ISLAMIC MICROFINANCE SYSTEM: A STUDY ON ZAKAT AND QARDUL HASAN IN AFGHANISTAN

Written By:
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NIM:19300016086

DISSERTATION

A thesis submitted to the School of Graduate Studies
UIN Sunan Kalijaga
In fulfillment of the requirements for the award of the degree of Doctor in Islamic Studies with a concentration in Islamic Microfinance

YOGYAKARTA
2022

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ATTESTATION

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in Islamic Studies with specialization in *Islamic Thought and Muslim Societies*

Yogyakarta, December 16 th, 2022

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Islamic Microfinance System: The Study of Failure of Zakat (Zakat Mal) and Qardul Hasan in Poverty Alleviation in Afghanistan

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Abstract

Islamic Microfinance System: A Study on Zakat and Qardul Hasan in Afghanistan

The Prophet Muhammad sought refuge with Allah from poverty. According to the hadith, poverty brings a person closer to *Kufr*. Therefore, Islam provides various ways to alleviate poverty in society to empower the economic condition of the poor and needy. In this regard, one of the most contemporary tools is Islamic Microfinance, Zakat, and Qardul Hassan. To use them effectively, there is a need to have good management regarding the collection and distribution of Zakat. This study wants to learn from the two leading countries, Indonesia, and Malaysia, regarding their management of Zakat, collection, and distribution to enhance Zakat management in Afghanistan. Besides this, there is a slight difference between Zakat implementation in Afghanistan and Indonesia, and Malaysia. Indonesia and Malaysia have used Zakat and Qardul Hasan in the form of Islamic Microfinance for long-term investment. According to Indonesian Ulama's fatwa that states Zakat can be invested in the long term and the form of Islamic Microfinance in consideration with classic jurisprudence. This study wants to learn how Afghanistan could change its policy from short-term to use Zakat for long-term investment or use it in the form of Islamic Microfinance.

To obtain all this information, two kinds of data were used for this study. The first was collected from a historical perspective method, and the second was field research. The issue was observed in Islamic fundamental sources, jurisprudence, books, academic articles, and websites for the first method. Then, the issue of Zakat for long-term investment was studied from the view of contemporary Ulama, considering their reasons and the reasoning of classic jurisprudence. After that, regarding Zakat investment, the Fatwa of Indonesian Ulama was also considered to understand why they allow Zakat investment and use Zakat in the form of Islamic Microfinance. For the second method, the study has two field journeys. The first was a journey in Afghanistan to observe Zakat and Qardul Hasan relevant institutions. The second journey was designed in Indonesia to look at the Indonesian Zakat and Qardul Hasan institutions. In this regard, the research conducted a questionnaire and interviews to collect data from the field. Two types of questionnaires were designed for Afghanistan, one was for scholars and Ulama and the second was for merchants because Zakat and Qardul Hasan have two dimensions: religious and commercial. In the religious aspect, the questionnaire was designed for scholars and Ulama. In the commercial or practical part, the traders and merchants were asked through questionnaires. For Indonesia, the field research designed interviews and observations in organizations such as Rumah Zakat, Dompet Dhuafa, BAZNAS, and BMT. During the interview, it was asked about Zakat collection and its distribution as well as the cost of services and salary of the staff from the private institutions.

To conclude, considering the strengths of Indonesian and Malaysia usage of zakat and Qardul Hasan, Afghanistan has two important point to enhance their management. The first one is the collection of Zakat. Religiously, it is the government's responsibility to make a mechanism and regulation to collect Zakat from *Muzakki*. Zakat must be issued as soon as possible, both from the *Muzakki* to the Amil and from the Amil to the *Mistahiq*. The second point goes to the distribution of Zakat. It is also mentioned in the Quran that Zakat should be received by the appropriate person. In this regard, Afghanistan needs to use Zakat in the form of Islamic Microfinance productive programs such as economic empowerment, health, and education. In addition to this, Afghanistan has not used Zakat for long-term investment. The Ulama has two points of view on this. The first category of Ulama disagrees with Zakat investment, and the second Ulama agrees to use Zakat for long-term investment. This study found that the second opinion category is best and is beneficial for society. Thus, for long-term investment, Afghanistan needs to shift policy from its short term to consideration of certain conditions, such as Zakat must be channeled to businesses that Sharia and applicable regulations justify. It must be invested in business fields that are believed to be profitable. Also, it must be carried out by a professional and trustworthy institution. Investment permits must be obtained from the government, and the government must replace them in the case of a loss or bankruptcy. In addition, no poor are hungry or need emergency when the Zakat assets are invested. The distribution of Zakat, which is terminated because it is invested, must be limited in time.

Key Word: Microfinance, Islamic Microfinance, Zakat investment, Qardul Hasan, Poverty.

Abstrak

Keuangan Mikro Syariah: Kajian tentang Zakat dan Qardul Hasan di Afganistan

Nabi Muhammad mencari perlindungan kepada Allah dari kemiskinan. Menurut hadits, kemiskinan mendekatkan seseorang pada kekufuran. Oleh karenanya, Islam menawarkan berbagai cara untuk mengentaskan kemiskinan guna memberdayakan kondisi ekonomi masyarakat miskin dan mereka yang membutuhkan. Dalam hal ini, salah satu cara yang paling kontemporer adalah Keuangan Mikro Syariah, Zakat, dan Qardul Hasan. Agar dapat digunakan secara efektif, perlu adanya manajemen yang baik terkait pengumpulan dan pendistribusian zakat. Oleh karenanya, penelitian ini mempelajari pengelolaan, pengumpulan, dan pendistribusian zakat dari dua negara terkemuka, Indonesia, dan Malaysia untuk meningkatkan pengelolaan zakat di Afganistan. Namun terdapat sedikit perbedaan antara pelaksanaan zakat di Afganistan, Indonesia, serta Malaysia. Indonesia dan Malaysia telah menggunakan zakat dan Qardul Hasan dalam bentuk Keuangan Mikro Syariah dan juga telah menggunakannya untuk investasi jangka panjang. Menurut fatwa Ulama Indonesia, zakat dapat diinvestasikan dalam jangka panjang dan dalam bentuk Keuangan Mikro Syariah dengan mempertimbangkan fikih klasik. Penelitian ini mempelajari bagaimana cara Afghanistan dapat mengubah kebijakannya menggunakan zakat dari jangka pendek menjadi investasi jangka panjang ataupun dalam bentuk keuangan mikro syariah.

Untuk mendapatkan informasi tersebut, dua jenis data digunakan. Pertama, pengumpulan data diambil dengan metode perspektif sejarah dan yang kedua adalah dengan penelitian lapangan. Dalam metode pertama, masalah diamati dari sumber-sumber fundamental Islam, fikih, buku, artikel akademik, dan website. Kemudian, masalah tentang zakat sebagai investasi jangka panjang dipelajari dari pandangan ulama kontemporer, dan mengkaitkannya dengan fikih klasik. Setelah itu, terkait investasi zakat, Fatwa Ulama Indonesia juga dicermati untuk memahami mengapa Fatwa Ulama membolehkan investasi zakat dan menggunakannya dalam bentuk keuangan mikro syariah. Untuk metode kedua, penelitian ini menggunakan dua studi lapangan. Yang pertama dilakukan di Afghanistan untuk mengamati lembaga Zakat dan Qardul Hasan terkait. Perjalanan kedua dirancang di Indonesia untuk mempelajari lembaga Zakat dan Qardul Hasan Indonesia. Berkaitan dengan hal tersebut, peneliti menyusun kuesioner dan mengadakan wawancara untuk mengumpulkan data dari lapangan. Dua jenis kuesioner yang dilaksanakan di Afghanistan meliputi: pertama untuk para ahli dan Ulama, dan yang kedua untuk para pedagang

karena Zakat dan Qardul Hasan memiliki dua dimensi yakni agama dan perniagaan. Dalam aspek keagamaan, angket dirancang untuk para ahli dan ulama. Sedangkan untuk aspek perniagaan, para pedagang diinterview melalui kuesioner. Di Indonesia, studi lapangan dilakukan dengan wawancara dan observasi di lembaga seperti Rumah Zakat, Dompet Dhuafa, BAZNAS, dan BMT. Dalam wawancara, ditanyakan mengenai pengumpulan zakat dan distribusinya serta biaya layanan dan gaji sebagi staf lembaga swasta.

Kesimpulannya, Afghanistan memiliki manajemen Zakat dan Qardul Hasan yang lemah. Untuk meningkatkan pengelolaannya, ada dua hal yang penting untuk dipelajari. Yang pertama berkaitan dengan pengumpulan zakat. Secara agama, pemerintah bertanggungjawab untuk membuat mekanisme dan regulasi untuk mengumpulkan zakat dari Muzakki. Zakat harus segera dikeluarkan, baik dari Muzakki ke Amil maupun dari Amil ke Mistahiq. Poin kedua adalah mengenai distribusi Zakat. Disebutkan pula dalam Al-Qur'an bahwa zakat harus diterima oleh orang yang berhak. Dalam kaitan ini, Afganistan perlu menggunakan Zakat dalam bentuk program-program keuangan mikro syariah yang produktif seperti pemberdayaan ekonomi, kesehatan, dan pendidikan. Selain itu, Afghanistan tidak menggunakan zakat untuk investasi jangka panjang. Para ulama memiliki dua pandangan tentang hal ini. Beberapa tidak setuju dengan investasi zakat, dan kelompok lain setuju menggunakan zakat untuk investasi jangka panjang. Studi ini menemukan bahwa pandangan kelompok kedua merupakan hal terbaik dan paling bermanfaat bagi masyarakat. Dengan demikian, untuk investasi jangka panjang, Afghanistan perlu mengubah kebijakan jangka pendek ke dalam pertimbangan kondisi tertentu, contohnya seperti bahwa zakat harus disalurkan ke bisnis yang dibenarkan oleh Syariah dan peraturan yang berlaku. zakat juga harus diinvestasikan di bidang bisnis yang diyakini menguntungkan. Selain itu, harus dilakukan oleh lembaga yang profesional dan terpercaya. Izin penanaman modal harus diperoleh dari pemerintah, dan pemerintah harus menggantinya jika terjadi kerugian atau kebangkrutan. Hal lain adalah, tidak ada fakir miskin yang kelaparan atau orang yang membutuhkan biaya darurat ketika harta zakat diinvestasikan. Pendistribusian Zakat yang dihentikan karena diinvestasikan, juga perlu dibatasi waktunya.

Kata Kunci: Keuangan Mikro, Keuangan Mikro Syariah, Investasi Zakat, Qardul Hasan, Kemiskinan.

الملخص

استعاذ نبينا محمد صلى الله عليه وسلم بالله من الفقر وأيضا قال "كاد الفقر أن يكون كفرا" بمعنى إن الفقر يقرّب الإنسان إلى الكفر. لذلك، قدم الإسلام طرقًا مختلفة لتقليل الفقر في المجتمع الإسلامي لارتفاع الوضع الإقتصادي على الفقراء والمحتاجين. يعد التمويل الأصغر الإسلامي، (الزكاة وقرض الحسن) من الطرق الحديثة لتقليل الفقر. لذلك يريد الباحث أن يتعلم من تجارب البلدين المتقدمين فى هذا المجال، إندونيسيا وماليزيا ، فيما يتعلق بإدارة الزكاة حتى يستخدمها لتقوية إدارة الزكاة في أفغانستان. هناك اختلاف قليل بين إدارة و تنظيم الزكاة في أفغانستان وإندونيسيا وماليزيا. استخدمت الزكاة والقرض الحسن فى إندونيسيا وماليزيا في شكل تمويل الإسلامي الأصغر وكذلك تستعمل الزكاة للاستثمار طويل المدة مستندا على فتوى العلماء الإندونيس التي تنص على أن الزكاة يمكن أن تستخدم لاستثمار طويل المدة كما تستخدم للتمويل الأصغر مطابقا للفقه الإسلامي الكلاسيكي. تريد هذه الدراسة أن تجد كيف يمكن لأفغانستان تغيير سياستها من المدة القصيرة لاستخدام الزكاة في الاستثمار طويل المدة أو استخدامها في شكل تمويل الأصغر الإسلامي.

لحصول الاجابة لأسئلة البحث، اختار الباحث نوعين من المنهج. الأول :جمع المعلومات خلال الكتب عبر التاريخ (البحث المكتبى) والثانى البحث الميداني. فى المنهج الأول بحث الباحث عن الموضوع فى المصادر الأساسية (القرآن والحديث) كتب الفقه وكتب ومقالات الأكاديمية المعاصرة والمواقع الإلكترونية. ثم درس الدارس موضوع استخدام مال الزكاة لاستثمار طويل المدة من وجهة نظر العلماء المعاصرين و دلائلهم موازنة بأسباب و دلائل الفقه الكلاسيكي. بعد ذلك، لأجل فهم جواز استثمار مال الزكاة طويل المدة والتمويل الأصغر فى إندونيسيا و بحث الباحث في فتاوي العلماء الإندونيس. وللبحث الميدانى، سافر الباحث أولا إلى أفغانستان للبحث فى مؤسسات الزكاة و قرض الحسن و في المؤسسات التجارية قام بالمقابلات

مع المسؤلين في الأمور تم المقابلات بعلماء الدين الإسلامي و علماء الإقتصاد و المهتمون في الأمور التجارية. و ثانيا سافر إلى إندونيسيا للبحث فى مؤسسات الزكاة و قرض الحسن و فى هذا المجال تم المقابلات بإعطاء الأسئلة فى شكل استبيان صغير.

النتيجة، أفغانستان لديها إدارة ضعيفة لجمع الزكاة وقرض الحسن. لتقوية هذه الإدارة، هناك مهمتان ;أولها جمع الزكاة و هذا من مسؤليات الدولة و عليها بتنظيمها بشكل أحسن حتى يوصل الزكاة من المزكي إلى العامل ومن العامل للمستحق في أقرب وقت ممكن. وثانيا تحتاج أفغانستان إلى استخدام الزكاة بشكل برنامج إنتاجي ومنها برنامج تمويل الأصغر الإسلامي مثل تقوية الإقتصاد والصحة والتعليم و غير ذلك. كذلك لم تستعمل أفغانستان الزكاة للاستثمار طويل المدة .هناك رأيين حول هذا الموضوع. الأول الاستثمار بالزكاة ليس بجائز والثانى الاستثمار بالزكاة فى طويل المدة جائز .وصلت هذه الدراسة إلى أن الرأي الثاني هو الأفضل ويفيد المجتمع أكثر. فتحتاج أفغانستان إلى تغيير سياستها من استعمال الزكاة لمدة قصيرة إلى استثمار الزكاة لمدة طويلة مع مراعاة شروطها مثلا :يجب أن تستخدم مال الزكاة فى أعمال تجارية مشروعة، ومفيدة و ذو ربح. و لابد من استخدام مال الزكاة بواسطة إدارة متخصصة و ذو رخصة من الدولة. ويجب على الدولة ضمان مال الزكاة عند الخسارة أو الإفلاس. ولا يوجد الفقراء والمحتاجون مباشرة و أيضا يجب أن يكون استثمار الزكاة لزمن محدد.

List of Abbreviation

In this study, instead of using names, abbreviations are preferred. Following are the abbreviations.

No	Abbreviations	Full name
1	IMF	Islamic Microfinance
2	NGO	Non-governmental Organization
3	MFIs	Microfinance Institutions
4	QH	Qardul Hasan
5	LAZIS	Lamba Amil Zakat and Sadaqah
6	BAZIS	Badam Amil Zakat and Sadaqha
7	BMT	Baitul Mal wat Tammwil
8	BTM	Baitul Mal Tammwil Mohammadiyah
9	NU	Nahdatul Ulama
10	NAD	Nan-groe Aceh Darussalam Province
11	PAD	Natural District Revenue
12	APBD	Local Department Budget
13	UPZP	Zakat Productive Management Unit
14	UPFU	Fakir Excuses Care Unit
15	DD	Dompet Dhuafa/ The Wallet of Dhuafa
16	RZ	Romah Zakat
17	ICD	Integrated Community Development
18	SIRC	State Islamic Religious Council
19	JAIN	Jabatan Agama Islamic Negeri/ State Department of Islamic Affairs
20	BRI	Bank Rakyat Indonesia
21	AZIO	Afghanistan Zakat Independent Office

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Life is a collection of opportunities. Opportunities must be appropriately used and taken advantage of. If someone lost an opportunity, it would not return forever. I am glad to have the opportunity to pursue a doctorate in Indonesia. I am currently writing this dissertation and have completed my work under the title – Islamic Microfinance: A Study of on Zakat and Qardul Hasan in Afghanistan. The study found that Zakat and Qardul Hassan have not been effective in the result of alleviating poverty in Afghanistan. However, both are considered an alternative way to alleviate poverty.

Getting a doctorate is a long process. It includes hardships and difficulties. Therefore, I would like to express my gratitude to those who have helped me solve these difficulties and problems. It is because of the Hadith of the Prophet, narrated by Abu Hurairah" who does not thank people does not thank Allah." It is impossible to mention the name of every single one of them, but precisely I would like to mention those who have worked tirelessly with me to complete this degree.

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Ziaulrahman Mushkalamzai
November 2022, Yogyakarta, Indonesia

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Chapter I
Introduction

A. Background of the Study

It is important for Muslims to obey certain rules of Islam daily. Islam's direction covers all aspects of life, including social, economic, political, moral, and spiritual.[1] In Islam, improving the economy and alleviating poverty is considered an essential purpose of the economic system.[2] In this regard, Islamic Microfinance is one of the best contemporary tools for alleviating poverty. Poverty alleviation is regarded as a crucial goal of an Islamic economic system. Thus, Islam has forecasted specific ways to reduce poverty in Muslim nations. Zakat and Qardul Hasan are the most essential method and tools in Islamic Microfinance programs for poverty alleviation. In addition, Sadaqah and Waqf have played the same role in enhancing the economic condition of poor people.[3] Under the Islamic Microfinance program, *Zakat* and *Sadaqah* have been practiced positively and contributed to poverty alleviation in several Muslim countries.[4] Besides these, the position and significance of Qardul Hasan (zero return loan) for ethical finance are also important, especially for the underprivileged people of the society.[5]

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[1] Abdul Karim Zaidan, "Ausul Addawa", Third edition, 1976, P 49. كتاب تحميل أصول الدعوة ط pdf - مكتبة نور (noor-book.com). Last visited May 4, 2021.

[2] M A Hassanain Khalifa, "Integrating Zakah, Awqaf and IMF for Poverty Alleviation: Three Models of Islamic Micro Finance," *Journal of Economic and Social Thought,* 2, no.3, (2015): 194. Available at http://www.kspjournals.org/index.php/JEST/article/view/394. Last visited May 04, 2021.

[3] Muhammad Obaidullah, 2008, "Introduction to Islamic Microfinance". IBF Net (P) Limited, India, *The Islamic Research and Training Institute*, 26 & 31.

[4] Hassan, M Kabir & Kabir, M Hamayun, (2010), "An Integrated Poverty Alleviation Model Combining Zakat, Awqaf and Micri-finance", *Bangi Bangladesh*. Page 266. Available at https://www.researchgate.net/publication/228889744_AN_INTEGRATED_POVERTY_ALLEVIATION_MODEL_COMBINING_ZAKAT_AWQAF_AND_MICRO-FINANCE/citations

[5] Zamir Iqbal, & Bushra Shafiq, "Islamic Finance and the role of Qard-Al-Hasan (benevolent loans) in Enhancing Inclusion: A Case of Akhuwat," *CRN Oxford Journal of Finance and Risk Perspectives Special Issue of Social and Sustainable*

Zakat and Qardul Hasan have played a crucial role in alleviating poverty within the Islamic Microfinance program.[6] In this regard, the management and distribution of both are still challenging. However, leading Muslim countries such as Indonesia and Malaysia worked well in the management and institutionalization of Zakat, Qardul Hasan, and Islamic finance.[7] For example, Indonesia has two types of institutions for collecting and distributing Zakat. The first one is governmental (BAZ and Baitul Mal), and the second is nongovernmental such as the Dhuafa Wallet and Rumah Zakat "Zakat House," and *Al-Falah* Foundation. Besides these institutions, Zakat may be collected by Mosques and Madrasa (pesantren) and often paid directly by Muzakki.[8]

Despite establishing many public and private institutions, Indonesia used Zakat and Qardul Hasan in the form of Islamic Microfinance. BMT is one of the institutions using Zakat in the form of Islamic Microfinance that has merged all economic and social operations into the rural society. BMT has two kinds of activities, Baitul Mal and Baitut Tamwil. The activity of BMT as Baitut Tamwil is to establish productive businesses by promoting saving and productive programs. It also provides numerous financing schemes to many business activities based on Shariah principles and collaboration based on loss and profit sharing. BMT, as *baitul mal* performs a social service by assisting in distributing social funds such as Zakat, *infaq*, and *shadaqah* to those who deserve it (*mustahiq*).[9]

Finance .4 no 4,(2015): P 23. [PDF] ISLAMIC FINANCE AND THE ROLE OF QARD-AL-HASSAN (BENEVOLENT LOANS) IN ENHANCING INCLUSION : A CASE STUDY OF AKHUWAT | Semantic Scholar. Last visited May 05, 2021.

[6] M A Hassanain, "Integrating Zakah, Awqaf and IMF for Poverty Alleviation: Three Models of Islamic Micro Finance," P 194.

[7] Riwajanti Nur Indah, "Islamic Microfinance as an Alternative for Poverty Alleviation: A Survey," *Afro Eurasian Studies*. 2, no.1&2, Spring & Fall (2013): P 254.

[8] Dwi Sari. M," Review on Indonesia Zakah Management and Obstacles," P 79.

[9] Husni Mubarrak, "Developing BMT as a Loss-Profit Sharing-Based Microfinance: An Indonesian Experience," *Ijtihad : Jurnal Wacana Hukum Islam Dan Kemanusiaan* 18, no. 2 (2018): 137, https://doi.org/10.18326/ijtihad.v18i2.137-152.

In Malaysia, collection and distribution are also institutionalized, called the Management of Zakat. Malaysia, like Indonesia, uses Zakat in the form of Islamic Microfinance. For example. Majlis Agama Islam Melaka (MAIM) is one of these institutions. MAIM is the state religious council that supervises Zakat matters in Melaka. Its main functions include collecting funds from qualified Muslims through Zakat Centre Melaka and distributing them to the appropriate beneficiaries.[10] MAIM was established on September 28, 1960, to regulate Melaka's State Islamic Religion matters.[11] Different organizations in Melaka collect and distribute Zakat. Pusat Zakat Melaka (PZM) manages to collect Zakat, while Melaka Islamic Religion Council is responsible for Zakat distribution. Initially, prior to the formation of the Pusat Zakat Melaka, all Zakat-related issues were regulated by the Waqf, Zakat, and Baitulmal Majlis Agama Islam Melaka, where jurisdiction focused on managing and distributing Islamic Law Administration (State of Melaka).[12]

In contrast, Afghanistan is one of the war-torn Islamic countries and has been classified with the highest poverty rank. The researcher focuses here on two points.

First, Afghanistan has weak management of Zakat and Qardul Hasan. Based on the survey, the office of Zakat collected $500 in one year. It means that Afghanistan has zero management regarding Zakat and Qardul Hasan. Also, in Afghanistan, Zakat is used only for the short term to survive the poor. It has not been used in the form of Islamic Microfinance or for long-term investment. For example, a merchant says, “when I wanted to pay Zakat for my assets, I asked my neighbors for looking *Mustahiq* or poor. After they specified, I paid *Zakat* to him”. He further expresses, “last year I paid the *Zakat* to a

[10] Melaka Islamic Religion Council, Establishment of MAIM, available at https://www.maim.gov.my/index.php/en/informasi/information/establishment-of-maim. Last visited Oct 14, 2022.

[11] Raja Adzrin Raja Ahmad, Ahmad Marzuki Amiruddin Othman, and Muhammad Sufiyudin Salleh, “Assessing the Satisfaction Level of Zakat Recipients Towards Zakat Management,” *Procedia Economics and Finance* 31, no. 15 (2015): 141, https://doi.org/10.1016/s2212-5671(15)01141-7.

[12] *Ibid.*

person who was engaged for many years, but financially was not able for the wedding. So, I paid him the *Zakat* for his wedding”.[13] Also, sometimes Muzakki gives *Zakat* to *Madrasa*, a religious school. *Madrasa* directors request the rich for financial support, and the rich agree and might pay some portion of *Zakat*.[14] Sometimes people of a village ask rich people to give *Zakat* for the building and construction of their Masjid (mosques).

Second, Afghanistan has no mechanism for the distribution of Zakat, and Islam requires not only the payment of Zakat but also its distribution to recipients is a significant step.[15] Therefore, paying Zakat is not considered the complete implementation of Zakat without distributing Zakat funds to the appropriate people (*Asnaf*). The Holy Qur'an has mentioned those worthy and entitled to receive Zakat.[16] Like rich people, the poor and needy ones also need facilities in their daily life. Thus, in Islam, the theory of Zakat is based on the principle of justice. That is why the second caliph of Islam, Abu Bakr, declared war on those not eager to pay Zakat anymore for him. He said," If they (pay me the Zakat and) withhold even a young (female) goat which they used to pay during the lifetime of Allah's Messenger (ﷺ), I will fight with them for it."[17] Therefore, it can be discussed that there is no complete system of Zakat implantation as the Sharia regulated in Afghanistan.

This study wants to find a way to manage Zakat and Qardul in Afghanistan better. Also, by learning lessons from Indonesia and

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[13] BBC, Nazer .com, “people’s Talk about Zakat” (Translated from Pashto to English), http://www.bbc.co.uk/nazer/lifeandlearning_dari/story/2008/02/080211_ws-aep-pt-zakat-.shtml. Last visited Dec 19, 2019.

[14] Eslahonline, *Questions about Zakat*, https://www.eslahonline.net/2009/03/29/_-69-5/. Last visited, Dec 19, 2019.

[15] Wan Khairuldin and Mohammad Mahadi, “The Philosophy and Elasticity of Zakah Distribution in Islam,” *International Journal of Education and Research*. 1 no. 8 August (2013): 1. Available at https://core.ac.uk/download/pdf/222964134.pdf. Last visited May 8, 2021.

[16] *Ibid*, 2.

[17] M Bin Ismail Bukhari., Sahih al-Bukhari, Obligatory Charity Tax (Zakat) - كتاب الزكاة» Hadith 1456, 1457. Available at https://sunnah.com/bukhari:1456. Last visited May 8, 2021.

Malaysia, Afghanistan can upgrade its institution system under Islamic Sharia, for the complete implementation of Zakat, including payment and distribution. In addition, Afghanistan can shift the policy of Zakat from short-term to long-term investment or use it in the form of Islamic Microfinance.

B. The Problem of the Research

Zakat and Qardul Hasan are considered the primary financial instruments of Islamic Microfinance. As the third pillar of Islam, Zakat and Qardul Hasan are closely correlated with poverty alleviation. Also, it is financial assistance for poor and needy people for their everyday basic needs. Nevertheless, the management of Zakat, including collection and distribution, is still challenging in Afghanistan. Ulama have predicted various ways for the distribution of Zakat to alleviate poverty. Right now, the idea of these Ulama can be divided into two categories. The first category disagrees with using Zakat for long-term investment. The second category of Ulama agrees to use Zakat for long-term investment. In Afghanistan, Zakat has been used for short term or only to survive the life of the poor. This study focuses on the second category of Ulama, who agrees to use Zakat for long-term investment or use Zakat in the form of Islamic Microfinance. Thus, the study wants to find out how Afghanistan could shift the policy of using Zakat for short-term implementation to long-term investment or how to use Zakat and Qardul Hasan in the form of Islamic Microfinance.

C. Research Questions

To address and achieve the objectives, the researcher wants to determine the role of Islamic microfinance in Afghanistan in poverty alleviation and draw the best framework for implementing IMF, exemplified Indonesia, and Malaysia as analytical tools for the study.The questions of the study is the bellow.

1. What is Islamic microfinance, and what is its role in poverty alleviation when managed in Afghanistan?

2. What are the factors behind the failure of Zakat and Qardul Hasan in Afghanistan?
3. How can Zakat and Qardul Hasan be used in the form of Islamic Microfinance?

D. Research Objectives

As mentioned, Islamic Microfinance has played an essential role in alleviating poverty, and Zakat and Qardul Hasan are the primary tools of the IMF program. The essential objective of this study is as the following:

1. The study's first objective focuses on the collection and distribution of Zakat and Qardul Hasan. There is a need to have good management regarding the collection and distribution of Zakat to use them effectively. In contrast, Afghanistan has no straightforward process and management for collecting Zakat, Ushr, and Qardul Hasan. This study wants to learn from the two leading countries, Indonesia, and Malaysia, regarding the management of Zakat, collection, and distribution to enhance Zakat management in Afghanistan.

2. The study's second objective is to show that Zakat implementation is slightly different in Afghanistan, Indonesia, and Malaysia. Indonesia and Malaysia have used Zakat and Qardul Hasan in the form of Islamic Microfinance and use Zakat for long-term investment. These distinctions allow Muslim societies to apply the idea compatible with the culture, economy, knowledge, and geographical situation. In order to analyze the Indonesian Ulama fatwa stating that Zakat can invest for the long term and in the form of Islamic Microfinance considering classic jurisprudence, this study wants that Afghanistan can shift policy from using Zakat for the short term to using it for the long-term investment or use it in the form of Islamic Microfinance.

E. Theoretical Framework

It is crucial to write down relevant theories regarding Islamic Microfinance, Zakat, and Qardul Hasan to support the idea of the study. Economists believe Islamic microfinance is an alternative potential instrument to alleviate poverty.

1. The Theory of Islamic Microfinance:

Microfinance means giving poor people small loans through specific programs to fulfill their needs.

"Loans are usually relatively short term, less than 12 months in most instances, and generally for working capital with immediate regular weekly or monthly repayments – they are also disbursed quickly after approval, particularly for those seeking repeat loans". Also, the "Loan application and disbursement procedures are designed to be helpful to low-income borrowers – they are simple to understand, locally provided, and quickly accessible."[18]

The term Islamic Microfinance is the platform of microfinance, but it provides an interest-free loan called Qardul Hasan. It means that in IMF operations, prohibited elements such as usury (*riba*) should not be involved.[19]

The theory of the Potential of Islamic Microfinance to alleviate poverty goes to the practical side. For example, Malaysia has worked hard to maintain economic growth and poverty alleviation through Islamic Microfinance. Thus, the country's poverty rate was 1.7% in 2012 compared to 16.5% in 1990. The main reason for this is the establishment of three major Islamic Microfinance Institutions (IMFIs) such as Amanah Ikhtiar Malaysia (AIM), The Economic Fund for National Entrepreneurs Group (TEKUN), and Yayasan Usaha Maju (YUM).[20] Similarly, Indonesia also worked hard regarding the

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[18] Ajaz Ahmed Khan, "Islamic Microfinance: Theory, Policy and Practice", 6.

[19] Dusuki, A. W., "Banking for the Poor: The role of Islamic banking in microfinance initiatives", *Humanomics,* 24, (2008): 49–66. Available at https://pdfs.semanticscholar.org/4018/cd643ab964fabbc6a5c77acae16d8cb3a72c.pdf. Last visit Nov 21, 2020. See *also* "the current practice of Islamic microfinance institutions' accounting information system via the implementation of mobile banking" *by* Afifa Malina Amran Page 82.

[20] Amran Afifa Malina and others, "The current practice of Islamic microfinance institutions' accounting information system via the implementation of mobile banking," *Procedia - Social and Behavioral Sciences* 145 (2014), Available online at www.sciencedirect.com ScienceDirect, 82.

establishment of Islamic Microfinance institutions while around 29 million people live in deprived conditions, according to the Indonesian Statistics Bureau (2012). Not only do poor people have low incomes, but they also mostly lack access to basic needs, such as education, health, clean drinking water, and adequate sanitation.

Furthermore, fighting against poverty, the first formal step of the Indonesian government in microfinance started in the late 19th century with the establishment of the People's Credit Bank and Lumbung Desa.[21] These institutions were created to help farmers and workers free themselves from loan sharks. The People's Credit Bank was upgraded in 1905 to become the Village Bank, with facilities extended to all small business activities. Among this conventional microfinance, Indonesia operates based on the Islamic system (Shari'ah), including BPR Shari'ah (BPRS) and BMT (Baitul Mal Wat Tamwil).[22]

BMTs are important new sources of micro-institutional development. They all gain support from the Islamic community, which is why the establishment of microfinance institutions in Indonesia has spread rapidly. In Indonesia, some Muslims will never use conventional banking services because the interest that does not correspond to the Islamic concept is used by micro, small and medium enterprises MSMEs. The development of BMT is thus one of the alternative solutions to the problem.[23] BMTs are a grass-root innovation sponsored by funds from members of the Islamic community. These micro-finance institutions typically work on the profit-loss-sharing concept and use Islamic moral principles and group unity as social capital to promote the repayment of loans.[24]

2. The Theory of Using Zakat in the Form of Islamic Microfinance:

Contemporary Islamic scholars argue that Zakat can be used for two purposes. The first purpose is only to survive the poor people and

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[21] *Ibid*, 22.
[22] *Ibid.*
[23] *Ibid*, 23.
[24] *Ibid.*

access their basic needs. The second purpose is as a productive tool for long-term investment. This is called in the Arabic language The investment of Zakat (استثمار الزكات) or using Zakat in the form of Islamic Microfinance. *Istithmar* is the increasing of capital in such ways that almighty permits. It is the meaning that recently used the "Using Zakat in the form of Islamic Microfinance" program for long-term investment. So, is Zakat for long-term investment or using Zakat in the form of Islamic Microfinance permissible? In this regard, Ulama is divided into two categories. The first category argues that Zakat for long-term investment is permitted. The second category discusses that Zakat for long-term investment is not permissible. Also, this issue can be divided into two paces, *Istithmar* of Zakat through Muzakki and the second *Istithmar* of Zakat through institutions.[25]

3. The Theory of Zakat Management and Politics

As the third pillar of Islam, Zakat is a type of *Maliyah al-ijtim'iyyah* with a solid potential to strengthen the socio-economic part of the country.[26] Islamic scholars discussed that Zakat Management and its controlling by politics is essential because this pillar's practice is an obligation for Muslims. To complete Zakat, Islam requires two things: the collection of Zakat and the second is the distribution of Zakat to the beneficiary.[27] Allah has mentioned two rules in the Quran in the Ayah of Zakat. The first rule based on this part of Ayah (اقيموا الصلاة و آتوا الزكاة) is the collection of Zakat. The second rule based on this Ayah (انما الصدقات للفقراء...) is the distribution of Zakat to the eligible beneficiaries, which is called management of Zakat. Thus, according to scholars, Zakat management refers to the implementation of management principles and functions inside Zakat to obtain the

[25] Khalid bin Ali almasheeqih, "Fiqh al-Nawazi fil Ebadat," (1427): P 53.

[26] Imam Yahya, "Zakat Management in Indonesia: A Legal Political Perspective," *Al-Ahkam* 30, no. 2 (2020): 195–214, https://doi.org/10.21580/ahkam.2020.30.2.6420.

[27] Wan Khairuldin and Mohammad Mahadi, "The Philosophy and Elasticity of Zakah Distribution in Islam," *International Journal of Education and Research*. 1 no. 8 (2013): P 1. Available at https://core.ac.uk/download/pdf/222964134.pdf. Last visited May 8, 2021.

objective of Zakat effectively and appropriately, and the effectiveness of Zakat management of an institution goes to the good managing of Zakat funds, collection to distribution.[28] In this regard, Indonesia and Malaysia are leading Muslim countries that pass political laws for managing Zakat institutions.

4. The Theory of Islam toward Poverty Alleviation

Islam has several provisions for enhancing the economic condition of poor people. Islam encourages us to attempt to reduce the level of poverty in society. There are still 1.3 million people living below the poverty line with an income of less than 1 USD per day.[29] Among other humankind in the world, most Muslims also suffer from poverty, but Islam as a religion of the way of life indicates some sources to alleviate poverty in society. These sources include the following:

Zakat*: Zakat* is an Arabic term that means 'to purify.' Zakat refers to the calculated share of wealth prescribed by Allah in Islamic law to be allocated amongst groups entitled to receive it. Zakat is a compulsory charge and payment of the rich to economically underprivileged people in the community.[30]

Qardul Hasan: One of Islamic finance's core principles is an unconditional prohibition of interest in lending transactions. This prohibition means a ban on any debt or loan that carries a financial reward linked to the lending period. Therefore, debt instruments are also prohibited because of the prohibition of interest. Two forms of the loan (Qard) are permissible, and one is strongly recommended. Islam agrees and allows a loan from one party to another with an obligation to repay the amount without any interest or rent. For

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[28] Deni Kamaludin Yusup, Dadang Husen Sobana, and Fachrurazy Fachrurazy, “The Effectiveness of Zakat Distribution at the National Zakat Agency,” *Al-’Adalah* 18, no. 1 (2021): 55–76, https://doi.org/10.24042/adalah.v18i1.9912.

[29] Hidayati Di Ajeng Laily, “Quranic Perspective on Poverty Alleviation,” *Lentera,* IX X, no. 2, December (2015): P129.

[30] Dutsinma Ahmad Maigari and Dansabo Muhammad Tasiu, “Islamic Strategies of Poverty Alleviation: A Neglected Dimension of Development in Nigeria,” *Saudi Journal of Humanities and Social Sciences* ISSN 2415-6256, Scholars Middle East Publishers, Dubai, United Arab Emirates, P899.

consumer and commercial purposes, this is a regular no-cost loan. However, in the Islamic economic system, the other kind of loan, known as Qard-al-Hassan (benevolent loan), is described as a loan for members of the community who are in financial trouble. It has a special determination in the Islamic economic system.[31]

Waqf: In Arabic *Waqf* or *Awqaf* means to hold, confinement or restriction. *Waqf* is a permanent charity in Islam, which means that particular property is kept, and the limited profit of certain philanthropic purposes is maintained. *Waqf* refers to properties such as land or houses. It may also apply to currency, books, stocks, and other assets.

Kind *of Waf*: there are three kinds of Waqf.

a. Religious *Waqf* aims to preserve religious structures such as the mosque, the school (madrasa), and their surrounding buildings and properties.

b. Philanthropic *Waqf:* this kind of *Waqf* seeks to provide support, such as health care and education, for the vulnerable and poor. These forms of *Waqf* were introduced by Prophet Muhammad (SAW) in the early days of Islam to reduce the inequality and injustice between the social straits.

c. Family *Waqf*: A family *Waqf* is a particular form of *Waqf*. It will be given first to the family and descendent and extended to the poor and needy people in the community. [32]

***Infaq*:** *Infaq* is a strategy for poverty alleviation in Islam. Etymologically *infaq* means spending assets and possessions for a specific purpose. Based on Sharia, *Infaq* also refers to spending wealth for a certain goal for poor or needy people as directed by Islam.[33]

[31] Zamir Iqbal,. Bushra Shafiq,, "Islamic Finance and The Role of Qard-Al-Hassan (Benevolent Loans) in Enhancing Inclusion: A Case Study of Akhuwat." *ACRN Oxford Journal of Finance and Risk Perspectives*, October (2015): 25-26.

[32] Dutsinma Ahmad Maigari and Dansabo Muhammad Tasiu, "Islamic Strategies of Poverty Alleviation: A Neglected Dimension of Development in Nigeria." P 899-900.

[33] PortalInfaq, "Definitions of Zakah, Infaq, and Shadaqah" (June 16, 2006), https://www.portalinfaq.org.uk/node/14. Last visited, May 15, 2020.

Sadaqah**:** *Sadaqah* is another way of poverty alleviation in Islam. *Sadaqah* means rightness action, that someone consumes and gives money or other possessions in the way of Allah SWT to the poor or needy people. *Sadaqah* is essential to a Muslim's faith by seeking Allah's pleasure by helping the poor and others in need. [34]

To conclude, Islam has come up with proper strategies to alleviate poverty in society as a religion of whole life. Besides, contemporary economists who have worked hard on implementing these Islamic theories and strategies in Islamic countries, such as Indonesia, Malaysia, and others, see Islamic microfinance as a potential for poverty alleviation. They use all these strategies of Islam for long-term investment and have witnessed the positive result of this form in poverty alleviation. Afghanistan has the same potential as other Islamic countries. The only reason can be that Afghanistan has not used Zakat for long-term investment.

F. Literature Review

1. The Growth of Islamic Microfinance

Microfinance is commonly recognized as a development platform for overcoming poverty. In recent studies, microfinance influences clients' income and health positively. It is has started in Bangladesh and has now spread to other continents.[35] Nevertheless, there is concern that microfinance has failed to meet its goal of alleviating poverty. It is due to the industry's change from a poverty-focused to a profit-oriented business model.[36] With the recent growth of Islamic banking and finance, the topic of Islamic microfinance has only been released through thoughtful attention. There were few studies related to Islamic Microfinance before 2005 and 2006, but most of the research was carried out after that. It is because the World

[34] Shabana Binte Mahmodul Hasan, *Zakat v. Sadaqah*, Global Sadaqah BETA (March 20, 2018), https://www.globalsadaqah.com/blog/zakat-vs-sadaqah/. Last visited May 15, 2020.

[35] , Nordin Abu Bakar, Salwana Hassan and others, "Designing Islamic Microfinance Products for Islamic Banks in Malaysia," *Middle East Journal of Scientific Research* 17, no.3, (2013) ISSN, 359.

[36] *Ibid.*

Bank announced 2005 as the year of microfinance.[37]. Furthermore, Nordin Abu Bakar, Salwana Hassan illustrated that microfinance has a greater impact in countries with significant poverty levels, mostly in developing countries such as Asia, Latin America, and the African continent. Muhammad Yunus, the founder of modern microfinance, began the project in a village in Bangladesh in the late 1970s. It has spread to other areas of the country and some developed and developing countries.[38] Recently, microfinance is considered a tool providing a deposit, a small loan disbursement for creating a project or expanding a business, payment services, money transfers, or microinsurance to low-income households and their micro businesses.[39]

2. The Role and Potential of Islamic Microfinance in Poverty Alleviation

Poverty is a huge challenge, and it happens everywhere on the earth. According to Obaidullah, it appears to be "… the biggest moral challenge of this century".[40] According to Alex Addae-Korankye, microfinance is a powerful strategy to reduce poverty worldwide. The microfinance revolution has swept the developing world today, following Bangladesh's Grameen Bank's great achievement in regard to Islamic microfinance.[41] Scholars "found out from the related literature that microfinance has a positive impact on poverty reduction, and so it is an effective tool for poverty reduction in many countries,

[37] Grameen Bank (GB) has developed a banking system focused on mutual confidence, transparency, involvement, and innovation, which is in strong contrast to conventional banking practices. Without any collateral, GB provides credit to the poorest of the poor in rural Bangladesh. At GB, credit is a cost-effective weapon to fight poverty and it serves as a catalyst in the overall development of socio-economic conditions of the poor who have been kept outside the banking orbit on the ground that they are poor and hence not bankable. (https://grameenbank.org/introduction/.)

[38] "Designing Islamic Microfinance Products for Islamic Banks in Malaysia," p 359.

[39] *Ibid*, at 360.

[40] *Introduction to Islamic Microfinance*, P 1.

[41] Korankaye Alex, "Microfinance: a tool for poverty reduction in developing countries," *Journal of Business and Retail Management Research* (JBRMR), 7, no. 1 (2012): P138.

including Bangladesh and Bolivia. However, there is uncertainty about its large-scale impact."[42] Furthermore, Rokhman, and Wahibur conducted a study under the title "The Effect of Islamic Microfinance on Poverty Alleviation: Study in Indonesia." He analyzed the influence of Islamic microfinance on poverty alleviation. The study considered four poverty alleviation indicators: income levels, children's education, health care, and business progress. According to his empirical studies, microfinance considerably influences rising income level, children's education, and business progress. However, there is no evidence of microfinance's significant effect on healthcare access.[43] Likewise, studies "indicated that Islamic micro-finance is a growing market niche with a comprehensive approach towards human empowerment, increased income, and well-being."[44] Significantly, its role in socio-economic development, on the other hand, is also more visible. For example, Bosnia and Herzegovina are a notable case study for this claim because of the considerable growth of the microfinance sector in the last 20 years and its impact on the country's wartime reconstruction and development.[45]

3. Islamic Microfinance and its Relationship with Zakat and Qardul Hasan

The term of Islamic Microfinance, as it appears from its name, is Microfinance facilities that should be in line with Sharia. Thus, Islamic Microfinance concepts provide financial services to low-income people conforming to Sharia principles. These principles are

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[42] *Ibid.*

[43] Rokhman, Wahibur, "The Effect of Islamic Microfinance on Poverty Alleviation: Study in Indonesia", *Economic Review: Journal of Economics and Business*, ISSN 1512-8962, University of Tuzla, Faculty of Economics, Tuzla. 11, no. 2, (2013): 21.

[44] Abubakar Sadiq Usmana & Rosmaini Tasmin, "The Role of Islamic Micro-finance in Enhancing Human Development in Muslim Countries," *Journal of Islamic Finance,* 5 no. 1 (2016): 53. IIUM Institute of Islamic Banking and Finance ISSN 2289-2117 (O) / 2289-2109.

[45] Efendic. Velid & Karamustafic Eldina, "The Role of Islamic Microfinance in Socio-Economic Development in Bosnia and Herzegovina," *International Journal of Islamic Economics and Finance Studies.* 3, no.2, (2017): 150. e-ISSN: 2149-8407 p-ISSN: 2149-8407.

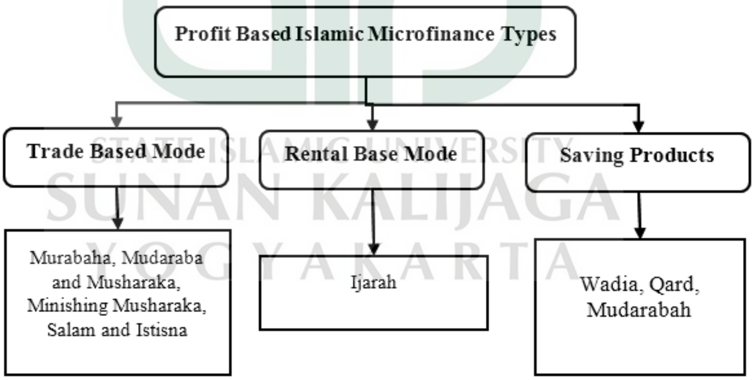
that *Riba* (Usury) and *Gharar* (excessive uncertainty) are prohibited, and all actions must be carried out for permissible purposes (*halal*). Also, profit and loss sharing will be implemented.[46] Zakat and Qardul Hasan have a relationship with Islamic Microfinance because Islamic Economy scholars divided Islamic Microfinance into two types.[47]

1. **Charity-based or non-profit Islamic Microfinance**
2. **Profit-based Islamic Microfinance**

The Islamic charity Microfinance is for those ranked extremely poor, living below the poverty line, and needing money for the fundamental essentials of life. Besides access to basic needs, it is vital to make them economically engaged by offering training or technical skills to ensure their long-term social and economic benefit. In this regard, Zakat, Waqf, and Qardul Hasan are the primary financial tools for this category, mainly when Zakat and Qardul Hasan are used in the form of Islamic Microfinance.

According to Islamic scholars Profit based Islamic Microfinance is comprised of the following models:

Figure 1: Profit Based IMF



Source: Models of Islamic Microfinance

[46] *Ibid.*

[47] Mohammad Obaidullah," Introduction to Islamic Microfinance," IBF Net: *The Islamic Business and Finance Network*, India, P 25. Also, Aslam Mohammad Naveed: "The Role of Islamic Microfinance in Poverty Alleviation in Pakistan: An Empirical Approach." P 144.

4. Payment and Contribution of Zakat

Along with one of the five pillars of Islam, Zakat, that has formed for the Muslim overall. The Muslims consider this pillar's practice as an obligation. To complete Zakat, Islam requires not only the payment of Zakat but also the distribution of Zakat to recipients is a significant step according to Sharia.[48] Therefore, paying Zakat is not considered the complete implementation of Zakat, but it also includes distributing Zakat funds to the appropriate people (*Asnaf*). The Holy Qur'an has mentioned those worthy and entitled to receive Zakat. Allah says,

"Zakat expenditures are only for the poor and for the needy and for those employed to collect [zakah] and for bringing hearts together [for Islam] and for freeing captives [or slaves] and for those in debt and for the cause of Allah and for the [stranded] traveler - an obligation [imposed] by Allah. And Allah is Knowing and Wise."[49]

Above, the Holy Quran clearly states that eight categories of persons are eligible for Zakat distribution. Scholars have given distinct definitions to each of these groups or Zakat recipients. The following is a list of definition receivers and their explanations.[50]

a. **The Poor or *Fuqara'*:** the *Fuqara'* are Individual Muslims who do not have a job or a source of money, do not meet half of the requirements (*Kifaya*), and are unable to meet their basic needs.[51]
b. **The Needy or *Masakin*** are Muslim individuals who work and get sufficient money to meet 50% of their daily necessities.
c. **Zakat Administrators or *Amilin*:** *Amilin* are Individuals or organizations involved directly in the management and

[48] Wan Khairuldin and Mohammad Mahadi, "The Philosophy and Elasticity of Zakah Distribution in Islam," *International Journal of Education and Research*. 1 no. 8 (2013): P 1. Available at https://core.ac.uk/download/pdf/222964134.pdf. Last visited May 8, 2021.

[49] Surat Al Tawba, 9.

[50] Sanep Ahmad. (2009). "Distribution of Zakat Beyond Asnaf: Toward the Empowerment of Zakat Institution," *Prosiding PERKEM IV.Bangi*: PusatPengajianEkonomi, FakultiEkonomidanPengurusan, UKM. jld no.2 (2009): 63. Available at https://www.ukm.my/fep/perkem/pdf/perkemIV/PERKEM2009-2-05.pdf. Last visited Oct 03, 2021.

[51] *The Philosophy and Elasticity of Zakah Distribution in Islam,* P 3.

administration of Zakat affairs, including collecting, distribution, or finance.

d. ***Muallafal Qulub*****:** Those who have recently converted to Islam (Muallaf). They are individuals who have tamed their hearts to accept Islamic orientation or have tamed to adopt it. Muallaf is divided into four categories:

1) People who have just converted to Islam
2) The leader of a group of people who have converted to Islam and have good relations with non-Muslim leaders
3) The leaders of a group of people who accept Islam but have weak faith but are still followed by the people under his command
4) People who embrace Islam and live close to the enemy's border[52]

e. **Captives seeking freedom *(al-Riqab)* – Slavery*:*** Individuals liberated from slavery and conquest, whether physical or mental. While slavery was abolished, the meaning has been enlarged to include freedom from ignorance, politics, economics, and other forms of oppression.[53]

f. **Debtors or *Gharimin*:** they are in debt but need support and assistance to meet their basic needs.

g. ***Fi Sabilillah* or for the Sake of Allah:** are people who struggle for the community's betterment for the sake of Allah. Also, who manage, develop, support, defend, and missionary activities.[54]

h. **Travelers or *Ibn Sabil*:** are standard wayfarers on an allowed and permissible journey. They are traveling and experiencing financial difficulties or in need of assistance.[55]

The Holy Qur'an explicitly indicates who is eligible to seek Zakat. However, it does not specify which types of property and wealth are required. The sorts of Zakat assets and wealth are only explained by

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[52] "The Philosophy and Elasticity of Zakah Distribution in Islam," P 3.
[53] *Ibid*.
[54] *Ibid*.
[55] *Ibid*.

Prophet Muhammad SAW. So, this demonstrates that the distribution of Zakat to the recipients is the most significant aspect of the practice. Almighty Allah favors the significance of Zakat distribution compared to other Zakat affairs to avoid distorted and non-implementation desires in Zakat distribution.[56] According to Shaikh Qardawi, the distribution of Zakat in Islamic law serves as a social insurance in Islam for overcoming different life issues, particularly solving poverty problems.[57]

5. Management and Institutionalization of Zakat

In Islam, Zakat is one of the essential cornerstones of the economic system. It is the third of Islam's five pillars and is considered tools for supporting the poor and destitute. It is the pillar that aims to alleviate poverty in the community by requiring rich people to transfer a certain amount of their money, which is more than *Nisab* and has circulated for one lunar year, to specific groups of beneficiaries, as specified in the Qur'an. According to Aan Jaelani, the management of Zakat is a significant step toward poverty alleviation. He exemplifies that Zakat's potential in Indonesia's broader society, stakeholder cooperation, and government regulation are indeed solutions to the country's poverty problem.[58]Thus, Indonesia passed legislation, Acts No. 38 the Year 1999, on Zakat management and governance for the first time in 1999 to manage the activities of the state-controlled BAZ and the privately operated LAZ.[59] According to Law No. 23/2011 article 22, "Zakah paid by Muzzaki to BAZNAS or LAZ is deducted from taxable income,". Therefore, Indonesian Muslims have the double responsibility of paying Zakat and taxes simultaneously

[56] *Ibid.*

[57] Yousuf Al Qardawi, "Fiqh zakat: A comparative Study of the Rules, Regulations, and Philosophy of Zakat in the light of the Qur'an and Sunna." P 880-881.

[58] Jailani Aan, "Zakah Management for Poverty Alleviation in Indonesia, and Brunei Darussalam," (2016), Turkish Economic Review, 3, no. 3, (2016): 495.

[59] Zulkipli Lessy, "Zakat (Alms-Giving) Management in Indonesia: Whose Job Should It Be?" *La_ Riba Journal Economi Islam*, III, no. 1, Juli (2009): 113.

according to the Law.[60] Prof Lessy demonstrates in his article that rather than competing, the government and private Zakat agencies should cooperate, and the state, on the other hand, has controlling jurisdiction over private Zakat institutions.[61] Furthermore, within Islam, Zakat is an individual practice. According to Mari Adachi, without losing its spiritual value, it extended to include new objectives like community development and financial inclusion. In addition, his study explains that an institutionalized Zakat management strategy assists in establishing new theoretical intervention areas and helps community promotion and empowerment.[62]

Furthermore, in Malaysia, the government supervises Zakat management. Expanding the amount of Zakat collected by the government is inextricably linked to the development of e-Zakat, which uses internet-based applications to make all Zakat information available to everyone. Only Selangor, Pinang Island, and Sarawak in Malaysia have privatized their Zakat collection and distribution processes. In the meantime, the Federal Territories of Kuala Lumpur, Negeri Sembilan, Melaka, and Pahang privatize only the collection of Zakat and hand it over to the State Islamic Religious Council (SIRC) for distribution of Zakat.[63] Other states, including Kedah, Perlis, Sabah, Kelantan, Perak, Terengganu, Johor, Putrajaya, and the Labuan Federal Territory, have not privatized their Zakat management and rely exclusively on SIRC.[64]

6. Digitalization of Zakat

In Islam, the Second year of Hijrah was the implementation of Zakat. During the Prophet Mohammad (PBUH), Zakat payment was

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[60] Masyita Dian (2018), "Lessons Learned of Zakah Management from Different Era and Countries," *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah (Journal of Islamic Economics),* 10, no.2, July (2018): 448. P-ISSN: 2087-135X; E-ISSN: 2407-8654.

[61] Lessy, "Zakat Management in Indonesia," P 106.

[62] Adachi Mari, "Discourses of Institutionalization of Zakat Management System in Contemporary Indonesia: Effect of the Revitalization of Islamic Economics," *International Journal of Zakat,* 3 no.1 (2018): 23.

[63]Masyita Dian, "Lessons Learned of Zakah Management from Different Era and Countries*,"* P 447-448.

[64] *Ibid.*

primarily on agricultural and livestock Zakat because at that time, Medina's economic wealth was largely drawn from these two products. In the time of the Prophet, Zakat collection and distribution were decentralized and localized. It means that Zakat payments received in one place cannot be disbursed in another region and area.[65] The Zakat administration was established during the period of Khalifah Umar ibn Khattab. Umar mandated the collection of Zakat from trade, gold, and silver, as well as taxes from non-Muslims who had business in the Muslim community.[66] Yemen, Saudi Arabia, Malaysia, Libya, Pakistan, and Sudan implemented laws to collect Zakat on a compulsory basis after the Ottoman Empire collapsed. Other countries that have formed governmental agencies to collect and distribute Zakat without paying it to required bodies include Kuwait, Jordan, Bangladesh, Qatar, Oman, Iraq, and Bahrain. Furthermore, Indonesia has formed national Zakat organizations to collect and distribute Zakat. [67]

Technological advancements have revolutionized the financial sector's system and business activities in this age of technology. Zakat institutions may examine the feasibility of modifying modern Zakat payments considering current financial system changes. As a result of technological advancements, Zakat fund investing is becoming a major concern in modern Zakat management. Any activity that increases and expands the amount of Zakat accessible is considered a zakat investment. [68] Besides, digital-based technologies are growing in popularity in society due to the rapid benefits it provides to their consumers. This digital-based is one of the outcomes of the Fourth Industrial Revolution, resulting in considerable changes in human

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[65] Kahf Monzer, "The Performance of the Institution of Zakah in Theory and Practice," *International Conference on Islamic Economics Towards the 21st Century*. Kuala Lumpur. April 26-30, (1999): 2. Available at https://www.iiibf.org/papers/english/performance_of_zakah_malaysia_1999.pdf. Last visited Oct 30, 2021.

[66] Yunita. Patria, "Developing a Modern Zakat Management Model Digital Technology" *4.0 Version, Azka International Journal Zakat & Social Finance*,.2, no 1. (2021): 142.

[67] Ibid at 143.

[68] Ibid at 149.

life.[69] In Indonesia, Fintech❋ is an example of digitization in the economy and financial system. Fintech has grown tremendously in Indonesia, resulting in more efficient and productive financial operations. It has also assisted in management in other areas, as well as Zakat management.[70] Along with technical advancements, the world of Zakat has changed considerably. Technology has now been utilized for Zakat collection and distribution, management, and education. Generally, three platforms are used in the compilation process. First, the Zakat institution's internal platform, which includes applications, websites, and so on. The second platform called the external platform, which is supplied by OPZ partners to raise ZIS funding. The third platform is crowdfunding platforms such as Kitabisa.com.[71]Furthermore, in terms of management, Zakat institutions have implemented digitalization to improve the process of good governance, accountability, and efficiency using new version of technology. Creating a blockchain technology-based Zakat application named i-Zakat is one of the tangible actions made by the National Zakat Agency (BAZNAS) as the Zakat regulator in Indonesia, as specified in the BAZNAS Chair's Decree No.33 of 2019. Also, digitization is utilized to establish a Mustahiq Identification Number to distribute Zakat funds (NIM). NIM is an attempt to precisely determine a Mustahiq's identification.[73]

[69] Ninglasari Sri Yayu & Muhammad Mumuh, "Zakat Digitalization: Effectiveness of Zakat Management During Covid-19 Pandemic," *Journal of Islamic Economic Laws*. 4, no. 1 January (2021): 29.

❋The Indonesian Fintech Association (AFTECH) was founded in 2016 as a forum for fintech providers to campaign for and communicate with various stakeholders to foster technical innovation and increase the national fintech industry's competitiveness. On August 9, 2019, the Financial Services Authority (OJK) formally designated AFTECH as the Association for Digital Financial Innovation Providers (IKD) in accordance with POJK No. 13/2018.

[70] Ibid and https://fintech.id/id/about#visi-misi.

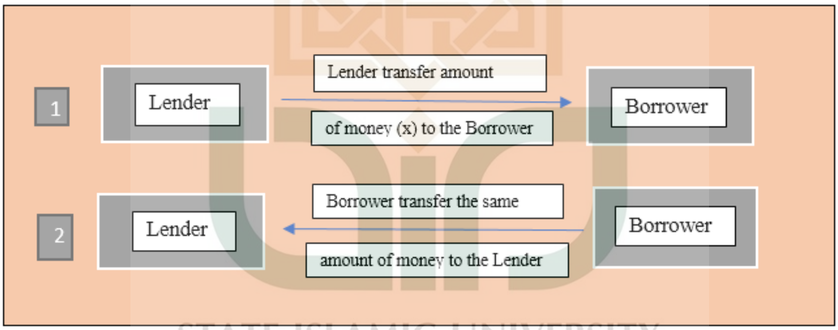
[71] "Zakat Digitalization: Effectiveness of Zakat Management During Covid-19 Pandemic," 30.

Ibid and

7. Qardul Hasan

Qardul Hasan is one of the mutual cooperation finance initiatives offered by Islamic Financial Institutions (IFMs). One of the programs under Islamic Financial Institutions' corporate social responsibility is to assist the underprivileged by providing interest-free (no Riba) financial services.[74] Within Islam, *Riba's* prohibition is extremely important, and it is usually brought up in any discussion about Islamic Finance contracts. As a result, Qardul Hasan is recommended in Islam not just for its distinctiveness and flexibility but also for the prohibition of *Riba*. This demonstrates a spirit of cooperation (*Ta'awun*) and brotherhood (*Ukhuwah*), which will increase society's overall welfare.[75] As a result, Islamic banks need to provide Qardul Hasan services to attain socio-economic objectives.[76]

Figure2: Qardul Hasan Circle



According to Junaidi, Islamic banks have a dual mission: to eliminate interest (*Riba*) from their operations while contributing to societal welfare. Qardul Hasan loans are one of the options offered by Islamic banks that can be utilized to alleviate poverty. Interest-free

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https://fintech.id/id/about#visi-misislamic Corporate Social Responsibility,” *Advances in Economics, Business and Management Research*, volume 173 Proceedings of the 7th Regional Accounting Conference (KRA 2020), P 53.

[75] Ahmad Zainal Abidina, Norhayati Mohd Alwib and Noraini Mohd Ariffin, (2011), “A Case Study on the Implementation of Qardhul Hasan Concept as a Financing Product in Islamic Banks in Malaysia,” *International Journal of Economics, Management & Accounting*, Supplementary, no.19 (2011): 82. © 2011 by The International Islamic University Malaysia.

[76] *Ibid.*

(Qardul Hasan) loan finance is a type of social loan that is given without any fees or charges other than capital repayment.[77] Also, Wan nor Aisyah discusses in her article that the idea of Qardul Hasan is for social welfare in Islam, not for a business transaction mechanism.[78] Qardul Hasan is an essential place to look into and successfully supply much-needed social services to the needy. Microfinance institutions offer the Qardul Hasan as a financing option. Unlike other financing products, the Qardul Hasan had several distinct characteristics, such as the ability to serve a particularly specialized group of customers known as the dhuafa' in Islamic Sharia.[79]

G. Research Method

In academic and scientific studies, the method of research is accordingly significant. Selecting a proper method for the analysis, leads the study to obtaining the goal of the study well. Thus, this study included different type of research methods as the following.

1. Type of Research:

This study comprises of qualitative and descriptive type of research to precisely describe Islamic Microfinance and its crucial role in poverty alleviation. The study provides a response to the first question of the study: 1) what Islamic Microfinance is, and (2) what its role in poverty alleviation in Afghanistan when managed well. Also, the study provides information regarding norms and practices of Zakat and Qardul Hasan in Afghanistan.

The second type of research of this study is an explanatory research method that has purposes to provide information in response to the second question of the study (the factors behind the failure of

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[77] Junaidi; Zeni Lutfiyah; Moh. Adnan, (2017), "The Effectiveness of Interest-free loan Financing (Qardul Hasan) as the Social Implementer of Islamic Bank to Reduce Poverty in Suarakarta", *Yustisia*. 6 no. 2, May-August (2017): P 421.

[78] Wan Nor Aisyah, Wan Yussof, and others, (2015), "The Originality of Qard and its Implication on the Loan Theory: Does Intention Matter?" マレーシア研究第４号（2015 年）, P 14.

[79] Ismail Abdul Ghafar, and Bayu Taufiq Possumah, (2010), "Qardhul Hasan Principles Applied to Micro Finance Facilities," *Research Center for Islamic Economics and Finance Universiti Kebangsaan Malaysia*, P1.

the Zakat and Qardul Hasan in Afghanistan). In this regard, the questionnaire was designed to explore the key factors of Zakat and Qardul Hasan failure in Afghanistan.

Furthermore, the last question of the study can use Zakat and Qardul Hasan in form of Islamic Microfinance?) that is (how can use Zakat and Qardul Hasan in exploratory, empirical, and doctrinal type of research. In this regard, the observation has been conducted on Rumah Zakat, Dompet Duafa, BMT, and BAZNAS institutions by asking some open-ended questions about collection and distribution of Zakat and using it in the form of Islamic Microfinance.

2. Research Design

To obtain the study's objectives and integrate different components of the study in a coherent, logical way, the research was designed into the following steps.

Initially, the first step divides the study into various chapters. All chapters were needed to collect two types of data. Considering the Covid-19 situation, is the researcher decided to collect first the data for descriptive chapters of the study. In this regard, information related to Quran, Hadiths, books, academic articles, and other internet sources have been carefully reviewed, and data has been collected from them.

Second, this type of data belongs to be collected from the field. Three data methods were designed to be collected from the field, distribution of questionnaires, interviews, and observation of relevant institutions. Two types of institutions have been considered in the part of observation. The first institutions designed are the administrations of Zakat and Qardul Hasan in Afghanistan. In this regard, data was collected by conducting open-ended questions interviews with staff and responsible people. Also, the Zakat administration in the Afghanistan Ministry of Religious and Hajj Affairs was visited, and authentic information was collected. The second part of the observation was to visit the institutions of Zakat and Qardul Hasan in Indonesia. In this regard, it was designed to visit Romah Zakat Yogyakarta, BAZNAS, Dompet Duafa, and BMT institutions. This visit was at the end of data collection. This part made an appointment with them and asked open-ended questions that were not clear during descriptive data. For example: how is the process for the collection of Zakat of your administration? What is the mechanism for the distribution of Zakat of the administration? For the private administration of Zakat, another question was how is the management of staff salary and other services cost of your administration is?

3. Sample Selection and Scope of the Study

This study is regarding Islamic microfinance, Zakat, and Qardul Hassan. The study covers the whole country of Afghanistan, which is divided into capital and four zones. The selected area: Kabul as the capital, Kandahar from the southern zone of Afghanistan, Herat selected from the western zone of Afghanistan, Mazar-e-Sharif from the north, and Nangarhar chosen from the eastern area of Afghanistan. Moreover, the study focuses only on Zakat and Qardul Hasan, as these two sources are enforced in Afghanistan but have not been utilized. Both are measured as major sources of Islamic microfinance. In regard to sampling, Afghanistan is divided into four zones and the center- the capital, Kabul- and then through the Google form, the questionnaire was sent to the respondents. Pashto and Dari are the languages used in the questionnaire. Based on the sampling, two types of groups were selected for distributing the questionnaire. The first group to be given the questionnaire was the Ulama and Sharia Professors to respond to some of the professional questions about Zakat and to get their opinion on further development and improvement. The second group to whom the questionnaire was distributed was the rich people. They were asked to provide information on the process of Zakat. For instance, how do they pay Zakat? To whom they pay Zakat and other processes regarding Zakat. In addition, to collect data, on the field journey, the researcher traveled to the capital of Kabul and Kandahar. He interviewed officials and distributed questionnaires for some of them. Due to the lack of travel facilities, the Covid-19 situation, and security challenges in other provinces and zones, friends and university professors were contacted, and the questionnaire were distributed through them. To draw a better model of Zakat implementation in Afghanistan, the study wants to learn lesson from Indonesia and

Malaysia. Thus, the researcher targeted some Zakat organization that operates Islamic Microfinance, Zakat, and Qardul Hasan facilities.

4. Data Collection and Analysis

This research used two kinds of techniques for data collection, Quantitative and Qualitative. For the first two chapters, the study used a qualitative data collection technique. Qualitative data collection has been collected from Islamic Sharia fundamental sources such as Quran, Hadiths, and jurisprudential books. Also, the fatwas of MUI (the Indonesian Ulama Councils) on using Zakat in the form of Islamic Microfinance were reviewed and compared with Islamic Sharia, and the Fatwa from Jabatan Mufti Negeri Selangor from Malaysia was reviewed and compared. Besides this, for the relevant title, data has been searched into academic published articles and websites including a variety of formats, such as photos, and maps,. In addition, for Quantitative data collection, the study used numerical charts that show some Zakat collection and distribution statistics in Afghanistan and Indonesia. In this regard, the study has two field journeys. The first journey was in Afghanistan to observe Zakat and Qardul Hasan relevant institutions. The second journey was designed in Indonesia to look at Indonesian Zakat and Qardul Hasan institutions. In this regard, conducted a questionnaire was used to collect data from the field. Two questionnaires were designed for Afghanistan: one for scholars and Ulama and the second for merchants because Zakat and Qardul Hasan have two dimensions: religious and commercial. In the religious aspect, the questionnaire was designed for scholars and Ulama. For the commercial or practical part, the traders and merchants were asked through questionnaires. The questionnaire was organized into two parts. The first part was related to Zakat, in which information about the practice and institutions of Zakat was placed. Second, this part included questions about Qardul Hasan, its management, practice, and other related issues. For Indonesia, the field research designed interviews and observations of organization such as Rumah Zakat, Dompet Dhuafa, BAZNAS, and BMT. During the interview asked about Zakat collection and distribution, also the cost of services and the salary of the staff from the private institutions.

a. Data Analysis

Related to data analysis, the study has conducted two types of analysis. The first analysis for the fields data that collected by google form from the respondents automatically analyzed and organized into tables. Each table was placed properly for analysis, and the result was explained.

The second type of data was collected from the fundamental sources of Islamic Sharia, such as the Quran, Hadiths, books, and academic journals. They were reviewed and interpreted in the light of contemporary *tafseer* and scholars. If an issue had different perspective of four Sunni Madahib, the researcher explained each madhab's opinion. The reliable opinion is preferred and the reasons for it is also mentioned. Also, in related to Zakat and Qardul Hasan used in the form of Islamic Microfinance, the Fatwa of Indonesian Ulama and the Fatwa of Malaysian Mufti compared with Islamic Sharia and described their reasons for the *tarjih* (preference)Finally, considering learning lessons from both countries, the study analyzed and applied data by proposing a new upgrade model for Qardul Hasan and Zakat management, collection, and distribution in Afghanistan.

5. Response to Questions

The study has three questions. For the first question (what is Islamic Microfinance, and what is its role in poverty alleviation when well managed in Afghanistan), historical empirical research (library research) was conducted to understand the reality of Islamic Microfinance. Reports and academic articles comparatively studied in Indonesia and Malaysia to know the role and result of Islamic Microfinance in poverty alleviation.

To answer the second question (what are the factors behind the failure of Zakat and Qardul Hasan in Afghanistan), the researcher conducted field research and library study. To understand some failures of Zakat and Qardul Hasan from a historical perspective, there is a need to conduct Library research. Besides this, to recognize the failure of Zakat and Qardul Hasan from the Ulama, professionals and merchants' perspective, the eld research directed by distributing was directed by distributing questionnaires, interviews, and observing relevant institutions. The first institution visited is the Zakat administration in the Ministry of Religious and Hajj Affairs in Afghanistan.

The last question of the study (can Zakat and Qardul Hasan use Islamic Microfinance) is Zakat investment. On the other hand, it means it is allowed within Islamic Sharia to use Zakat in the form of Islamic Microfinance. These questions needed two kinds of information, the Islamic Sharia perspective from the fundamental Islamic sources Quran and Hadith, to understand the position of Islamic Sharia regarding this issue. Second, information regarding practice in Indonesia and Malaysia to understand the position of Indonesian Ulama and Malaysian Mufties regarding this Issue. Thus, the study provides information on fundamental Islamic sources from the Quran and Hadith within Islamic scholars' opinions, who agreed and disagreed. Then, both ideas were discussed to find the *tarjih* based on the reasons already provided. In addition to this, the Fatwas of Indonesian Ulama and Malaysian Mufties discussed to find out their *tarjih* and reasons for the *tarjih* (preference)

H. Structure of the Thesis

This dissertation is divided into seven chapters to fulfill the study objectives and respond to the study questions.

The first chapter provides an overview of the study background by providing a brief introduction to the significance of Islamic Microfinance and its historical context. In addition, the chapter presents an overview of a theoretical framework of the study by providing information regarding relevant theories. This chapter goes over the study's methods and the current problem with Zakat and Qardul Hasan in Afghanistan. The objectives and questions for the research are also mentioned. Finally, the chapter offers the thesis structure at the end of its contents.

The second chapter of the study generally focuses on normative and practical perspectives on Zakat and Qardul Hasan, including the definition of Zakat and its distribution importance in Islam. Furthermore, this chapter emphasizes using Zakat and Qardul Hasan in the form of Islamic Microfinance by providing information regarding the permissibility of Zakat investment for the long term in Islamic Sharia. Also, Ulama’s conversation with their reasons for this issue is addressed in this chapter.

The third chapter of the study describes the practice of Zakat and Qardul Hasan in Afghanistan. The chapter provides information into two-part, the historical background of Zakat forms the beginning of Islam in Afghanistan, and the second part describes the current practice of Zakat and Qardul Hasan in Afghanistan including management and institutions working in Zakat and Qardul Hasan.

The fourth chapter of the study concentrates on a comparative perspective on Zakat and Qardul Hasan in two leading countries such as Indonesia and Malaysia. This chapter is divided into three parts. The first part address practice of Zakat in Indonesia and Malaysia. The second part is exclusively describing the practice of Qardul Hasan in both countries. The third part of the chapter focuses on Zakat-based Islamic Microfinance institutions. It means institutions studied work to collect Zakat from society and give Zakat to the poor in the form of Islamic Microfinance. Lastly, the chapter discusses some learned lessons for Afghanistan.

Chapter five of the study discusses the factors behind the failures of Zakat and Qardul Hasan in Afghanistan. This part is considered the most important for the study. The chapter begins with the findings collected from respondents through questionnaires. This chapter focuses on the main factors behind the failures which are the political instability, the absence of the law and legislation, the off-target Zakat payment (to other people instead Faqir and Maskin). The lack attention of the government, distance cooperation between ulama and government, and mismanagement regarding Zakat are also the factors of failure of Zakat and Qardul Hasan that this chapter concentrated on.

Chapter six of the study provides a proposed model of Zakat and Qardul Hasan for Afghanistan. The proposed model will upgrade the current Zakat system in Afghanistan. The lessons learned from

Indonesia and Malaysia regarding the management and institutionalization of Zakat and Qardul Hasan will be applied to the study's proposed model.

Finally, chapter seven is the study's conclusion for better implementation of Zakat and Qardul Hasan in Afghanistan. The chapter describes the result of the management and institutionalization of Zakat and Qardul Hasan in Afghanistan. Also, the chapter designates a better position for Ulama regarding using Zakat and Qardul Hasan in the form of Islamic Microfinance for long-term investment.

Chapter VII
Conclusion

After conducting a comprehensive analysis regarding Islamic Microfinance Program: A study on Zakat and Qardul Hasan in Afghanistan, the conclusion is that the Islamic Microfinance program, Zakat and Qardul Hasan are the alternatives proposed by Islam. If both are professionally managed publicly and privately, they play an essential role in alleviating poverty. To use it effectively, the crucial method is to use Zakat and Qardul Hasan in the form of Islamic Microfinance, such as economic empowerment effective program, while Afghanistan has not used Zakat for a such an effective program.

The study found that Afghanistan has some weaknesses in Zakat and Qardul Hasan management. Thus, to enhance the management of Zakat, two points are essential for Afghanistan to perform it. The first one is called the collection of Zakat. Religiously, it is the government's responsibility to make a mechanism and regulation to collect Zakat from Muzakki, and Zakat must be issued as soon as possible, both from the Muzakki to the Amil and from the Amil to the Mistahiq. The second point goes to the distribution of Zakat. It is also mentioned in the Quran that the appropriate person should receive Zakat. To complete Zakat, it is the requirement not only to pay Zakat but also the distribution to the beneficiary is considered a significant step in Islamic Sharia. To effectively use the distribution of Zakat, Afghanistan needs to use Zakat in the form of Islamic Microfinance productive programs such as economic empowerment, health, and education.

The study found that Afghanistan has not used Zakat for long-term investment. Even in this issue, the Ulama has two opinions. The first category of Ulama disagrees, and the second Ulama agree to use Zakat for long-term investment. This study found that the opinion of the second-category Ulama is the best decision and is beneficial for the enhancement of the economic condition of the society. It means that for long-term investment, Afghanistan needs to shift policy from its short term with considering certain conditions, such as Zakat must be channeled to businesses that Sharia and applicable regulations justify. Second, Zakat must be invested in business fields that are believed to be profitable. Third, Zakat must be carried out by a professional and trustworthy institution. Fourth, Investment permits must be obtained from the government, and the government must replace them in the event of a loss or bankruptcy. Fifth, no poor are hungry or need expenses that cannot be postponed when the Zakat assets are invested. The last one is that the distribution of Zakat, which is terminated because it is invested, must be limited in time

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