes that Zakah does contribute to poverty alleviation in Addis Ababa and further suggests some ways of revising the practice so as to boost its role as a poverty alleviation tool. Drawing from this, it infers religion in general attributing to poverty alleviation and thus to development.

**Key words:** Religion, Islam, redistribution, poverty alleviation, Zakah, Ethiopia, Addis Ababa

**1. INTRODUCTION**

**1.1 Background**

Central to the recent development debate, "resilience of religion" (Terhaar and Ellis 2006: 351) is a prime focus. The past few decades have witnessed increased recognition of religion as a poverty alleviation tool. International development institutions began to pay attention to religion and centralize the concept in development debates (Marshall and Keough 2004: 3). Such an interest has been spurred mainly due to the need to find new path in bridging the gap between development goals and contrary realities. Looking into failures, development practitioners have raised their voices for inclusion of religion in the development arena. For instance, Selinger takes an extreme position in

arguing that "it is the absence of recognition of culture, and more specifically religion, in development theory and strategy" (Selinger 2004: 524) that has led to failure of development. Earlier on, religion had no place in development debates and even worse was considered as an impediment (Terhaar and Ellis 2006: 352). Its absence is mainly driven from the understanding that it focuses on spiritual being while development deals with material needs of the world. Such deep-rooted divergence, Marshall (2001: 343) explains, led to a widened gap and even more skepticism about the link between religious and development institutions in the past. The recent acknowledgement of the importance of religion as a resource to

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tap in development represents a dramatic shift.

Given the two contrasting ideas, it is worthwhile to investigate whether the marriage between the two concepts translates into reality or not. In response to this, our paper intends to explore if religion has a role in complementing poverty alleviation efforts in Addis Ababa, Ethiopia<sup>1</sup>.

Despite the fact that Ethiopia is implementing various development policies, poverty continues to haunt the country and thus the country remains one of the poorest<sup>2</sup>.

Our study mainly focuses on the institution of Zakah<sup>3</sup> which is one of the fundamental practices of Islam. Zakah is a redistribution tool in Islamic teaching and redistribution is an important tool in poverty alleviation both in religious and mainstream thinking.

An important step in realizing the ambition of tackling poverty is attainment of economic growth. Such efforts however, need to be cognizant of redistribution measures if they are intended to be pro poor. Put otherwise, if policy measures targeting economic growth are not followed by redistribution measures, the concomitant result is most likely greater inequality within society. Bevan arguments this idea by saying "distribution of assets, mechanism of distribution and their efficient usage play a significant role in either extending or

tackling poverty" (Bevan 2006: 15). This is substantiated by Marniesse and Peccoud (2003: 80) who found that economic growth attained in Ethiopia during 1981 and 1995 led to increased poverty. Various literatures, e.g., Bevan 2006 and Geda et al. 2008 emphasize the same point.

The above discussion suggests redistribution being a key to mitigating inequality, thus to poverty alleviation. In mainstream economics, the prime tool for redistribution is taxation and collection is the onus of the government. However, it is not a panacea for the poverty related consequences as it is inherently political. This is to mean that all economic activities are in intense competition over resources and given the limited resources a country has, certainly some sort of choice needs to be made. And these choices happen to be political in nature-as they are made to benefit certain group at the expense of others (Kimenyi 1989: 339).

We take a good note, of the inexorable fact that there is sharp difference between religions; nonetheless, we mainly root our argument on the basic idea that redistribution of wealth from the rich to the poor is central tool of most religious traditions. Hence, as a guideline of this paper, we remind readers to look beyond Islam and Zakah in analyzing the religion and development debate.

## 1.2 Relevance and Justification

The institution of Zakah has had historic role in attempts to alleviate poverty and enhance societal welfare in the past. It has been put to use by many Islamic countries, for instance Pakistan and Saudi Arabia and results are being documented. However, we have not come across such a study and thus no documentation is found in our study area, Addis Ababa, Ethiopia. Development Practitioners haven't seen beyond its religious

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<sup>1</sup> Ethiopia, situated in the eastern part of Africa, has population size of around 74million. Orthodox Christian, Muslim, Protestant and traditional religious followers make up the religion composition of the population with 43.5%, 33.9%, 18.6% and 2.6% respectively (CSA2007).

<sup>2</sup> UNDP 2009 Human development report ranks Ethiopia 11th from the last in HDI, 5th from the bottom in HPI and 77.5% of its population lives below the poverty line-\$2 a day (UNDP 2009).

<sup>3</sup> For a definition of "Zakah" please refer to chapter 3.2: What is Zakah?

significance and thus its potential for poverty alleviation has not been thought about. On the other hand, the fact that Zakah has been practiced in the country centuries before and is still practiced tilts our assumption that it does contribute to poverty alleviation. It is thus worthwhile to be pioneer in researching the area as it could serve as a poverty alleviation tool which is one of the needs of the country. To this end, our paper contributes to the existing literature and debate on religion and development. Specifically, it serves as a head way in incorporating sidelined issues into the development agenda of the country and further, it serves as a document for further study in related area.

### 1.3 Objective, Hypothesis and research questions

The objective of the paper is to assess the contribution of Zakah towards poverty alleviation in Addis Ababa, Ethiopia.

Hypothesis: Given the fact that the proceeds of Zakah are meant to support the poor and the needy directly and that the institution of Zakah has been practiced for the past many centuries, our research hypothesizes that it has contribution towards the poverty alleviation in the city.

The main research question the study seeks to answer is:

*To what extent does the practice of Zakah contribute to poverty alleviation in Addis Ababa, Ethiopia?*

The following sub questions are meant to be pathways to answer the main research question:

i. Who are the actors involved and what are their contributions in the practice of this institution? How is the money collected and distributed?

ii. How is targeting of beneficiaries conducted? What is the money used for and who are the beneficiaries?

iii. Who has made it out of poverty and why? (Comparison of methods)

### 1.4 Research methodology

In an attempt to answer the above question, we made use of primary data gathered from our fieldwork and secondary information from literatures. The fieldwork was carried out in six weeks starting from the first week of July 2009 in Addis Ababa, Ethiopia.

Semi structure interview technique was utilized since we needed to get in-depth information on the topic of our study. And since there is no documentation, we had to get all the information from the experience and life stories of our respondents. However, before embarking on the interview, wide range of observation and informal discussions were carried out in order to understand the arrangement of Zakah in the city. We started off from our residence area, solicited information from people we knew and mainly from the nearby mosque. This led us to extend our network to a large number of key informants who have profound knowledge on the practice of Zakah and those who happen to be participants at different levels.

Our list of interviewees comprises actors in the chain of Zakah which includes key informants, Tezkirat volunteer group, contributors of Zakah and beneficiaries. We decided to stop at this number of people since information we got started to be nothing but redundant.

Our key informants are five in number and they come from different walks of life-Imam<sup>4</sup>, legal adviser, religious school dean, religious book author and founding member of Tezkirat volunteer

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<sup>4</sup> Head of mosque

group. We got tot his group of people following the network established for the same purpose and on the basis of recommendation. For example, one of our key informants, the imam, is one who serves as an imam in three different mosques in Addis Ababa which was a privilege for us as he knows the practice in different mosques and has been in the area for more than 20 years of his life. Contact with the imam was facilitated by people who knew him and whom we had earlier met through the extended network. He was recommended by many on the basis of his profound knowledge and involvement in the administration of Zakah money.

The "Tezkirat support group" was selected as point of focus because it deals with the poorest section of the society and further fully and solely operates with the money of Zakah. We left out the others that we managed to find either because they do not fully operate with the money of Zakah or that their beneficiaries are outside our research area.

Our list of contributors consists of one lady and two men. We have a list of 10 beneficiaries five of which are widowed mothers supported through Tezkirat while the rest are those who benefited from the direct support by contributors. We used the help of the Tezkirat group in reaching out to their beneficiaries while we used snowball technique to reach the directly supported group and contributors as well.

### **1.5 Limitation of the paper**

The major limitation we encountered is the limited access to information mainly driven by the sensitivity of the subject area. Following the scriptural injunction that "what you give with your right hand must not be seen by your left" (Matthew 6:3); contributors were hesitant to divulge information for fear of appearing

hypocritical and vain. Similarly, beneficiaries were not willing to disclose themselves as they considered it shameful to be recipients.

Due to the absence of prior documentation of the practice in the city, as far as our effort is concerned, we had to go through the time consuming process of setting the scene from scratch. Further, we had no option than relying on the recommendation and information we obtained from our contacts. This was further intensified due to the non-existence of formal structure in the circulation of Zakah money in the city.

Another practical limitation is the reality that the study is not defined to a specific physical location. This is so due to the fact that it is carried out at a micro level and the scattered location of the actors makes it impossible to follow any logic in defining our research to one specific area.

Some of these limitations, however, were overcome and thus the necessary information was gathered. Trust was built with contributors by expressing the high level of anonymity that is kept while writing the paper. Next, we exerted effort in finding people who have acquaintance with beneficiaries and thus we managed to build rapport with the beneficiaries. This way we were able to gain their trust. Finally, we cautiously reached to various informants from different walks of life in an attempt to triangulate information we obtained and thus mitigate biased information.

### **1.6 Organization of the paper**

The remaining paper is divided into five chapters and organized as follows:

The purpose of the second chapter is laying a theoretical background by presenting a section on religion and development followed by a brief overview of Islamic economics. Further, it discusses the concept of poverty along

with entitlement approach and power relation. It mainly delves into comprehensive overview of microfinance.

The third chapter briefs on the principles of the institution of Zakah. It does so by touching upon the fundamental book (Quran), teachings of Islam and referring to the works of Muslim scholars.

The fourth chapter is detailed presentation of data gathered during the fieldwork. It builds the image of the practice of Zakah in Addis Ababa, briefly introduces interviewed beneficiaries and ends with an illustration of chain of Zakah in the city.

Chapter five uses the theoretical discussion presented in the second chapter to analyze the data presented in fourth chapter. By interweaving the two, it discusses the pros and cons of the practice of Zakah in relation to poverty alleviation.

Finally, chapter six summarizes the preceding discussions, suggests ways to revise the practice of Zakah as well as identify issues for further exploration.

## **2. CONCEPTUAL FRAMEWORK**

### **2.1 Introduction**

Poverty has been the focus for over centuries by various people from different walks of life, yet no one theory has emerged to subsume all in one. It is a complex and multi dimensional phenomenon which has never been defined in a definite manner. As a result, the development arena has expanded to incorporate various components. In depiction of this fact, this chapter briefly discusses the relationship between religion and development followed by presentation of Islamic package of poverty alleviation. Subsequently, we take up general definition of poverty and discuss entitlement approach to exemplify one dimension from the pool of dimensions of poverty. Next we

elucidate the popular poverty alleviation scheme-microfinance.

Hence, the goal is to lay a conceptual framework on how poverty is dealt with from both perspectives by briefly going through related studies and literatures. Other concepts central to the paper are discussed to clarify their usage in the subsequent chapters of the paper.

### **2.2 Religion and development**

Religion is a fundamental dimension of human existence (Karner and Aldridge 2004: 26) and has a holistic approach to life as it comprises of various dimensions like "rituals, doctrines, ethics, social, political and material" (Ibid2004: 7). Reaffirming the importance of religion, Marshall and Keough emphasize that religion is the "most pervasive and powerful force on earth" (Marshall and Keough (2004: 1)). Basing their argument on the real time practices of Africa, Ter Haar and Ellis (2006: 364) refer to religion as "resource" of society which has to be used as it plays vital role in development and is central to the daily lives of most people in the world.

"Development", on the other hand, can be literally taken as "well being" or "improvement". However, these expressions by themselves are debatable as they refer to different aspects within cultures (Gasper 2004: 14). Ambiguity in relation to its definition goes in line with what the term "development" consists of. It raises the question if it is only material advancement, something else or may be combination of different elements (Ibid).

Recognition of the multidimensional nature of development, practitioners delved into various dimensions of development. Thus, this led the contemporary development debate to be flexible enough to incorporate spiritual aspect of human. Hence, shift from the narrow economic definition of development and incorporation of other

vital elements has revealed the positive roles religion can play in the development arena.

Religion and development have been in alienation as they focus on two different aspects of nature. The prior is primarily concerned with people's spiritual wellbeing while the latter is engaged with material well being. Such a practice led to the development practice to walk separate from religion and thus secularism was promoted by development institutions. The other challenge in incorporating religion into development is the problem of interpreting religious values into economic terms (Marshall and Keough 2004: 2) which is important for the materialistic view of development.

The gulf between religion and development was, however, bridged by increased interest in faith-based organizations, which inherently are engaged with humanitarian activity since time immemorial (Marshall and Saanen 2007: 3-4). They explain that significant changes emerged with the actions of faith-based organizations following the disastrous result of structural adjustment policies. Subsequent to the SAP action was the "global Jubilee 2000 movement" which put pressure on secular organizations to modify their approach to poor countries. This resulted in engaging religious leaders in policy discussions.

The significant achievement of faith based organizations, as a result, led to incorporating the unacknowledged role of religion. This does not mean that one is subsumed into the other but that they have established collaborated effort in dealing with common missions. One of the major communal points of concern is poverty (Marshall and Saanen 2007: 4). In dealing away with poverty, Marshall and Keough (2004: 9), argue that looking into religion and development, as separate and distinct feature is a total

mistake. Rather, they explain how the two concepts are intermingled in the action of "heart, soul and hand". Ter Haar and Ellis (2006: 355) attest this argument by explaining that the two elements have so much in common that development is being redefined with expressions materialized from religious stance.

Tyndale (2006: 153-154) explains that religion is an everyday life where by human beings cannot be solely spiritual like angels or purely live materialistic lives. From this, we can deduce that religious life and worldly lives are two sides of human. Thus, development is better defined when it comprises both material and inner progress. This matches to most religious traditions of the world which are the basis for such a holistic perspective to be formulated.

### 2.3 Islamic Economics

The concept of development in Islam, like many other religions, is based on the recognition of human's material and spiritual needs which are interrelated. Thus from Islamic perspective, development process is said to be complete when it fulfils both these needs. Chapra (2000) argues that moral and conventional economy is interdependent since in the absence of the previous anomaly rises which is an impediment for the later. Spiritual development consists of recognition of purpose of "ones creation, ones duty towards God, other human beings, all other creatures and natural environment" (Ersoy 2009: 97). Increased spiritual development, hence, is reflected in beneficial use of resources, not only for oneself but for others too.

In response to the incomplete hegemonic economic order coined by the West, religious scholars encountered the need to look for alternative economic order that targets both material and spiritual development. As a result, Muslim

economists developed "Islamic economics" which is based on Islamic principles (Tripp 2006: 109). Chapra (2000: 23, 29) explains the fundamental difference between Islamic and conventional economics emerges from their respective view of the world. The Islamic view of the world is based on consideration of "brotherhood and moral values" while the conventional view is "value-neutral and materialist". The rationale of Islamic economics is that individuals base their economic decisions on the basis of the Islamic laws derived from the fundamental book and teachings of the religion (Weiss 2002: 9). He describes this is one of the distinct features which reflects moral dimension. The second stance of Islamic economics is prohibition of transactions on the basis of interest. Thirdly, it is concerned with the institution of Zakah and social welfare (Tripp 2006: 19, Weiss 2002: 15). Islamic banking is monetary policy tool while Zakah serves as fiscal policy instrument. The institution of Zakah is mainly engaged in redistribution and thus is a direct tool of poverty alleviation. Poverty alleviation is one of the hallmarks of Islamic economics. This is so due to the fact that poverty, in Islam, is seen as an evil that might drag down one to disbelief (Ahmed 2004: 21, Alhabshi 1991). This refers to the material as well as spiritual needs. Thus, the remedies extended to overcome poverty, if not to prevent it, are crafted in a manner the individuals satisfy both the material and spiritual needs. The Islamic system, primarily urges each individual to fulfill the necessities of his life by working and making a living. However, when it is beyond the capacity of that person, it is the responsibility of each and every individual to lift up the underserved one. The primary strategy is enabling the poor and the needy using their skills to earn a living independently.

This applies to the physically and mentally able ones but for "incapables", a stipend for their yearly needs is required (Alhabshi 1991). The main source of fund for such an activity is built in the institution of Zakah. The Islamic approach towards poverty, thus, has a unique feature in that it specifically defines the targets and provides the procedure in overcoming it (Chaudhry and Maik 2005).

#### **2.4 Conventional definitions and approach to poverty**

The concept of poverty is rich with words as there is a wealth of literature which delineates it overall from different angles. For this reason, it seems, development studies dealing with poverty related issues are witnessing evenly increased features in defining poverty.

As a benchmark in defining poverty, various authors have taken varied indicators ranging from general to specifics. In the prior case for instance, poverty has been defined in association to "lack" or "deficiency" of acquiring human needs (Wratten 1995: 12). In other instances, indicators like income or consumption level are taken while still in other perspectives non-materialistic definitions are employed in understanding poverty (Ibid, Abdella, 2008: 44).

Evolution of the concept of poverty can be traced back to the pre twenties when poverty was solely defined as an economic phenomenon (Oster et al. 1978: xiv). Over the twenties, however, the concept was broadened to include various components which are non economic as well. Maxwell (1999: 2) traces the changes as in decades. In the 1960s, he explains, macro level indicators like GNP were taken as measures. In the 70s, on the basis of recognition of the ILO work, poverty came to include issues of quality of

human life standards like health, education and related public services. Major shifts, however, were witnessed in the 80s when the non-monetary components were mainly incorporated to the definition of poverty. Different professionals came into throw various concepts like powerlessness, isolation, gender and others which resulted in implementing widely varied strategies and approaches to combat poverty. UNDP's definition of poverty in the 1990s is relatively comprehensive as it delineates poverty at a multi dimensional level by considering human condition as the central point of analysis.

In response to the varied conceptualizations and respective measurement, the development arena has been going through rigorous theories and strategies in search of the "right" tool to tackle poverty. As a result, we observe innumerable approaches crafted towards poverty alleviation at different levels.

From the list of theoretical debates, we shall briefly review entitlement approach and related concept-power relation. The rationale is the fact that Sen's research on entitlement revolutionized definition of poverty by bringing in missing dimensions in the prior delineations.

#### *2.4.1 Entitlement approach*

The entitlement approach, coined by Amartya Sen, is a holistic and innovative approach to analyze famine and poverty (Devereux 2001: 245). Sen (1981: 1) argues lack of entitlement forms an important part of defining dimensions of poverty. Thus he explains poverty in general and famine in particular is not really a problem of availability but acquirement by individuals. Entitlement is referred to as 'set of alternative commodity bundles that a person can command in a society using the totality of rights and opportunities that he or she faces' (Sen 1984: 497).

A recursive concept that arises with entitlement is ownership. The relationship is that in order to understand the argument of entitlement, it is important to refer to the structure of ownership in that specific event-what commodities that person can make his/her own (Sen 1987: 7). Basic feature of entitlement, in totality granting ownership, is expressed as trade based entitlement, production based entitlement, own labor entitlement and inheritance and transfer entitlement (Sen 1981: 2). In the first case ownership is granted through exchange of items between willing parties while the second refers to a situation in which a person is granted ownership of item(s) he acquired using one's own labor or hired labor. The third one describes the full ownership of a person over his/her labor and thus the outcome. Finally, the fourth one grants entitlement of a person on anything that has been willingly given by the owner. The recipient claims full ownership over the transfer. This includes social security provisions such as right to unemployment benefit and gifts (Devereux 1993: 67)

In a nut shell, the above points can be put as "exchange entitlement" (Sen 1987: 8) as such the person is entitled to commodities resulting from use of his/her original endowment and further what(s) he has acquired by exchanging. Accordingly, a person is plunged to the poverty realm when entitlement failure occurs (Ibid).

Sen's exposition of poverty as a result of entitlement failure calls for shift of entitlement system. A system of social security and more importantly guaranteed employment needs to be set up to avoid poverty (Sen 1981: 7). This obviously, if not importantly, emphasizes on the redistributive character of entitlement approach (Ibid). Devereux (1993: 68) augments this point by saying that redistribution is one means of acquiring



entitlement. Such analysis brings us to anti poverty policies which primarily include anticipation, relief and prevention (Sen 1987: 14).

According to Sen's anticipation (1987: 14), it is the act of prediction and early warning. It is the prime onus of government where by government needs to focus on redistribution. In relation to relief program, direct feeding of cooked food, food for work programs and others are attempts made to overcome entitlement failures. The third aspect of anti poverty policy, prevention, has a long-term feature. It mainly revolves on the fact that poor people have their labor as the main and only source of income. As a result, these people can be protected if and when employment is guaranteed. Further, at times of inadequate and absence of source of income, provision of social security ultimately overcomes the problem of vulnerable status of the poor (Ibid: 16).

*Power relation:* Concomitant to the concept of entitlement is power relation. "Power", for Habermas, refers to means where in individual or a group pursues to realize a pre set goal (cf. Stewart 2001: 13). Others like parson and (Kabeer 1999: 2) realize it as a capacity to command over resource mobilization on the basis of which actors are enabled to achieve their goals.

A very common idea behind explication of "power" is that it is relational, i.e., relational among people. Thus, it is suggested that some people have more power than others though the scope and means of exertion differs. For one to exercise power over the other, it is a must that there exists a connection amongst them. In the situation that there is no connection, there is no power relation (Dahl 1957: 204). Exertion could be sought either in a compelling approach or through consent of the actors. Such power differential is embedded in the

economic, political social and cultural context of a society.

An imbalanced power relation in a society as such is one of the major obstacles for people not to make full use of resources (Abdalla 2008: 50). And resources are means to gain power (Ibid), hence, deficient use to resources affects the opportunities and outcomes people encounter. From such conceptualization of power relation, we deduce entitlement of resource is associated with power relations which at the end has effect on poverty which has much to do with access to and utilization of resource.

Having dealt with the general concept of poverty, one of its dimensions and related concept-power relation, we now turn to brief discussion of the widespread scheme of poverty alleviation as suggested by conventional approach.

## **2.5 Poverty alleviation scheme: Microfinance**

Among various poverty alleviation mechanisms, micro finance has been the buzzword in the last two decades which is inferred by the high expansion in different parts of the world. Attesting to this fact, authors like (Matin et al. 2002: 274) looking back to the 80s name it as period of "microfinance movement". The expansion is not limited to developing countries but has extended to developed countries (Shil 2009: 195). This implies that there is a worldwide tendency of considering microfinance as the panacea for alleviating poverty. Asserting this understanding, Rahman (1999: 67) describes it as 'the key element for the 21st century's economic and social development'. Such a worldwide expansion is accredited to the innovative lending model crafted by Grameen Bank. The Grameen Bank of Bangladesh is regarded as the classic representation (Marcus et al. 1999: 17) of MFIs and

similar approaches heavily draw on the practices of this pioneer bank.

### *2.5.1 Rationale of Microfinance*

The emerging essence of microfinance was a reaction against basic idea of exclusion, exploitation (Shil 2009: 193) and had intention of reaching out to significant number of poor people. Thus, it was an act of overcoming previous shortcomings of development strategies characterized by exploitation and exclusion (Osthoff 2005: 2). To surmount these limitations, microfinance eliminated material collateral as this was an impediment to the poor and the program is designed to become self-financing (Ibid). Another innovative way is the introduction of group lending which Rahman (1999: 71) refers to it as social collateral.

Introduction of the social collateral also served to validate the financial sustainability of the institute in since the group serves as a force towards regular repayment of credit. Such formation of a group was also imperative for the borrowers as it gave them the stage of discussion. In addition, charging relatively high interest rate was another mechanism of keeping the financial sustainability of the institution intact.

Advocates of MFIs, following the principles and practices of MFIs, propagate the method. Best practice includes the innovative group lending contract, high loan repayment rates, sustainability of the institutions, and reaching the poorest section of a society (Matin et al. 2002: 285, Shil 2009: 191-192). However this widely expanded scheme is not free from criticisms. Sarcastically each point raised, as a unique and beneficial factor, has rather been counter argued causing unintended consequences.

### *2.5.2 Criticisms of microfinance*

Critics have identified many points to evaluate the success stories of microfinance institutions and have come up with various counter arguments. Among these, we will briefly deal with "triangle of microfinance" (Zeller 2006: 3) which represents the objective of MFIs. It consists of outreach, financial sustainability of MFIs and impact on poverty reduction as criteria to evaluate the success of MFI.

*i. Outreach:* This criteria consists of three components which are scale, geography and depth outreach. The first implies the number of beneficiaries reached, the second the geographical coverage of the program and thirdly, targeting the poorest section of the society (Osthoff 2005: 1, Zeller 2006). The last point enables us to characterize an intervention if it has poverty alleviation of reduction character. The distinction between the two lies on the point that poverty alleviation focuses on improving the lives of the weakest part of the society while poverty reduction is concerned with minimizing the number of capable poor by pulling them off the poverty realm<sup>5</sup>.

*ii. Financial sustainability of MFIs:* includes generating sufficient profit to cover all emerging costs of undertaking the program and further reaching a large number of people. Morduch (2000: 17:18) indicates that MFIs have been successful enough in reaching a large number of people than any other prior interventions. The reason for putting financial viability high on the agenda of MFI comes from the understanding that subsidized programs are inefficient and don't survive long term (Ibid2000: 623). Hence, MFIs designed mechanism whereby financial viability is attained to

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<sup>5</sup> Erhard Berner, class lecture on urban poverty alleviation held on April 7 2009.

a highest level and they have been successful enough to attain it.

The extraordinary financial sustainability is guaranteed since MFIs have shifted to a commercialized approach (Shil 2009: 196). They are bound by the commercial view in the sense that they are built on cost recovery and profit making operation. Rahman (1999: 179), e.g., mentions the interest rate charged by Grameen bank, during his research period, was 8% higher than the market rate which had to be totally born by the poor. In addition to high interest rate, MFIs secure financial viability by guaranteeing high loan repayment rate (Shil 2009: 195).

High loan repayment rate is guaranteed by mutual accountability system set. The system requires borrowers to form a group where by the group serves as the collateral. The institution uses this group to ensure regular repayment of loan. Failure to pay is minimized as the system is designed to put up peer pressure and social sanctions on defaulters (Marcus et al. 1999, Rahman 1999, Shil 2009).

From the vantage point of advocates, financial sustainability based on commercialized view is successful strategy. However, the other side of the same story is that the poor are excluded as the approach is based on profitability rather than poverty alleviation. Shil (2009: 196) confirms this point in that the interest rate is beyond the capacity of the poor and this rather traps them in a debt cycle.

*iii. Impact:* refers to the consequence or end result of the scheme on the welfare of the participants. The success of the MFI is based on quantitative indicators which Rahman (1999: 80) refers to as "programmatic success". The indicators consist of number of borrowers, amounts of loan invested and recovered. The first and the second are associated with scale outreach and the third is a component of

financial sustainability. They are neither engaged with the depth of outreach nor do they refer to impact on the borrowers. Different researches show that the promised benefits haven't materialized at all and people have either remained in the poverty realm or may be stepped down. To analyze the case, we shall look into impact of microfinance on income and power relation among the pool of other indicators. These indicators are very much interdependent.

Referring to a number of studies, Marcus et al. (1999: 21), explain that microfinance plays a crucial role in enhancing the income of participants. However, this optimistic view is minimized, if not lost, when we ask who the participants are. This is so because the poorest section of the society doesn't benefit from the scheme and thus is excluded. This is due to the commercialized approach of microfinance.

The aim of achieving higher financial sustainability has, firstly, limited outreach to the poorest clients. One of the reasons is attached to the risk avert behavior of poor people. They invest in less risky business which at the end results in less return or some cases failed investment. This blocks the appetite of microfinance, whose objective is financial sustainability, to target them. In addition to this, the poor are situated in worse business situations which further scales up the assumption that they become defaulters. Such a position, further, opens a high chance for them to be excluded during group formation as these people are characterized by not having a secured source of income (Marcus et al. 1999: 24). On the other hand, marginalized people also exclude themselves from such arrangement with the fear that they don't belong to such a group or to save themselves from the social stigma and loss of the social tie in

case of default. But most importantly, exclusion comes from the MFIs programs by primarily focusing on the "better-off" poor as they only need a bit of a push to climb up the poverty ladder (Osthoff 2005: 7:11). This attests the concern of the microfinance solely being scale but neither depth of outreach nor impact on borrowers (Ibid: 15). As a result, the "meant to be beneficiaries" are technically excluded from the innovative scheme.

Secondly, high rate of loan repayment is the other promoted strength of the microfinance scheme. However, studies reveal that many borrowers maintain regular payment on the basis of loan recycling. Due to the fact that the poor are obliged to make the regular repayment along with the high interest rate creates "a spiraling debt cycle" (Rahman 1999: 196, Shil 2009). This is to mean that the participants borrow from another source to effect the regular repayment. Rotating in such a cycle they overcome the pressure of repaying thus avoid the humiliation and lose of asset (Marcus et al. 1999, Rahman 1999: 25) resulting from failing to pay.

Rahman (1999: 73) recognizes existence of asymmetric power relation in the group-lending contract. The system is designed in a way that upon completion of one's loan, that person is entitled for a higher amount on the second round. The problem arises in the fact that consent of the group chairperson and the centre chief is required. Thus, the personal relationship of the borrower is determinant in obtaining the higher amount of loan. Rahman (1999: 73) attests this assumption with a practical case.

### 2.5.3 Challenges of MFIs

From the above discussion we see that the biggest challenge for microfinance institutions is that they are trapped in an

inherently conflicting ideas-profitability versus poverty alleviation objective (Shil 2009: 198). To serve as poverty alleviation tool, they need to target the poorest which leads them to incline to non profit mechanism. In which case, they might need to lean on subsidy which puts their sustainability in an insecure situation. To guarantee self-sustenance, they applied profit-oriented mechanism which led them to shift from their original mission. Thus the practical challenge is the trade off between financial sustainability and depth outreach. However, they seem to lean to later practice whereby they have excluded "the meant to be" from the net. Microfinance also faces challenge which goes to the money usage of the poor. Many studies<sup>6</sup> show that borrowers use their loan for "unproductive" purpose, often related to social- religious expenses. As a result, the loan doesn't serve its purpose and the poor can't break out of the vicious circle. This could be linked to what Shil (2009: 198) explains as perception of target group for microfinance institutions. MFIs are regarded as profit making but not engaged with poverty alleviation programs; rather NGOs take the upper hand in this regard. Hence, This could be related to the "social meaning" of money as Zelizer (1989: 343) explains. She argues that all monies aren't the same. Difference emerges on the basis of source of the money, among others, leading to a earmarking certain money for a specified use. As a result, the money that flows from MFIs has different connotation and usage than the one that comes from NGOs.

Our paper is based on the understanding that microfinance and the practice of Zakah have a nexus. This is based on the argument of authors, for example

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<sup>6</sup> Matin et al. 2002, Osthoff 2005, Rahman 1999

(Dhumale and Sapcanin 1999) that the two have commonalities and complement one another in their practices, to some extent. The salient link, for our analysis, is that the two are advanced in their respective routes as a tool for poverty. In mainstream development circles, micro finance is perceived as a panacea to address poverty and income inequality worldwide.

While in Islamic economics, the institution of Zakah is a predominant scheme in financing poverty alleviation activities and mitigating inequality. Further, both are meant to serve the poorest section of the society, somehow left out of the credit markets.

Further, our paper links the institution of Zakah to the entitlement approach and power relations. Their link is viewed from the perspective that the Islamic law entitles the poor over the money of Zakah. Thus the money of Zakah they receive is their resource which they own. However, the relation between the givers and the recipients-the existing power relation, determines the use of their resources. The use of resources as learnt from (Abdalla 2008) is a crucial factor in poverty.

Thus, we will use the three main dimensions of microfinance-outreach, financial suitability and impact as an analytical framework to explore the potential of Zakah in poverty alleviation. Further, entitlement approach and analysis of power relation are used to have a better understanding of the Zakah based activities undertaken in the city of Addis Ababa.

### 3. PRINCIPLES OF 'ZAKAH'

#### 3.1 Introduction

This chapter gives an overview of the theory of Zakah on the basis of various

teachings of Islamic law<sup>7</sup>, the foundation of Islam and teachings of the prophet. It deals with the religious perspective of what Zakah means, its objective, calculation and management. Further it explains whom the money is meant for laying a ground for the proceeding chapters and setting the scene of the focus of the paper.

#### 3.2 What is Zakah?

The term "Zakah" is an Arabic word meaning "to increase, purify and bless" (Khokhar et al. 1991 (1)). Its religious connotation is stated in the central text<sup>8</sup> of Islam as an obligatory act of transferring wealth from the rich to the poor in return for blessing of God. It is stated in Quran more than 30 times implying it is a command rather than a request. For instance, "take Sadaqah from their property in order to purify and sanctify them"<sup>9</sup>. This has been substantiated in the enormous teachings of the prophet. When a man during his times asked him the benefit of Zakah he answered "For one who pays Zakah on his assets, he will be removed from the evil in them" (Khokhar et al. 1991: 4). Paying out Zakah from ones wealth is followed by purification of one's wealth, elevation of one's spirit and also material wellbeing.

The institution of Zakah is ordained to support and relieve the poor. This is favored by many Muslim scholars, for instance, Kahf explains Zakah as a "direct transfer of wealth from the rich to the poor" (Kahf 1987: 36) having the aim of enriching the poor recipients. This argument is augmented by Ahmed (2004: 15) in his description of Zakah as distribution of part of wealth of the rich among the pre specified group of people

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<sup>7</sup> Shariah = Islamic corpus juris

<sup>8</sup> Quran

<sup>9</sup> At-Tauhah: 103

with the aim of alleviating poverty and achieve economic emancipation. Qardawi adds to this discussion by explaining Zakah as "the first system of social security ever enacted in the history of humanity" (Qardawi 1973a: 181, 1973a: 181).

In his teachings the prophet said "on the one hand excess of wealth may endanger the faith and morality of the Muslims and on the other hand poverty may drag them to disbelief" (Ahmed 2004: 90). The institution of Zakah plays a decisive role in balancing the two extremes where a certain portion of the wealth of the rich is considered as the right of the poor. One of the basic features of Zakah is that it is not a favor that the wealthy bestow upon the poor, rather, it is a due that Allah entrusted in the hands of the rich to deliver to the poor and distribute among the deserving. The statement is authenticated from the verse of the Quran "In their wealth and properties is the right of the poor, he who asks, and he who is deprived."<sup>10</sup>

A tantamount feature is that the transfer of the ownership from the contributor to the recipient in a comprehensive manner in the sense that there is nothing expected in return for it. In other words, there is no string attached to the act of giving. And further, the recipient has the full authority of utilizing the money transferred. The idea of buying back what has been given is totally prohibited let alone expecting something in return from it. The prophet preached what has been given up for Allah cannot be bought back as it will be total nullification of what was done for the sake of Allah (Ibid: 78).

This principle entails the objective of Zakah as "achievement of socio-economic justice" as it is the transfer of pre defined amount of money from the "have to the have not" (Ibid:12). This

asserts its inherent redistributive function and thus makes accumulation of wealth in the hands of few to be improbable if not totally impossible.

### 3.3 Difference between Zakah and other kinds of giving in Islam

There are various kinds of sharing in the teachings of Islam as a zest in dealing away with poverty and consequent sufferings. It takes the form of voluntary or obligatory nature either in cash or in material form. Zakah al Fitr, Sadaqat, Kaffarat and Al Awqaf are few examples. These, except the first, consist of assistances forwarded to the poor on a voluntary basis where by blessing and forgiveness is attained in return from the Almighty God. The first is a compulsory contribution levied on each member of a family given out to the poor at the start of Eid<sup>11</sup> for they enjoy and celebrate the day. The volunteer contributions are not followed by any sanction if not practiced yet are highly rewarded with special places in paradise.

Refraining from paying Zakah, however, is a serious sin and thus is followed by sanctions. "No owner of treasure who does not pay Zakah will be spared, for his treasure will be heated in the fires of hell and then made into plats...." Further, not practicing the act of Zakah leads to nullification other religious practices. "You are ordained to establish prayers, to practice Zakah and he who doesn't practice Zakah his prayer is meaningless" (cf. Qardawi 1973b: 12). Abstainers are also warned against loss of wealth and calamities in this life.

### 3.4 Items subject to Zakah

Quran unambiguously states the obligatory nature of Zakah, items subject to Zakah and thus lists the eligible people

<sup>10</sup> Sura al Dhariyat, 51:19

<sup>11</sup> Holiday that marks the end of the month of Ramadan of the Islamic lunar calendar

which are discussed on the following section. Its translation into practice and further explanation were acquired from the prophet. As the variety of wealth has differed from the period<sup>12</sup> of the prophet, jurists are called upon to include the various types of assets emerging in "modern" period. And thus, Jurists have reached to an agreement for the list to include assets, livestock, gold, silver currency and jewellery, commercial assets, agricultural products, honey and animal products, mining and fishing outputs, rented building, plants, and fixed capital, salaries, wages and professional incomes and other items like bonds and shares. These items are subject to Zakah having fulfilled the following criteria:

a. The item under question is under disposition of the person. That is to mean the item for example should not be something that is borrowed or stolen.

b. The item in question should not be of personal use. This is to mean it has to be of a kind that brings return or profit.

c. The item reaches a minimum level that sustains the giver for a year time-Nisab.

d. The item should have remained under the possession of the giver for a year. However, this does not apply for the types of items like agricultural products and mined minerals. For such kind of items, Zakah is due during the period of harvest.

### 3.5 Whom is Zakah meant for?

The groups of individuals who have claim over the fund of Zakah are specified in the Quran into eight categories. 'the alms are only for the poor and the needy, for those who collect them, for whose hearts are to be reconciled, for the freedom of those who are captives and in debt, for the cause of Allah, and for the wayfarers; it is the duty

imposed by Allah"<sup>13</sup>. The first two groups, the poor and the needy, are the focus of this paper. For this reason, the following discussion will emphasize the poor and needy while the remainder is just highlighted.

#### *i. Who are the poor and the Needy?*

Jurists agree with the interpretation that poor is a person who is in need but is reserved to ask others while the needy is understood to be one who "humbles himself in begging" Qardawi (1973a: 5-9). Islam obliges every individual to work and make his/her own living which leads to disqualifying those who are strong and able to work from the list of Zakah recipients. Hence, those who avert work and sit idle waiting for the money of Zakah are considered to live on the expense of the deserving ones and so is prohibited to give the money to such group.

There are situations where by one cannot make a living though strong, capable and healthy. In such cases, assessment of income of the person is made to decide whether that person is eligible or not (Khokhar et al. 1991: 61). Jurists agree that just physical fitness does not lead a person not to claim for Zakah rather sufficiency of income to fulfill his and his family's needs is taken to be the criteria. Further, they contend the term sufficiency to be inclusive of fulfillment of human drives. As a result, individuals who could not get married due to lack of finance to cover the consequent costs are eligible to benefit from the fund of Zakah.

Generally, on the basis of the agreement amongst scholars the first group of people eligible for the money of Zakah includes the elderly, orphans, widows, physically and mentally handicapped individuals. Further, those capable but not able as a result of lack of opportunity

<sup>12</sup> 14th centuries back

<sup>13</sup> At Taubah:60

and those who do earn but not sufficient belong the group of beneficiaries.

*ii. Collectors of Zakah:*

These are the individuals carrying out the administration of Zakah and are appointed by the Islamic leaders. Jurists emphasize the fact that the administration cost should not be more than 1/8th of the total collection with the intension that the chunk of the money is used to lift those suffering from poverty.

*iii. Reconciliation of hearts:*

This category consists of many eligible Muslim individuals among which are those who have recently become Muslims are cited mainly. This is based on the assumption that these people face many challenges, one among which is lack of financial capacity (Qardawi 1973a: 33-34).

*iv. Freeing Captives:*

Spending the proceeds of Zakah on freeing slaves is one right form of using the fund. This could be done either by buying the slave and setting him/her free or by compensating the master with agreed amount. Contemporary scholars extend this group to include those who are under colonialism. Thus, the money can be utilized to set colonized society free (Ibid: 46).

*v. Persons under debt:*

This includes individuals who are in debt, do not have wealth equal to the Nisab and are in need of financial support. Such individuals can be supported from the money of Zakah to free them from their debts.

*vi. For the cause of Allah:*

This group includes individuals who work and spread the teaching and message of Islam.

*vii. Wayfarer:*

This is the kind of persons who are in need of financial support while travelling both within and outside of their country. In present days, the kind of people fitting this category is explained by

contemporary scholars as refugees whose belongings are confiscated etc.

### **3.6 Administration of Zakah**

#### *3.6.1 Who is responsible?*

History tells us, during the periods of the prophet, the collection and distribution of Zakah was the responsibility of the state. The prophet assigned workers for the administration, which was true during the successors of his time too. It was handled separately from other sources of income of the state as it has a predefined use. During these times, the state had full authority to compel contributors to pay their share. If contributors refuse to pay or are found cheating, they were penalized. Qardawi (1973a: 292) presents cases where half of what the individuals owned was taken from them as a fine for not paying their shares.

The strength of the state in collection of the fund is also entailed in the situation Ahmed (2004: 31) narrates. He talks of a period when the collected amount of Zakah exceeded the demand of the poor. The officials looked for people who are indebted and those who intend to get married till the money collected was disbursed. However, he says, this principle of Zakah administration came to fade away during the 19th Century with the emergence of colonialism. In history, Yemen is the only state where the trend tended to be in effect from then till now.

One can distribute his/her share of the fund or through a leader. In the latter case, the owner is free of any responsibility with regards to the money reaching to the right person. This is authenticated with the words of the prophet.<sup>14</sup>

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<sup>14</sup> Anas reported: "A man from the tribe of *Banu Tamim* came to the Messenger of Allah, upon whom bepeace, and said: 'O Messenger of Allah! If I paid the *Zakah* to your representative, am I



### 3.6.2 Enforceability

As mentioned above, the state had the power and recognition to compel contributors to pay out their share. In non-Islamic states however, such an assignment cannot be delegated. Yet, this does not entirely wipe out its enforceability since it is mainly and deeply instilled in its religious rewards and sanctions. Contributors pay out their share of Zakah for the sake of God seeking in return God's blessings and reward of paradise on the Day of Judgment. The fact that it is a transaction between the person and his God makes it less likely if not impossible for that person to try to evade it. Contributors are rewarded both in this and the life here after if they do it with good intension. The prior refers to the action of being purified and the later being eternally happy. It is stated in the Quran that believers are rewarded for their good deeds. One instance is "those whose lives the angels take in a state of purity saying "peace be upon you", enter ye the Garden because of the [good deeds] which ye did"<sup>15</sup>. Further, as it is practiced as obedience to God, paying the share gives a moral satisfaction and is "a source of protection and blessing for the rest of their wealth" (Qardawi 1973a: 291).

### 3.6.3 Amount and pattern of distribution

There are two main understandings of distribution of Zakah collected. One is giving the poor an amount of money that is needed to take them out of poverty, meaning to the level that they do not need Zakah money in the future. This is applicable for those who are capable

enough to make a living. In such instances, the amount of money given to these people should be enough to set them up to a level where by they can acquire substantial income. While in the second case the amount distributed should satisfy the yearly needs of the person and thus continuous flow of money is the basic feature.

With regards to the pattern of distribution priority is given to settle dire and urgent cases while sustainability is secondary. Ahmed (2004: 31) explains this by saying Zakah is first meant to eliminate "hunger and nakedness" and then comes long-term investment on the poor and the needy. Allotment of the Zakah fund among the group is totally left to the responsible section that is expected to take the needs of the poor at centre.

## 4. CURRENT TRADITION IN ADDIS

### 4.1 Introduction

This chapter presents the way Zakah is handled in Addis Ababa. It traces the undocumented and unstructured flow of the assets on the basis of the information we gathered during our fieldwork from different firsthand sources.

### 4.2 Who are the actors?

Following the money from the source to its destination, we found that the actors are individual contributors, representatives including Imams, volunteer groups of Muslim individuals, in rare cases faith based NGOs, and the beneficiaries at the other end. The state is considered secular and, thus, does not have a role in the administration of the money. These actors and their respective activities in relation to the practice of Zakah in the city are discussed in the subsequent sections.

#### 4.2.1 Contributors

Considering only the city source of Zakah, we manage to roughly list

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acquitted of my responsibility?' The Messenger of Allah (puh) said: 'Yes, if you pay it to my representative, then you have acquitted yourself. Its reward will be yours and its sin will be upon whoever misused it.' " This is related by *Ahmad*.

<sup>15</sup> *Sura al Nahl*, 16:32

potential Zakah contributors as factory owners, mining company owners, business people, owners of various assets used for rent like building and means of transport, professionals and salaried individuals with some level of saving.

In general, contributors belonging to any of the above-mentioned category compute and distribute their Zakah share during the month of Ramadan. Different forms of computations appeal to each group on the basis of the category they belong to. For example, many business owners use their accounting records and procedures to come up with their Zakah share of that specific year as they have pre set their closing periods in or around the month of Ramadan. They use the accounts papers, conduct physical inventory of their assets, and calculate the present value of the items in stock, compute the cash in hand and in bank. By doing so, they convert the unit of measurement of all the items subject to Zakah into cash (Birr). Then they apply the 2.5% to compute their share and set it aside for distribution it to the people considered are eligible.

The trend of distribution differs from person to person on the basis of personal or family experience. There is a high tendency of following the footsteps of what has been customary in the family.

#### *4.2.2 Representatives*

The current practice with regards to the distribution of Zakah can be summarized in to four forms. Two among which are done through representatives and the other two are carried out by the contributors directly. The entities that function as representatives are Mosque leaders, organized group of individuals and rarely NGOs.

##### *Mosque Leaders (Imams)*

Contributors approach the imams of their nearby mosques choosing them as the representatives. These kind of people

comprise of those who do not want to be acknowledged for their giving as well as those who don't know to whom they shall give the money, and also people who cannot identify eligible persons and Ethiopians living abroad.

The first group of people is those who insist on anonymity and prefer things to be done in a secretive manner. They have firm stand on what is thought, as "what you give with your right hand must not be seen by your left" (Matthew 6:3). They find giving out their shares through the imams to be less open to hypocrisy than direct payment.

The second group belongs to those who are risk averters in terms of selecting the "right" beneficiaries. Hence, they pay their shares through the imam with the belief that he would do so at high level of prudence. This way they are acquitted of the religious responsibility put on them with regards to the money reaching the deserving ones.

##### *Faith Based Organizations (FBOs)*

Islamic based organizations are few in number not to mention the non existence of organizations fully operating on the money of Zakah. However, there are some emerging initiatives where by contributors channel their Zakah share through organizations. In this regard, the only established organization we could find during our fieldwork is called "Bilalul Habeshi". Probing into the activities of the organization, we found that it is local organization fully operating on locally generated fund with an increasing share generated from Zakah collected annually. This money is mainly used for educating orphan children at different levels of schooling.

##### *Organized group of volunteers*

Distributing ones share of Zakah through organized group is another emerging new initiative in Addis. Common feature of organized groups is that they are formed by group of people who have close

acquaintance and carry out the activity beside their regular job. Further, they carry out their activities on voluntary basis and don't have legal recognition. They are engaged in diverse activities meant for the betterment of various disadvantaged groups of the society. To have a better insight, we briefly go through activities of such groups we identified during our field-work.

"Assasu Tekwa", "Najya Islamic Group" and "Tezkirat" are three different support groups we identified. The third group is the main focus of the study as it directly deals with the "poor and needy" section of the society and fully operates with Zakah money.

Five friends formed the first group and it mainly works in collecting and distributing second hand clothes for the poor during Ramadan and Eid, organizing "Iftar"<sup>16</sup> for the homeless and rarely distribute cash collected from Zakah and Saddaqa. While the second group, organized three years back, operates with the objective of spreading out religious teachings mainly from the money of Zakah and Sadaqah. It distributes the money collected as a monthly salary to its beneficiaries.

Tezkirat (Arabic), meaning "remembering the people around", is how the three founding members named their support group. It was initiated in June 2006 by three close friends. The group started with the Zakah share of each of the organizers and later their close people came in to put their Zakah share into the group. The main target is to permanently establish income-generating mechanism for widowed mothers, covering school expense of the orphans and give moral support to the kids.

Knowing that their capacity was minimal, they focused on specific group-

poor widows and their children. Their main reason for choosing the widowed mothers and orphans is three fold. First, they took into consideration the enormous reward from Allah for supporting orphans. In relation to this, Khalid cited a verse from the Quran<sup>17</sup> explaining the eternal rewards promised for those who care and support widows and orphans. Secondly, they considered the enduring reward of investing in the schooling of children as it is a lifelong investment and thus protects the children from falling into poverty. Thirdly, they want to share the psychological suffering of the mothers. Khalid said, "It is so daunting to see the mothers go through all the traumata of failing to satisfy their children's need all alone".

#### *4.2.3 Direct distributors (individual contributors)*

Individual contributors, sometimes, deal with the distribution process themselves. Such a direct form of administration of the fund is taken up in two forms. Both are completely different in terms of the amount distributed and the procedure followed.

The first type is that individual contributors give out their share to the people whom they have identified to be eligible. This trend seems to have emerged in the last five to seven years. It is unique in its nature that a considerable amount of money is involved. Considerable in the sense that the beneficiaries are given an amount of money which helps them to generate a new income source or strengthen existing means of money making. Beneficiaries of such contribution are mainly close relatives, neighbors or those in contact with the contributors.

The second form is a widely practiced form of distribution. No form of specific

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<sup>16</sup> Act of breaking fast (daily) during the month of Ramadan

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<sup>17</sup> Surah 76: Ayah 8-9

targeting is done and the money is distributed thinly among the beneficiaries. This has been the tradition for so long in Addis Ababa and still is predominant form of giving. Beneficiaries in such case are mainly those that are begging at the gates of mosques which include people in different situations. Significant number of rural migrants is also part of this group. Contributors involved in such distribution go to the mosques with ample amount of changes so that they can easily give it out to the large crowd that is waiting for them at the gate. Almost every time, there is harsh competition to reach out to the money.

#### 4.2.4 Beneficiaries

From the four types of distributions discussed above, our study focuses on the recipients who benefited from organized group and those who received significant amount through direct contribution. Beneficiaries from the other two groups are disregarded for two reasons. One is the absence of FBOs fully operating with Zakah money and the other is that there is no logical order we could follow to trace beneficiaries of the sparse form of distribution.

Focusing on the two groups, the following section will be brief overview of beneficiaries portraying a general picture of the condition of beneficiaries targeted. The names used are not real ones so as to avoid ethical questions. On this regard, we have 5 beneficiaries from each group.

Focusing on the two groups, the following section intends to portray the living condition of the beneficiaries in the pre and post Zakah receipt period. Meanwhile, it gives the idea of how the beneficiaries were targeted in the case of direct distribution. We do so by briefly presenting stories of 10 beneficiaries, five from each group.

*Beneficiaries supported by 'Tezkirat':*

*Semira:* is a mother of five who lost her husband four years back. Her husband worked as a day-laborer while she used to do street vending from which she made five Birr a day on the average. After loss of her husband, Semira continued as a street vendor but raising her children became more difficult and they dropped out of school.

It has been three years since she became member of Tezkirat. Now her children are back to school and she owns a small land where she grows vegetables and makes secured living. Consequently, she has successfully exited from the program.

*Fetiya:* lived in the area for more than ten years and has five children. It was in an accident that she lost her husband. While he was alive, she used to sell homemade cookies next to her husband where he sold fruits on the street. Yet, it wasn't easy for her to continue to make a living as the place was leased for business.

After joining the group, she was able to rent a "good" market place where she continued selling homemade food. Now, after two years and a half, she runs a mini market and is in the process of opening another one in the nearby area.

*Fedila:* It has been seven years since she lost her husband. She has three children and her aged mother to take care of. She makes a living by working as a day-laborer in construction sites and there are times she got some amount of Zakah money. There were various times that she had nothing to eat and her family starved, and fell sick.

Fedila opened a small shop next to her house where she sells various handcrafted items after joining the group. Her children have also started attending school as they are part of the program and she is leading a fairly stable life.

*Zebiba:* Before she became part of the group, she used to live in an extremely small house with a plastic coverage, sleep

with her seven children and her mother in ragged mattress. It was normal not to have food to eat for a day or two. She used to make a living by working as a maid when she got the opportunity. She benefited from Zakah distributed in form of consumables, at times.

Now, she has a shop where she sells homemade food. Further, she is able to send her mentally ill daughter to a "special needs" school and the rest of her children to school.

*Roman:* She was dependent on her husband, who was engaged in hand looming, for breadwinning. The unexpected loss of her husband was a great shock to her. To support her family of five, she engaged in activities like washing clothes and street vending but this couldn't sustain the family.

With the support she got from the group, she opened a small cafeteria along with her friend. Now she has secured means of income and of her children are attending school.

*Beneficiaries directly supported by contributors:*

*Feruz:* used to make a living by engaging in various domestic activities. However, time came when she no more could carry out those activities. She was in this condition when she received 8,000 Birr from a lady who knew her closely, in form of a loan. She used the money to prepare and distribute "injera" to different shops and restaurants. A year later, she went to pay her debt but returned back with the money since she was told that it is Zakah money and she owns it. Her life has improved so much that she has joined contributor's group last Ramadan.

*Ahmed:* he supported his family and his orphaned siblings from the money he earned as a shoe shine and from the tip he gets at times he served as office boy. Six years back, he was given 20,000 Birr by one of the company managers he served

as an office boy. Right away, he engaged in sheep sale and used the nearby mosque to expand his contacts and thus his business. After eight months, he went to pay back his loan but since it was Zakah share of the person who gave him, he was not allowed to pay it back. He added the money to his saving and bought a taxi in an installment. Currently, he is engaged in import export business and has joined the contributors group.

*Lubaba:* is a mother of five children who lost her husband a decade ago. She used to support her children and her mother by selling "Kolo"<sup>18</sup> on the streets.

*Intisar:* is a neighbor of Lubaba and they had been friends for a long time. Intisar lost her husband four years back and she has six children to take care of. She used to support her family, after the loss of her husband, by taking over the place of her husband in the mill.

A neighbor of the two friends divided her Zakah share of 30,000 Birr equally to these two friends. They used the money to strengthen the "kolo" business and now they are owners of a mini market where they distribute their products to whole sellers and supermarkets.

*Munira:* After the loss of her husband, a year ago, she used to make a living by engaging in daily works. By doing so, she took care of her three children and her ill mother.

One of her customers, for whom she used to wash clothes, gave her 10,000 Birr and made her promise to use it for the betterment of her family. As promised, she used the money to buy necessary materials for the business she started. Now, she has a traditional dress shop in the middle of "Merkato"<sup>19</sup>.

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<sup>18</sup> roasted & polished barley, peanut, popcorn, etc.

<sup>19</sup> The biggest commercial Centre of Addis Ababa

### 4.3 Process of targeting and the subsequent activities

Identification of beneficiaries is carried out in various ways, specifically depending on which of the actors we are considering. As we explained earlier, the thin form of distribution doesn't involve identification of beneficiaries. Having this in mind, the following section explains the targeting mechanisms followed by the three actors namely Imams, organized groups and individual contributors (giving considerable amount), respectively.

*Imams:* it is rarely that contributors specify the group of people they want their money to go to, for instance one would want his/her share to be given to the aged or orphan child. In such instances, the imam fulfils the wish of the contributor. In many cases, however, contributors leave the selection at the discretion of the imam. The imam in order to deal with such occurrence follows a predetermined targeting procedure established by the group.

Ustaz Mohammed Zein<sup>20</sup>, along with his colleagues, has an agreed code of conducting targeting of beneficiaries. They give priority to the aged, orphans, poor widows, and capable poor. Further, they start with the people around the area the money is raised gradually extending the coverage to more areas of the city and sometimes even to rural areas.

To identify the deserving individuals from their area, they mostly depend on the various happenings of their day-to-day life. Sometimes, People approach them for help. Thus they find it easier to know who lives in what condition. Whenever they come across a person whom they think is eligible, they put the name on a list. Hence, when they receive

the money they go through the list and filter out who should be given priority.

At times they extend their activity to other areas, they make use of the mosque people of that specific area in identification process. After receiving list of names, they use various mechanisms in cross checking the information they received.

When the money is to flow outside the city, usually it is not a specified person that is targeted. This happens when there is a natural catastrophe and thus people are suffering. In such instances, the money is sent to the nearby mosque of the area for the benefit of victims.

*Organized group:* Targeting of beneficiaries varies a lot among organized groups, too. As a sample, we explain the targeting process of "Tezkirat organized group" since it is a vital part of our research.

The beneficiaries of the group are from the neighborhood of the contributors. In the selection process, the organizers used the help of their friend who works in another volunteer group and has lived in the area for more than a decade. They briefed him on the kind of group they plan to work with and then he came with three names. He narrowed his search to the near neighborhood and the criteria set by group.

Having received the names, they visited the family to cross check their situations. Three of them were poor widowed mothers and had children to raise with no other support. The other two were identified by the two of the mothers on a second round visit.

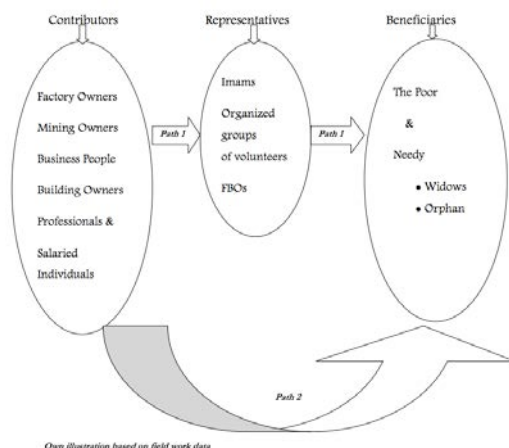
In an attempt to acquaint them, the organizers paid their members frequent visits. In the mean time, discussions were held on their livelihoods. Synthesizing the discussions agreement was reached on what kind of business the mothers would be engaged in and thus necessary preparations were made. One common

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<sup>20</sup> a prominent imam in three different mosques of Addis for more than 20 years

procedure was to open a bank account for all the mothers and each was required to deposit a certain percentage of their income daily in their accounts. Further, they were expected to fill in daily activity form provided by the group and submit by the end of the month along with a copy of their bankbook. Each mother got seven thousand Birr for the business they started.

*Individual contributors:* individual-based targeting also differs by its own concerning the basis of the contributor. Mostly, individuals target eligible relatives, neighbors and those whom they know around their work area. In general, it depends on the social contacts the contributor has around residential and work area. This is evident if we look back to the stories of the individually targeted groups, whose stories are presented above.



**Figure 1** Chain of distribution of 'Zakah' in Addis Ababa

## 5. THE OUTCOME

### 5.1 Introduction

This chapter intends to analyze the implication of our findings in terms of poverty alleviation. For the analysis, the triangle of microfinance namely outreach, financial sustainability and impact of the process are used as a framework since the study of Dhumale and Sapcanin (1999) suggest, criteria of

microfinance can be applied to our study. Further to strengthen points of analysis, we also use the elements of entitlement approach discussed in the theoretical part of the paper.

### 5.2 Outreach

#### *Scale and Geography*

With regards to the number of beneficiaries, it is obvious that Tezkirat support group is operating at a very limited scale -both in terms of scale and geographical coverage. As has been described, it has five beneficiaries amongst of whom, four have graduated and one is still member of the program and only operates in one specific "kebele". The program was, during our field-work, in the process of screening second round members which by now have joined the group. The individually handled method, on the other hand, has no ground to be evaluated from both perspectives. This is due to the fact that there is no logical step to follow in order to trace either the scale or geographical expansion of the mechanism.

#### *Depth*

The very focus of Zakah is to reach the poorest section of the society. Specifically, the objective of both the contributors and support group is explicitly to screen the poorest and the underserved-widows and orphans. Our data shows that from the total of ten beneficiaries eight are widowed mothers and all the children of the ten participants are direct beneficiaries. Further, the common character of all the participants is that they all were in critical economic condition and looking into their stories, we label them as the poorest section of the society.

Referring to the distinction made by Dr. Berner with regards to the difference between poverty alleviation and reduction, we observe that both the support group and contributors are

involved in poverty alleviation scheme unlike microfinance which targets the "better-off" poor as argued by Osthoff (2005).

The poorest are excluded from benefiting from micro finance (Shil 2009: 196) as MFI mainly targets those participants who are capable of repaying their loans. One mechanism of guaranteeing this is by screening those with entrepreneurial capacity. However, entrepreneurial capacity is not considered as a targeting criterion in Zakah. As has been the case with the support group and individual contributors, they selected and reached individuals who don't have stable income. They targeted the locally considered worse off in which case are the female-headed households and their children. This goes to the fact that they neither expect repayment of the money nor any other form of paying back. Rather, by reaching the poorest, they expect higher reward from God. For instance, Khalid, the initiator of the support group, explained they targeted widows and their children for the sake of the higher reward promised by Allah, so that their main focus is nothing but higher reward.

In order to avoid crowding out of the money to the non-poor, both the entities go through a careful screening method. The support group having got list of names, they cross-checked the information obtained and verified that those people were deserving beneficiaries. The same applies to the individual contributors in which case they used opportunities to identify the poorest. This also pertains for the imams in that they use their day to day life in screening the deserving poor. This infers that they effectively targeted the poorest and thus attained their objective of doing so.

From the stories of our interviewees, however, especially the individually

carried out targeting we notice that the screening was based on personal network. This, in our view, has a danger of leaving out the poor without any line of connection to the rich. Such sort of exclusion, we believe, can be overcome if there is a responsible organized entity whose prominent job includes proper targeting of beneficiaries.

Further, the source of the money being Zakah happens to have excluded the non-Muslims from being potential members of the programs, as Zakah is meant to support only Muslims. However, this doesn't lift the responsibility of the well to do in supporting their non-Muslim brothers and sisters. Rather, they are compelled in the Quran to do so as stated in different sections of the Quran.

Overall, the outreach can be indicated as appropriate, especially in the sense that it serves the mission of alleviating poverty through reaching the poorest. With more organized form of administration and increased capacity, larger number of poor could be reached without compromising scale with depth.

### 5.3 Financial Sustainability

It is interesting to note that the support group, individual contributors and also the imams target the poorest of the poor without accepting repayment of the money and yet similar initiatives are widely emerging in the city. Replications of the new initiatives are taking place since practice has shown that the undertakings are pro poor and flow of Zakah is sustainable. One of the reasons is the fact that the use of the money is pre defined in which case the poor are given due priority. This reveals concerned entities from going through the fierce competition in winning over resource for undertaking pro poor activities. On the other hand, this has been the main issue that drove MFIs to apply commercialized approach which finally lead them to drift



from their mission. Studies show that MFIs can't rely on the fund they get from donors and governments (Morduch 2000: 623) as they have to compete over the limited resource which has various purpose to serve.

Our study shows that the programs are operating in a sustainable manner as they solely depend on locally generated money. In our study, none was expected to repay the amount received, as the only point of concern is to sustainably pool the poor out of the poverty realm they are in. In fact, efficiency in the use of the money and financial sustainability are not relevant dimensions in the process of Zakah.

There is no physical entity to enforce contributors and thus no cost is associated to the collection of money. Yet, In case of MFI the group and staff members play a prominent role in such aspect (Marcus et al. 1999, Rahman 1999, Shil 2009). The driving force of the organizers and contributors is spiritual satisfaction rather than profitability. Further, contributors' recognition of their duty of giving out their share coupled with the mutual benefit attained is another reason for the sustainability of the programs. Mutual benefit in the sense that while they give their share, they enhance their spiritual being and the poor's material lack is resolved.

Another factor contributing to sustainability of programs is derived from the fact that contributors don't understand Zakah as a charity which they give when they wish. Recognition of this compulsory nature grants entitlement of the poor over the money and thus ensures sustainable flow. This is observed, in our study, in the shift of administration of Zakah money. That is, in addition to the new initiatives of small groups, we came across an initiative of setting up a treasury centre by a big group. This gradual shift goes against the idea that

Zakah money is charity and affirms the full inheritance or transfer ownership of the poor over the money as the entitlement approach suggests.

Innovative ways of utilizing the money has also a vital role in ensuring sustainability of money. In some cases, the imam argued, they target the incapable ones and support them through their close poor capable ones. This way, two things could be attained. One is the incapable ones have sustainable source of income and the other is the capacitated are acquiring working capital and thus employed. In such cases, both the capacitated and in capacitated have totally moved out of the beneficiaries group.

Finally, we have observed that social trust is another factor contributing to the sustainability of the program. Representatives have acquired high level of social trust which plays an imperative role in the sustainable flow of the money. Contributors trust these entities as they have seen that the money goes to the "right" people and more importantly, rely on the religious sanction if they fail to fulfill their oath of getting the money to the deserving ones.

Trustworthiness of representatives is very much crucial for sustainability of flow of money and thus activities. The initiative of setting up a treasury centre failed to be effective due to the fact that the contributors don't trust the Islamic supreme council which is supposed to be representative of Ethiopian Muslims. Since the members of the council were not chosen by the people whom they represented and people have had bad experiences with the council in money related issues, they have totally lost their trust on the institution. For that reason, the society has taken up the initiatives rather individuals or groups.

#### 5.4 Impact

This section analyzes the impact of the intervention through Zakah, on the basis of the information solicited from participants directly. It analyzes the economic and social impact and power relation.

##### *Income/Economic*

In order to deal with the income impact, it is important to look back at the four types of administration of Zakah in Addis Ababa. It helps us to reflect on the strength and weakness of these mechanisms leading us to see which of the four types is effective system of poverty alleviation.

The most effective system in terms of poverty alleviation, in the circumstances that we have investigated, is the administration through the representatives and the support through the organized group-Tezkirat. We take this line of argument looking at the fact that the mechanisms applied by the entities guarantees employment or source of income which, according to Sen (1987), protects the poor from further poverty. The disbursed form of support, however, has ended up in an intended consequence.

Our data suggests ten of our interviewees have made it out of economic poverty, two of which have joined the contributors group. The case of Feruz and Ahmed that they have succeeded to be among contributors is interesting to note since such a dramatic change is not a norm in microfinance interventions. All except one have successfully graduated from the support scheme and their financial status is significantly changed. They have started to lead financially stable and secured life. One common indicator is that they either have set up business or own income generating assets like taxi in the case of Ahmed. Fetiya and Roman have set up their own businesses.

Following such enhanced financial capacity, household consumption and living standard has also improved. Among others, this translates to increased number of meal per day in each household. For example, Feruz, like the others, had suffered due to lack of food in her house. This was mainly due to their vulnerable status which is even worsened when they are sick to bed.

Thus we conclude that the individual and group support has translated into positive impact in terms of income. The money of Zakah has served beneficiaries as a starting capital for their business and thus eased financial constraints. From what we have observed, the same effect resulted from the Zakah administrated through the imams.

##### *Social impact*

Looking at the practice from a different angle, we observe that the social life of the beneficiaries especially the mothers has changed positively. The feeling of failure arising from inability to fulfill the needs of the children destroyed their self-respect. Associated feelings like helplessness and loneliness are overcome to some extent. For example, Feruz was stressed especially when she had nothing to feed her children and she was physically ill to go out and get some food. Similarly Roman told us that she had lost all hope after the loss of her husband, it was with haunting facial expression and tone that she said "I have regained the sense of motherhood!"

Looking into the disbursed type of distribution of Zakah, however, we find it has resulted in unintended negative impact. The money is distributed haphazardly which results in, for one, periodic high rural urban migration. People from the rural come during the Ramadan in search of such money. The unnoticed side effect of this is that since there is no screening on who gets the money, it is more likely that there is high

level of leakage. That is, there is a danger that it attracts the not so poor and thus goes to the "better-off" poor. Secondly, the amount distributed is too little for beneficiaries to use it for productive purpose. Further, it comes in charity like, thus recipients use it for immediate consumption.

Thirdly, this sort of giving doesn't follow the practices of Islam in the sense that the recipients have to go through all the physical and psychological ups and downs to reach out to that money. They queue in the public for hours and then, literally walk over one another to reach out to the money and this is humiliating. This resembles to relief programs which Sen characterizes them as "not efficient, not cost effective and above all not humane" (Sen 1987:16). We vary this method that it could create asymmetric power relation. Asymmetric power relation, in turn leads to entitlement failure. In such case, the recipients will not have a full power or ownership over the money. This creates deficiency in use of the resource which, as argued by (Abdalla 2008), affects the opportunity attained by the poor.

From the above analysis, we conclude that the disbursed way of distributing Zakah money has many flaws thus can't serve as poverty alleviation mechanism. On the contrary, the other three forms signify that they result in positive impact on the recipients.

The reasons for its success, we believe are manifold. As a brief presentation of these, the following section brings up salient features in comparison to MFI.

*Sacred nature of the money:* the success of the Zakah money could be explained in terms of the sacred nature of the money-special meaning of money as Zelizer (1989) describes it. Meaning, since it has a religious source, recipients don't use it for non-productive purpose. For instance, Munira having received

10,000 Birr share of Zakah, she could only use it for what it is meant, thus invested it on what she planned to make a living-traditional boutique. Munira's case is the rule rather than exception comparing it to ten of our interviewees and what we heard from the Imam. On the contrary, studies show that one of the challenges of MFIs is that beneficiaries use the money for non-productive purpose, for instance (Williams 1999: 204).

*Significant amount:* The principle of Zakah, as discussed in chapter 3, encourages that the capacitated poor need to be given substantial amount that helps them establish sustainable living. And for incapable ones, that they receive stipend enough for their yearly consumption. So, leaving the disbursed type, the three distribution mechanisms are successful in this regard. That is, recipients are given significant amount of money-the money they are given is enough for their business proposal. Contrary to this practice, literature on microfinance for instance (Marcus et al. 1999: 22) explain that the small loan characteristic of microfinance limits participants' investment opportunity to investments requiring small amount which in turn lead to smaller return.

*Discussed business idea:* Additional point of success could be that the business idea is not imposed on the recipients. Supporters didn't come with "best practice/idea" for the poor-rather they got it from the poor. Neither did they go with a preset plan on what to train these people on; they rather used their skill and knowledge to help them break out of the poverty circle. This confirms what poverty alleviation literatures warn about the danger of imposition of perception from the "above" (Abdalla 2008: 46-47).

Our case study also avoids another danger related to coming in with preset

ideas. We believe the fact that the business ideas came from individuals is important as it avoids market saturation which would have been the case, had the contributors come with a preset idea which all the recipients were to invest on. Failure of microfinance scheme as a result of market saturation is brought up in various studies (Williams 1999: 204).

*Holistic approach:* final point of analysis with regards to factor contributing to the success of the Zakah practice is that holistic approach has been put to place. Holistic in the sense that supporting mothers with their income generating activity at the same time covering the school expense of their children. This helps the mother to make more of saving or expend more on some other necessities of the household. In other words, it is like adding in to the bucket while patching up one of the holes. This is unlike microfinance practice where by participants are charged high interest rate in addition to the timely repayment (Rahman, 1999).

### 5.5 Power relation

*Asymmetry of power:* the process of Zakah administration as has been discussed involves two sides of a story-contributor on one hand and recipients on the other. Such relation suggests that there could be asymmetric power relation. However, we argue, on the basis of our data, that there is rather balanced power relation among the actors. As points of attestation, we refer back to our data:

Feruz and Ahmed were given the share of Zakah by two different individuals in the same manner. They were given as a loan in which case they targeted to repay their debts and thus the sense of giver and receiver was avoided. Further, looking into the other stories, we note that the contributors deal in a very private manner with the potential Zakah

recipients. For example, the Tezkirat people went to the individual houses and discussed with the mothers alone. Further, Lubaba, Intisar, and Munira were only consulted by the respective contributors. A closer look to the stories leads us to conclude that contributors seek nothing but reward from Allah for their giving.

Contributors avoid acknowledgment on paying their share mainly by using representatives for the distribution the money.

We have witnessed that neither the Imams nor contributors have a hold on the beneficiaries. During our fieldwork, we tried to use the imams to convince recipients to give out information, however it failed. We didn't notice asymmetric power relation between actors and we witnessed absence of reciprocity in the relationship and that there is no conditional tie attached to the money.

We also noticed that the Tezkirat group refers to their beneficiaries as "members". This suggests that the beneficiaries are part of the whole group and not just dormant recipients, receiving aid or any sort of charity. Such treatment, in our understanding, balances the power relation that could exist between the two extreme positions -contributor vs. recipient. Moreover, the closeness of the organizers and their members has developed the sense of brotherhood rather than the expected asymmetric power relation.

From the above discussion, drawing to argument of Abdalla (2008), we deduce the undertakings are far from portraying asymmetric power relation. Such interventions do not result in undesirable power relation which ends up being an impediment to development.

### 5.6 Entitlement grant

Sen (1981) argues poverty is mainly problem of entitlement but not question of availability. As a remedy, he proposes the poor have to be granted entitlement by going through the stages of anticipation, relief and prevention.

Referring back to our data, the undertakings of the support and direct contributors cover the last two phases of regaining entitlement. This is granted by the fact that mothers are relieved of the suffering as they own the money they receive which has a positive effect in preventing the children from falling into poverty realm. Most importantly, since the program, especially the organized group, directly targets children, it plays predominantly prevention role. Accordingly, it contributes to regaining the lost entitlement of the poor as Sen explains.

The receipt of the Zakah money by the beneficiaries, using Sen's terminology, signifies inheritance entitlement. After receiving the money, the participants are engaged in further income generating activities which resulted in enhanced own labor entitlement. The money they received is their original endowment which they are wholly entitled to, thus they have full ownership of the assets and income that is derived out of the use of the money. From this we can infer that the undertakings in our case studies are successful enough in granting entitlement to the participants of the program. Economic stability for the capacitated mothers is attained while it serves as social security for the incapacitated, mainly children in our case. This supplements the redistributive character of regenerating entitlement as the activities are based on Zakah which is transfer of wealth from the rich to the poor.

Participants, however, don't seem to be convinced of their ownership over the

money of Zakah. Our observation during the fieldwork suggests that beneficiaries are uncomfortable to be known as recipients of the money. This shows that they don't have the sense of ownership over the money. This, we assume, is a problem of understanding the money as a charity. In this case, their being known as recipient of money puts them in the state of shame. They are religiously entitled but due to misinterpretation of the money, they are socially disentitled. This problem, we believe can be overcome by raising awareness among the recipients.

### CONCLUDING REMARKS

Our objective was to assess the extent to which the religious practice, Zakah, contributes to poverty alleviation in the city of Addis, driven by the assumption that it has a potential to do so. In an attempt to meet our objective, we started by following the chain of Zakah from source to destination. Hence, we found that the chain consists of three actors namely contributors, representatives and beneficiaries. Looking into the roles of these actors, we came to know that there are four ways of administration of Zakah in the city. One way is using representatives like organized groups or faith based organizations in distributing the money while the second method is to use imams. Thirdly, contributors also deal directly with the distribution in which case they do the targeting by themselves and give significant amount. The fourth and the predominant way is contributors disburse their Zakah share sparsely without any sort of targeting.

To analyze the roles of these methods in terms of poverty alleviation, we applied the criterion of microfinance and thus assessed their strength and weakness. The advantages are manifold. Primarily, it targets and supports the poorest section of the society and pools them out of poverty sustainably unlike microfinance

which targets the "better-off" poor. In this respect, we found that the practice has a redistributive function that directly engages in poverty alleviation by building capacity of children and supporting creation of wealth to mothers. Thus, the current practice of Zakah is characterized by poverty alleviation while poverty reduction is the feature of microfinance.

Secondly, the practice depends on locally generated resource allotted for the same purpose contrary to MFI which operates on external source or profit earned by squeezing the "better-off" poor. The unique feature that Zakah is meant for the poor protects them from being left out due to unavailability or inability to win over limited resource.

Thirdly, the obligatory nature of the practice wholly entitles the poor without any string attached to the flow of money as is the case in some welfare state social policies. Entitling the poor over the money of the rich overcomes an entitlement failure which, according to Sen, is a prime factor for a person to be plunged to the poverty realm.

Fourthly, we found that there is no obvious power relation amongst the actors. Rather, there is bond of brotherhood. This has a positive role in poverty alleviation programs since imbalanced power relation is a major obstacle for people to use their resources. Deficient use of resource in turn affects the opportunities the poor attain.

The current practice, however, has its own flaws. First, our study informs us that targeting, when carried out individually, doesn't consider the poor who are not privileged of networking with the rich. It considers the poor as mere recipients of the money without any effort to envisage their resourcefulness in terms of survival skills. Such a trend has the danger of leaving out some section of the poor and of supporting them only in

one area- temporary provision of money thus no focus on building their capacity. Secondly, the scattered form of giving does not take the dignity of the poor into consideration. The distribution mechanism is humiliating and does not take into account the multi-dimensionality of poverty.

Balancing the pros and cons, we conclude that the current practice of Zakah is partially contributing to poverty alleviation in the city of Addis. Our findings are encouraging and suggest that, with some level of revision, the practice has potential of increased role in combating poverty. We point out three points of revision:

We suggest there to be a responsible entity which administers the money. Currently, it is just handled by volunteers who do it along with their regular jobs. Thus, it calls for due emphasis if it is to yield higher result. In such regard, we call upon the Islamic council to encourage the growth of the small initiatives emerging in the city.

A different way would be setting up a treasury centre which provides contributors handy system of giving out their share. The more organized the system is, we believe, the larger the number of targets reached without compromising depth.

Its prominence could be increased by developing a clear administrative structure and by integrating it into the overall developmental plan of the country. Points of wariness need to increase along with such an increased scope. The crucial points to consider include but not limited to increased level of trustworthiness of the entities responsible of managing the money, timely transfer of the money to the poor keeping the administration cost at a minimum and thus ascertain the chunk of the money goes to the poor. For such a macro level outcome, however, it is

important that the topic is researched well.

Our paper, focusing on the redistributive function of Zakah, reveals the imperative role of religion in overcoming setbacks encountered in mainstream poverty alleviation scheme. Our overarching conclusion, thus, is that religion is a resource in poverty alleviation hence we favor the emerging partnership between development practitioners and religious entities.

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## Annex 1

### INTERVIEW GUIDE-BENEFICIARIES

- Name
- Age
- Educational status

#### *Mothers:*

- How long have you been in this area of settlement?
- How many children do you have?
- When did your husband die? Did you used to work while your husband was alive?
- Now how do you make a living? What is your source of income?
- How did you first hear of this organization?
- What did you use to do before you came to be members of the organization?

- When did you start to be members of the organization?
- What procedures did you follow to get to be members of the organization?
- Were you expected to present ID, witness, or any paper work?
- Are all your kids part of the program-organization?
- What is your relationship with the organization? What kind of support do you get from the organization?
- How do you weight the support of this organization?
- Have you ever benefited from Zakat other than from this organization? Which
- Mechanism of Zakat administration do you think is more feasible?
- Do you know anyone getting Zakat money?
- In what form does the support come? (If direct cash flow)-how do you collect the money (every month??), is there any reporting that you do, anyone who visits you and your activity?
- Any training you had attained from the organization?
- What do you plan for the future?
- Perception on Zakat? Pride or shame?

## Annex 2

### INTERVIEW GUIDE –ORGANIZERS OF GROUP SUPPORT

#### *Personal history of founders*

- Name
- Age
- Education status

#### *Organization information*

- Name of the organization
- Year of establishment
- History of the organization
- Legal status (recognition granted)?
- What initiated you to establish this organization?
- How many employees do you have?
- How many beneficiaries?
- How do you target your beneficiaries? (Criteria and condition)
- How do you collect the money?
- Channel of distribution?
- Follow up of usage of money? Monitoring the right usage of the money?
- Trend of money flow-increasing, decreasing-any peak period?
- What is the goal of the organization? What does it target?
- How would you rate the success of the beneficiaries in terms of your goals?
- What does the support translate into? (self-reliance, sustainable development, empowerment etc.)
- What is the exit strategy?
- Major obstacles?
- Why only five beneficiaries?
- Do you plan to expand in the future?
- Do you see this ritual contributing to development/poverty alleviation?

- How would you rate the potential of Zakat in terms of poverty alleviation?
- Do you think such initiative should be replicated in various places in Ethiopia?
- How do you rate the present activity of the Zakat administration in our country?
- Do you see gap between the principle and practice?
- How enforceable is Zakat?
- Do you think one/you can rely on its constant flow?

### **Annex 3**

#### **Interview guide-Contributors**

- How do you distribute the money? When?
- By whom?
- To whom?
- What kind of people do you choose?
- How do you select to whom to give? Why these people?
- Amount of proceed given out in the last three years? (rough estimate)
- Do you follow up?
- How do you rate recipients' lives-same or changes (positively or negatively)? Why?
- It's potential in poverty alleviation?
- What's the trend of distribution of your close friends or relatives?
- Who does the calculation for you?