Timur Kuran's Critique of Zakat and Waqf and Their Relevance in the Modern Economy

Afif Saeful Ulum
Univesitas Islam Negeri Prof K.H Saifuddin Zuhri; Banyumas, Indonesia
E-Mail: Afifsyaefululum@gmail.com

Jamal Abdul Aziz
Univesitas Islam Negeri Prof K.H Saifuddin Zuhri; Banyumas, Indonesia
E-Mail: jamalabdulaziz@uinsaizu.ac.id

Submitted:
09 NOVEMBER 2024

Accepted:
23 DECEMBER 2024

ABSTRACT

This article discusses Timur Kuran's critique of zakat and waqf in Islamic economics and its relevance in the context of modern economics. Kuran argues that although these two instruments have noble social goals, their implementation is less effective in supporting sustainable economic growth. Zakat tends to be used for short-term consumption and is less flexible in adapting to the dynamics of the modern economy, making it less able to become the main instrument in poverty alleviation. Meanwhile, waqf is considered a static asset with rigid management, which often hinders its optimal use in economic development. Through a descriptive-analytical approach, this study explores Kuran's arguments by comparing them to the current concepts and practices of zakat and waqf. The results show that although Kuran's critique has a strong basis, reforms in the zakat and waqf systems, such as professionalization of management and implementation of productive investment schemes, can increase their effectiveness in supporting social welfare and economic growth. Therefore, adaptation and innovation in the management of zakat and waqf are needed to remain relevant as Islamic economic instruments in the modern era.

***Keywords**: Zakat, Waqf, Islamic Economics, Modern Economy*

ABSTRAK

Artikel ini membahas kritik Timur Kuran terhadap zakat dan wakaf dalam ekonomi Islam serta relevansinya dalam konteks ekonomi modern. Kuran berpendapat bahwa meskipun kedua instrumen ini memiliki tujuan sosial yang mulia, implementasinya kurang efektif dalam mendukung pertumbuhan ekonomi yang berkelanjutan. Zakat cenderung digunakan untuk konsumsi jangka pendek dan kurang fleksibel dalam beradaptasi dengan dinamika ekonomi modern, sehingga kurang mampu menjadi instrumen utama dalam pengentasan kemiskinan. Sementara itu, wakaf dianggap sebagai aset yang statis dengan pengelolaan yang kaku, yang sering kali menghambat pemanfaatan secara optimal dalam pembangunan ekonomi. Melalui pendekatan deskriptif-analitis, penelitian ini mengeksplorasi argumen Kuran dengan membandingkannya terhadap konsep dan praktik zakat serta wakaf yang ada saat ini. Hasil penelitian menunjukkan bahwa meskipun kritik Kuran memiliki dasar yang kuat, reformasi dalam sistem zakat dan wakaf, seperti profesionalisasi manajemen dan penerapan skema investasi produktif, dapat meningkatkan efektivitasnya dalam mendukung kesejahteraan sosial dan pertumbuhan ekonomi. Oleh karena itu, adaptasi dan inovasi dalam pengelolaan zakat dan wakaf diperlukan agar tetap relevan sebagai instrumen ekonomi Islam dalam era modern.

***Kata kunci**: Zakat, Wakaf, Ekonomi Islam, Ekonomi Modern*

JIMKES

Jurnal Ilmiah Manajemen
Kesatuan
Vol. 13 No. 1, 2025
pp. 493-500
IBI Kesatuan
ISSN 2337 – 7860
E-ISSN 2721 – 169X
DOI: 10.37641/jimkes.v13i1.3114

INTRODUCTION

Zakat and waqf are two economic institutions in Islam that play an important role in the distribution of welfare and social empowerment. Zakat is obligatory for Muslims as an instrument of wealth redistribution aimed at reducing economic disparities and helping underprivileged groups in society (Tulab et al., 2024). Meanwhile, waqf is considered a philanthropic mechanism that provides long-term benefits for the public interest, such as the construction of educational facilities, health, and places of worship. These two institutions have been an integral part of the Islamic social and economic system for centuries. Islamic economic thought was born since the sending of the Prophet Muhammad SAW and continued to develop into the eras after that - until the era of the Islamic state. As time progressed, there was a separation between religious knowledge and general knowledge which had negative impacts, including the emergence of a paradigm that economic activities had nothing to do with religious teachings. The emergence and continued development of capitalist and socialist economic systems. Added to this are Western economic scientists who are reluctant to acknowledge the role of Muslim scientists, especially in economics. This makes Islamic Economics increasingly buried and abandoned by society (Aravik, 2019).

Zakat comes from the Arabic word an-namaa which means to grow. In terms of zakat, it is taking Declaring ownership of a certain portion of a certain asset for a certain person who has been determined by the path desired by Allah. Not all assets must be sanctified, only certain assets, namely gold, silver, livestock, agriculture, found goods, and trade. Because among the objectives of zakat is to equalize the economy, there are only eight groups who are entitled, namely, the poor, the needy, the amil, the muaalf, the riqob, the gharim, the fisanillillah and the ibnu sabil (Farid, 2019). Zakat is an act of worship related to wealth. Muslims who meet specific conditions, such as possessing wealth that reaches the nisab, are required to pay zakat. Islam mandates that 2.5% of a qualified Muslim's assets belong to others and must be given as zakat. This obligation ensures economic balance and social justice. By fulfilling zakat, individuals purify their wealth and help those in need, fostering a sense of responsibility and solidarity (Ashfaq et al., 2022; Ahmed, 2024).

The word waqf comes from the Arabic word waqafa which means to hold, stop, and stay in place. Waqafa-Yaqifu-Waqfan has the same meaning as Habasa-Yahbisa-Tahbisan. In terms of terms, it is a type of gift whose implementation is carried out by retaining the original ownership (tahbis al-asli), then making its benefits apply to the public. Tahbis Al-Asli means holding the waqf goods so that they are not inherited, sold, donated, used, rented and the like (Astuti, 2022). Waqf is a legal act of waqif to separate or hand over part of his property to be used forever or for a certain period of time according to his interests for the purposes of worship and public welfare according to sharia (Abid & Miakhil, 2024). Waqf in Social Financial Instruments helps redistribute wealth, reduces economic disparities, and supports sustainable development (Layn, 2024; Mahomed & Saba, 2024).

Timur Kuran, an economist and economic historian, criticized the effectiveness of zakat and waqf in the modern economy. According to him, this system has several limitations that can actually hinder economic growth. Zakat, for example, is considered less flexible and has the potential to create dependency among recipients. Meanwhile, waqf is seen as an asset that is static and difficult to adapt to changes in economic needs. Kuran's criticism has sparked debate among academics and practitioners of Islamic economics regarding the extent of the relevance of zakat and waqf in the context of the modern economy. Islamic economics began to re-emerge its identity in the 19th century to help build and answer contemporary economic problems. This is marked by the emergence of many thinkers and schools of thought in Islamic economics. Among them is the Critical Alternative school pioneered by Timur Kuran. This school of thought adheres to the belief that Islamic teachings in the form of the Qur'an and Hadith are certainly true. But not with Islamic economics because it is an interpretation or human understanding of Islamic teachings in the Qur'an and Sunnah. Even if it is true, its truth is not absolute (Karim, 2016). So this school of thought argues that what needs to be criticized is not only capitalist and socialist economics, but Islamic economic practices also have the same right to always be criticized and improved to become better. Among the differences between Islamic economics and its predecessors is the teachings of zakat and waqf. Which aims to improve the welfare of the people, especially reducing the gap between the rich and the poor. However, until now there is still an economic gap even in Muslim countries. The purpose of this study is to analyze Timur Kuran's criticism of zakat and waqf, especially in terms of the weaknesses of this system in supporting sustainable economic development. According to him, zakat is more often used for short-term consumption than productive investment, so it cannot act as a catalyst for economic growth. In addition, the provisions of zakat which are fixed are also considered less adaptive to the development of the modern economy, so they are less able to provide a significant impact on poverty alleviation in the long term. The objective of this study is to analyze Timur Kuran's critique of zakat and waqf, particularly regarding their limitations in fostering sustainable economic development. This research aims to evaluate the extent to which zakat and waqf, as Islamic financial instruments, align with modern economic needs and identify potential reforms that could enhance their effectiveness in promoting social welfare and economic growth.

METHODS

This study uses a qualitative method with a descriptive-analytical approach (Ramdhan, 2021). Examining the thoughts of Timur Kuran regarding zakat and waqf in Islamic economics. The data used comes from primary and secondary literature, including books, scientific journals, and relevant academic articles. The data collection technique was carried out through a literature study to understand the arguments put forward by Kuran and compare them with the concepts and practices of zakat and waqf in the context of the modern economy. Data analysis was carried out by critically examining Kuran's thoughts, evaluating his arguments, and examining their impact on the effectiveness of zakat and waqf. A historical approach was also applied to trace the development of these institutions throughout Islamic history, including how they adapted or stagnated in the face of contemporary economic challenges. This study not only focuses on Kuran's criticism, but also explores solutions to improve the effectiveness of zakat and waqf in the modern economy. By understanding how these two instruments have functioned in various historical periods and the obstacles faced in their current implementation, this study seeks to offer a more holistic perspective. The results of this analysis are expected to provide new insights in developing policies and strategies that can optimize the role of zakat and waqf as Islamic financial instruments that are more responsive to current economic needs. Thus, this study contributes to a deeper understanding of the role of zakat and waqf in supporting more inclusive and sustainable economic development.

RESULTS

Timur Kuran's Criticism of Zakat

Zakat is the third pillar of Islam after the Shahada and Prayer. Prayer can be understood as physical and habluminallah worship. Prayer can be understood as maliyah and habluminannas worship which has a positive effect on building the welfare of the people. Zakat is a pillar of Islam that contains elements of worship to Allah and also contains elements of concern for the welfare of the people (Maula, 2020; Kakar et al., 2022). Overall, Kuran argues that although zakat has a noble moral purpose, its implementation in a modern context requires reform to be more effective in achieving social and economic justice. The purpose of zakat is to equalize income or reduce economic inequality (Sanusi, 2021). From a management perspective, effective zakat management requires a good governance system (Isnaini, 2024; Hanin & Kamilah, 2024). This includes strategic planning, transparency, accountability, and efficiency in distributing zakat in order to achieve the expected social and economic goals. This is explained in the Al-Quran Surah At-Taubah verse 60. Which means "Indeed, zakat is only for the poor, the needy, the administrators of zakat, the converts whose hearts are persuaded, to (free) slaves, those in debt, for the cause of Allah and for those who are on the way, as a provision required by Allah, and Allah is All-Knowing and All-Wise. " However, in reality, this hope has not been achieved, it was recorded that until March 2023 the Gini ratio reached 0.388 points on a scale of 0-1 points, this figure increased by 0.007 points compared to September 2022, which was 0.381 (BPS, 2023). The higher the Gini coefficient, the higher the level of inequality in a region.

Kuran (2003), provides in-depth criticism of the concept of zakat in Islamic economics. According to him, although zakat is intended as an instrument for redistributing wealth to reduce poverty, in practice, zakat is not effective in achieving this goal. Research by Afandi et al. (2021) also agrees, stating that zakat is unable to significantly overcome economic inequality and tends to be an unreliable measure for measuring economic inequality. Zakat, in its traditional form, lacks the flexibility needed to adapt to the dynamics of the modern economy. Rigid interpretation and application of zakat can hinder economic efficiency and are not in accordance with contemporary needs. Kuran (2020) also criticized that the modern zakat system often only diverts resources within the middle class or even distributes from the poor to the rich, thus failing to achieve its original goal of helping the poor. This is because the meaning or urgency of zakat has faded over time, replaced by a form of redistribution in this case taxes. Then he added that in the 660s to modern times, taxation practices developed without referring to the system taught by the Qur'an (Kuran, 2019). Social welfare can only be achieved through reforming the zakat institution (Kuran, 2020). Zakat is a redistribution system that has existed since fourteen centuries ago. To maintain its existence, zakat rates need to be adjusted to sources of income and forms of wealth that did not exist in the early decades of Islam (Aravik et al., 2021). For this reason, zakat or taxes need to be returned to their context. The collection and management of zakat need to be improved immediately so that the purpose of zakat as one of the instruments of community welfare can be realized properly. He added that with the scope of zakat rates that remain the same, it is impossible to continue to make it the main source, let alone the only one (Kuran, 2019).

Timur Kuran's Critique of Waqf

Waqf is an important teaching in Islam. It is noted that waqf has an important role in developing various activities, both economic, educational, cultural and so on. Even graphically when compared to zakat, the balance is directly proportional, meaning that both always experience an increase. However, the existence of waqf has not yet had an impact on the community's economy. This is because in-depth studies of waqf have not been carried out intensively and comprehensively (Arafik, 2021). Waqf is a product of Islamic teachings that aims to invest in the public sector with the motivation of eternal good deeds. Waqf is carried out by someone by donating funds or property to produce eternal public services (Kuran, 2019). Waqf is done voluntarily, unlike Zakat which is an obligation. Waqf is generally established to support the construction and activities of mosques, clean water, hospitals, public accommodation and other public interests. Waqf has uniqueness, namely it is sacred, cannot be traded, for the public, inherited, rented and the like, even waqf assets are exempt from tax. So waqf can be a perfect complement to the role of zakat as a provider of public goods. Thus it seems that waqf has become a credible economic tool.

In its implementation, the waqf manager who is called nadzir must comply with the wishes of the wakif. However, in practice there is often a lack of harmony between the wakif and nadzir. This is because the demands of the nadir to always follow the development of the times so that the nadzir is required to innovate in the management of waqf assets, which sometimes seems to deviate from the mandate of the wakif. While according to the provisions, the nadzir must always obey the wakif. This shows that the waqf system does not have the flexibility needed to utilize existing resources (Kuran, 2001). Or in other words, waqf law is very limiting to what extent someone can change the mission of the waqf. For example, a waqf was established to build a pesantren, with the limiting nature of the waqf, it is impossible to use it for business activities even though the core business can support the pesantren.

Kuran (2012), argues that although waqf initially functioned as a mechanism to provide social and public services, over time, its rigid structure and management hindered innovation and adaptation to changing community needs. He highlighted that waqf is often trapped in the rules of its founder, making it difficult to adapt to changing social and economic conditions. Waqf, as a charitable entity bound by Islamic law, did not develop into a corporation with limited liability that could encourage broader political and economic participation. He argues that waqf failed to become a model for the formation of a modern corporation, which in turn limited economic and political development in the Middle East.

Inefficient waqf management and lack of accountability contributed to economic stagnation with many waqf being poorly managed, with little incentive to improve efficiency or responsiveness to community needs. This, he said, resulted in significant resources being tied up in unproductive structures, hampering economic growth and institutional development. Kuran (2001), also criticized the motives of those who donate, including: first, people donate with the aim of gaining public recognition, for example, a Muslim who does not perform Friday prayers will be considered unrighteous, but because he established a waqf he is considered to have a good reputation and is pious. Second, the waqf give assistance to educational institutions and they highlight themselves and even write their names in the hope of gaining social piety, finally waqf becomes a vehicle for achieving status. Third, the formation of waqf can also be encouraged to spread ideology. As when giving waqf for education with the aim of making teachers loyal to them personally, then waqf as gaining public loyalty.

Relevance in Modern Economy

Zakat and waqf, despite their high social value, can be an obstacle to dynamic economic development. One of the main criticisms is that zakat does not directly encourage productive investment, but rather functions more as a transfer of funds that can create dependency among recipients. This is in contrast to the modern tax system which is designed to support economic growth more effectively (Purba, 2022). In addition, Kuran (2018) also highlights how waqf often becomes an asset that does not develop optimally. Because of its nature that must be maintained and cannot be sold, many waqf properties become less productive over time. In some cases, waqf stagnates because there is no flexible mechanism that allows adaptation to changing economic needs. This hinders the potential of waqf as a source of sustainable funds for social and economic development.

On the other hand, many Islamic economists argue that the weaknesses criticized by Kuran are more due to the lack of innovation in the management of zakat and waqf, rather than because of their problematic basic concepts. Reforms in the zakat and waqf management system, such as digitalization of zakat distribution and professionalization of waqf management, can increase their effectiveness in supporting economic growth (Kumalasari & Farida, 2024; Suryanto & Tyas, 2024). One example of successful reform is the management of waqf in several countries that implement a productive investment scheme. In this model, waqf funds are not only stored in the form of fixed assets but are also invested in projects that provide long-term benefits, such as the construction of hospitals, schools, and small and medium enterprises (SMEs). In this way, waqf can become a more dynamic economic instrument and in accordance with the needs of the times. Thus, although Kuran's criticism of zakat and waqf has a basis in their historical practices, these weaknesses can be overcome through policy reform and innovation in management. With a more flexible and adaptive approach, zakat and waqf can remain relevant in the modern economy and contribute to social welfare more effectively.

CONCLUSION

Based on the discussion that has been outlined, it can be concluded that Timur Kuran's criticism of zakat and waqf focuses on the effectiveness of these two institutions in supporting modern economic growth. Kuran highlights that zakat, although aimed at redistributing welfare, still has weaknesses in its implementation, such as the tendency to be used for short-term consumption and the lack of flexibility in adapting to economic dynamics. This causes zakat to not be able to optimally overcome economic inequality and poverty. On the other hand, waqf is also criticized for its static nature and difficulty in innovating. The rigid waqf management structure is considered to hinder the productive use of assets and reduce its potential as a dynamic economic instrument. Limitations in the flexibility of rules and management cause many waqfs to not develop and contribute less to economic growth in general. However, Kuran's criticism does not immediately reject the existence of zakat and waqf, but rather emphasizes the need for reform so that these two instruments can be more relevant in the context of the modern economy. Innovation in the management of zakat and waqf, such as the use of digital technology and productive investment, can be a solution to increasing their effectiveness as instruments of social and economic welfare. Thus, more adaptive and professional management of zakat and waqf can make it an important pillar in building the welfare of Muslims in the contemporary era.

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