

## GOLD AND SILVER QIYAS COMPARISON IN ZAKAT ON EARNED INCOME DISTRIBUTION IN INDONESIA

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**Abstract:** Wealth distribution by zakat on earned income is affected by the nishab (threshold), which can be qiyas (analogized) by gold or silver. This study aims to compare the distribution of this zakat in Indonesia obtained with the qiyas of gold and silver. This research uncovers the zakat distribution by integrating qualitative and quantitative methods. The data used are gold and silver prices per gram and the income distribution from Indonesia Family Life Survey waves 2, 3, 4, and 5. There is a significant disparity between the low-income population and the high-income population. The research findings demonstrate an exponential increase in potential zakat amounts collected, aligned with the nishab thresholds, with a multiplication factor of 2.5 for gold qiyas and 2.9 for silver qiyas. Despite potential decreases or steady percentages of muzakki, the growing zakat amounts positively impact society by redistributing surplus wealth to deserving recipients. The silver qiyas generates higher potential zakat amounts, ranging from 1.5 to 2.2 times greater than gold qiyas. Considering the potential for increased zakat collection and its subsequent impact on various economic aspects, this study emphasizes the significance of diverse qiyas approaches in achieving equitable and effective utilization of zakat funds.

**Keywords:** Gold, Qiyas, Silver, Zakat

### 1. Introduction

Although Indonesia has the most Muslim population, many people still live below the poverty line. Statistics Indonesia (Badan Pusat Statistik/BPS, 2023) reported that there is 9.57% of the population lived below Indonesia's poverty line in September 2022 with the poverty line being Rp 535,547/capita/month. According to The World Bank (2023), there are 2.47% of the population lived below the poverty line of \$2.15 per day on purchasing power parity (PPP) in 2017. However, there is an argument that stated the international measurement of poverty can not be compared with a country report Shirazi & Amin (2009). Additionally, the Gini ratio of Indonesia in 2022 is 0.379, which implies that it is still fair enough but also represents economic inequality (Fatoni, Herman, & Abdullah, 2019).

Islam has a scheme to distribute wealth using zakat. Recipients' financial situation of zakat will be better and stable, so expected to pay zakat in the future (Nawai & Ruzaiman, 2022). Jahangir & Bulut (2022) stated that social economic contribution, like zakat, plays a critical part in the overall development of any nation. Indonesia has potential zakat about Rp 5.8 Triliun

(BAZNAS, 2022). Shirazi & Amin (2009) assure about 50 percent of the sample countries of OIC have an opportunity to be able to generate surplus funds for deficit countries, besides can meet the resource shortfall within their country. So does Indonesia with huge zakat potential. Besides that, Allah mentions the importance of money circulation and economic equality in QS Al-Hasyr verse 7, even with the different schemes. Nowadays economic activities are mostly about working and receiving a salary, which is different from the habits of the people at the time of Rasulullah SAW. Scholars have their opinion of zakat maal in the salary.

The collection of every type of zakat maal does not always have a specific basis from the scripture. Zakat maal that has specific provisions in the scripture include agricultural zakat, treasure zakat, livestock zakat, and zakat on gold and silver. Zakat which does not have specific provisions in the scripture is determined using qiyas, one of which is the qiyas of gold and silver. Each country has an institution or organization of scholars that determines the qiyas of zakat, so the use of qiyas for zakat varies from country to country. Countries that use qiyas of silver for zakat include those following the Hanafi school of thought, such as Pakistan, Egypt, and Iraq (Islamic Relief Worldwide, 2023). Meanwhile, countries that use qiyas of gold for zakat include Malaysia, Sudan, the United Arab Emirates, Qatar, and Indonesia (Amiruddin, 2015; Paizin, 2022). The current distribution of consumptive zakat falls short of meeting the long-term needs of recipients (mustahik), while challenges exist in managing and ensuring effective allocation, and independent zakat distribution often fails to reach intended recipients, limiting the maximum benefits for mustahik (zakat recipients).

To ensure optimal zakat distribution to the mustahik (zakat recipients), it is imperative to estimate the potential of zakat and assess its impact on wealth distribution in Indonesia. By conducting a comprehensive analysis of zakat's impact on wealth distribution, this study seeks to contribute novel insights into the effectiveness of zakat as a means of reducing inequality and promoting equitable wealth. The research aims to compare zakat distribution based on nishab (threshold) using Qiyas with gold and silver as the reference.

## **2. Literature Review**

### **2.1 Qiyas Zakat**

Qiyas (Arabic: قياس qiyās, “analogical deduction”) is a legal principle in Islamic law (sharia) that allows for the use of reasoning by analogy to derive rulings for cases not explicitly mentioned in the Quran or hadith. Qiyas, an accepted method of legal reasoning in Islamic law, involves deriving rulings for new issues by analogy based on similar issues addressed in the Quran, hadith, and consensus, making it one of the four sources of Islamic law.

Zakat is one of the five pillars of Islam. It is a compulsory annual tax on certain types of wealth, such as gold, silver, cash, and trade goods. The nishab (threshold) is the minimum amount of wealth that is subject to zakat. The Quran specifies the nishab (threshold) for gold and silver, but it does not specify the nishab (threshold) for other types of wealth. As a result, scholars have used the method of qiyas, or analogical reasoning, to determine the nishab (threshold) for other types of wealth. In the case of gold and silver, the nishab (threshold) is set at 20 dinars or 200 dirhams. This is based on the hadith of Abu Hurairah, who said that the Prophet (ﷺ) said, “The nishab (threshold) for gold is 20 dinars, and the nishab (threshold) for silver is 200 dirhams.” (Narrated Abu Huraira, Sahih Bukhari, Book of Zakat, Chapter 12: The nishab (threshold) of Zakat (Hadith no. 1401))

The most practical and equitable method of calculating zakat on earned income is to use the value of gold as a benchmark (Aslam, 2011). In the case of zakat earned income, the nishab (threshold) is set at the value of 85 grams of gold with the amount of zakat that is due is 2.5% of the person's income.

The use of qiyas gold in zakat earned income is a matter of scholarly disagreement. Some scholars believe that it is a valid method of calculating zakat, while others believe that it is not. Some scholars, such as the Hanafi, Maliki, and Shafi'i schools of thought, agree with this statement. They argue that earned income is similar to gold in terms of its economic value and its ability to generate wealth. Therefore, they believe that the nishab (threshold) for earned income should be the same as the nishab (threshold) for gold. Those who believe it is a valid method argue that it is a practical and equitable way to calculate zakat on income. They also argue that it is a way to ensure that all forms of wealth are subject to zakat, regardless of their form or location.

Other scholars, such as the Hanbali school of thought, disagree with this statement. They argue that earned income is not the same as gold in terms of its physical form and its liquidity. Therefore, they believe that the nishab (threshold) for earned income should be different from the nishab (threshold) for gold.

(Al-Qardawi, 1994) argues that the nishab (threshold) for zakat on earned income should be the same as the nishab (threshold) for zakat on silver. He bases this argument on the principle of Qiyas, which is an Islamic legal principle that allows for the use of analogy to derive rulings from a source text. In this case, the source text is the Quran, which states that zakat is obligatory on "wealth" (mal). The Prophet Muhammad (peace be upon him) defined wealth as "anything that has value and can be used for trade". Silver and earned income both meet this definition.

## 2.2 Zakat Distribution

As one of the five pillars of Islam, Muslims are obligated to pay zakat whenever their wealth meets the required nishab (threshold). The amount of wealth they need to pay is 2,5 % annually, which is calculated from their income (I) in that period. As shown in Equation (1).

$$Z = 0.025I, I > nishab \quad (1)$$

The distribution of zakat is overseen by zakat collection agencies, which are responsible for collecting zakat from Muslims and distributing it to those who are eligible. Zakat is an important source of income for many poor and needy people around the world. It can help to improve their lives by providing them with food, clothing, shelter, education, and healthcare. Zakat can also help to reduce poverty and inequality in society.

One of the verse in Quran that we can learn about wealth distribution is from Al Hasyr verse 7, "And what Allah has given you of spoils of war - then for Allah, and for the Messenger, and for [his] near relatives, orphans, the [stranded] traveler - so that it does not become a circulation among the rich among you." Surah Al-Hasyr verse 7 emphasizes the importance of money circulation and economic equality through the practice of zakat, and it is considered to be a purification of wealth. Zakat redistributes wealth, promotes social justice, and stimulates the economy by fostering job creation, business development, and economic growth for a more equitable society.

The verse also states that the purpose of this distribution of wealth is to ensure that it does not simply circulate among the wealthy. This is important because it helps to prevent the creation of a society in which a small number of people have all the wealth, while the majority of people are struggling to make ends meet. A society in which wealth is evenly distributed is a more just and equitable society. It is also a society that is more stable and prosperous. This is because when everyone has a stake in society, they are more likely to work hard to make it a better place.

### 2.3 Poverty and Income Distribution

Poverty can be measured in three steps: choosing the space, identifying the poor (using the poverty line), and aggregating the data into the overall poverty measure Foster, et al. (2013). The Total Poverty Gap (TPG) measures the total amount of income necessary to raise people who live below the poverty line. Then, the average income shortfall (AIS) can be calculated by dividing the TPG by the headcount of the poor (H). To calculate the AIS, the formula in Equation (2) is used (Todaro & Smith, 2015).

$$AIC = \frac{\sum_{i=1}^H (Y_p - Y_i)}{H} \quad (2)$$

### 3. Methodology

The research steps involved in this study, as depicted in Figure 1, including collecting data on zakat, estimating the potential zakat with two different qiyas, and evaluating the comparison.

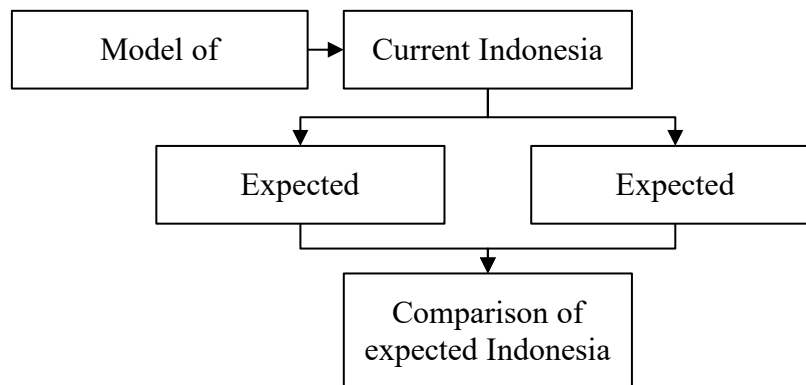


Figure 1. Flowchart of the research steps

In this research, we use 3 main sources for the data. For Indonesian income distribution, we use data from the Indonesian Family Life Survey (IFLS) waves 2, 3, 4, and 5 in Rupiah. The waves represent the years 1997, 2000, 2007, and 2014 (Strauss et al., 2004; Strauss et al., 2009; Strauss et al., 2016). The total number of Indonesia population, the average closing price of gold, and the average closing price of silver are taken from Macrotrends.net (2023a, 2023b, and 2023c). All those data are provided from 1969 until 2023, but we are just using data from 1997, 2000, 2007, and 2014. The average close price of gold and silver that we use are in US dollars (USD) per ounce. The average rate of exchange data from 1997, 2000, 2007, and 2014

are taken from the World Bank (2023) to convert all USD data to Rupiah. These are the data we used in this research. This data is represented in Table 1.

Table 1. Data Used for Year 1997, 2000, 2007, and 2014

	Year 1997	Year 2000	Year 2007	Year 2014
Population of Indonesia	204,628,007	214,072,421	234,858,289	256,229,761
Poverty Line (IDR)	Rp 36,699	Rp 82,640	Rp 175,167.02	Rp 342,322.5
Average rate of exchange (USD to Rupiah)	Rp 2,909.38	Rp 8,421.77	Rp 9,141.00	Rp 11,865.21
Gold Price (Rupiah/gram)	Rp 34,393	Rp 84,004	Rp 227,360	Rp 536,502
Silver Price (Rupiah/gram)	Rp 509	Rp 1,489	Rp 4,368	Rp 8,081

## 4. Result

### 4.1 Model of Comparison Zakat on Earned Income

Figure 2 depicts a model comparing the application of Qiyas on Zakat calculations based on earned income. The figure highlights that a specific area is lost or not accounted for when utilizing the gold-based Qiyas for determining the nishab (threshold). This indicates that by utilizing the silver-based Qiyas, a greater amount of zakat is redistributed within society, leading to a broader impact on wealth distribution and potentially contributing to a more equitable distribution of resources.

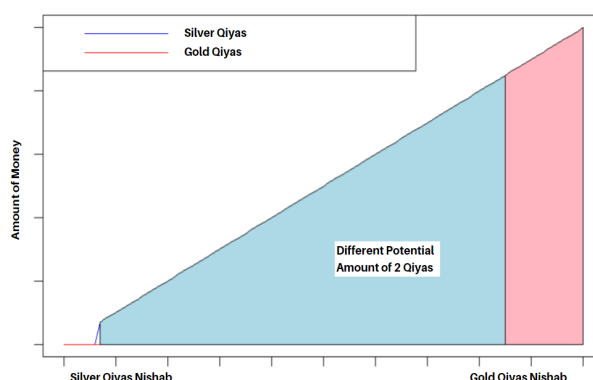


Figure 2. Model of Comparison of Qiyas on Zakat on Earned Income

### 4.2 Income Distribution

Data on income distribution per year was extracted from waves 2, 3, 4, and 5 of the IFLS. The income distribution of individuals in Indonesia, as shown in Figure 3, was analyzed to gain insights into the overall income disparities within the population.

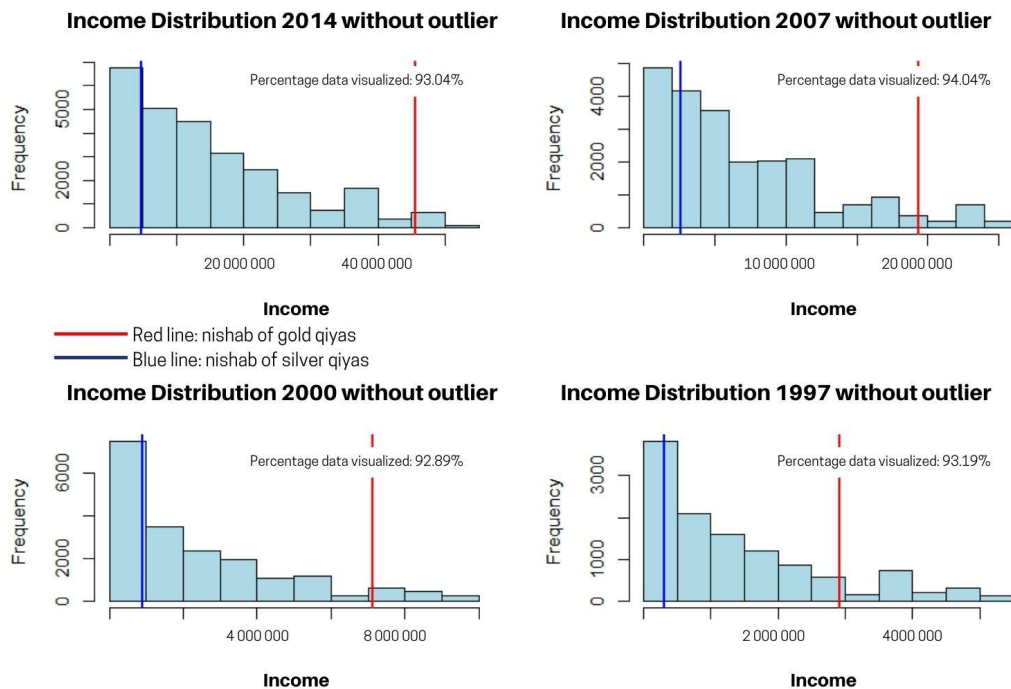


Figure 3. Income Distribution of Indonesia

Figure 3 presents the income distribution of individuals on the potential zakat implications based on different income levels. The data reflects a significant concentration of individuals with lower incomes, highlighting the challenges faced by those who earn meager wages and their potential eligibility as mustahik (zakat recipients). Figure 3 showcases a skewed distribution, with a majority of individuals earning tiny incomes.

Figure 3 represents the individual annual income distribution from individuals who are employed without outliers. Outliers occur on the right side of the data, indicating that individuals with exceptionally high incomes are not visualized in the histogram. For the years 2014, 2007, 2000, and 1997, respectively, there are 6.94%, 5.94%, 7.11%, and 6.81% of individuals with very high annual incomes, which fall within the outlier category. This observation highlights the significant income disparities within the society, with a few individuals enjoying a larger share of income compared to the majority.

The heavy concentration of individuals in the lower income brackets suggests that many working individuals may qualify as mustahik (zakat recipients), eligible to receive zakat assistance. Despite being employed, their low wages place them in vulnerable financial positions, making them potential recipients of zakat. It highlights the potential role of zakat in addressing income inequality and promoting a more equitable distribution of wealth.

### 4.3 Potential Zakat on Income Distribution

Table 2 shows the zakat potential on earned income based on two types of collection methods: gold and silver. Each method has a different nishab (threshold). The zakat on earned income with qiyas using gold nishab (threshold) is higher, set at 85 grams of gold per year as the MUI Fatwa number 3/2013, than with the qiyas using silver nishab (threshold) is 595 grams (Amrin, et al., 2023; Sidiq, et al., 2022).

Table 2. Potential Zakat on Earned Income

Year	Gold Qiyas Muzakki (zakat payers)			Silver Qiyas Muzakki (zakat payers)		
	Nishab (Threshold)	Percentage	Zakat Amount	Nishab (Threshold)	Percentage	Zakat Amount
1997	Rp 2,923,405	21.76%	Rp 405,316,122	Rp 302,855	79.02%	Rp 626,631,414
2000	Rp 7,140,340	13.67%	Rp 981,819,117	Rp 885,955	67.75%	Rp 1,797,555,249
2007	Rp 19,325,600	11.63%	Rp 2,932,674,050	Rp 2,598,960	75.02%	Rp 6,012,130,873
2014	Rp 45,602,670	9.34%	Rp 6,960,925,372	Rp 4,808,195	78.78%	Rp 15,885,873,286

In Table 2, the first column displays the nishab (threshold) values for both gold qiyas (gold-based) and silver qiyas (silver-based). Both nishab (thresholds) increase exponentially with a multiplier of 2.5 per wave of IFLS, attributable to inflation in the prices of gold and silver themselves. On average, the nishab (threshold) in qiyas emas is approximately 8.6 times higher than that of qiyas perak.

In the second column, labeled “Percentage”, the data illustrates the percentage of muzakki (zakat payers) obligated to pay zakat compared to all observed individuals. In the case of gold qiyas, the percentage of muzakki (zakat payers) decreases exponentially, by a factor of approximately 75% with each increase in the IFLS wave. Conversely, in the silver qiyas, the percentage of muzakki (zakat payers) fluctuates without any significant changes.

Despite the decreasing or constant percentage of muzakki (zakat payers), the amount of zakat collected shows an exponential increase in line with the nishab. The third column, Zakat Amount, presents the cumulative zakat amounts collected for each year, reflecting the contributions made by individuals based on their earned income. The total potential zakat amount based on gold qiyas multiplies by approximately 2.5, while based on silver qiyas it multiplies by 2.9. These data indicate a consistent rise in the total zakat amounts collected for both gold and silver categories over time. This suggests an upward trend in the contributions made by individuals toward fulfilling their zakat obligations. The increasing zakat amounts may be influenced by various economic factors, such as inflation, economic growth, changes in income levels, or an expanding zakat collection infrastructure. These factors can contribute to the overall growth in zakat funds collected.

The potential zakat amount derived from silver qiyas is significantly higher than that of gold qiyas. For IFLS waves 2 to 5, respectively silver qiyas total zakat amounts are 1.5, 1.8, 2, and 2.2 times higher than gold qiyas. In line with Yusuf Qardhawi’s opinion, zakat based on the qiyas of silver brings more benefits due to the potential of a larger zakat collection. However, this condition creates an opportunity for individuals with low income to become muzakki (zakat payers) even though their needs have not been sufficiently met (Sidiq, et al., 2022).

The upward trend in zakat collection signifies a positive impact on the community and society, as it enables the distribution of surplus wealth to deserving mustahik (zakat recipients) who are in need. The table illustrates the increasing total zakat amounts collected per year, both in the gold and silver categories. This suggests a positive trend in individuals’ contributions towards zakat based on their earned income. The rising zakat funds signify a greater potential for

making a significant social impact by supporting charitable initiatives and assisting those in need within the community.

## 5. Conclusion

Based on the results of the analysis, zakat still has a big potential social impact. There is a significant disparity between the low-income population and the high-income population. The findings indicate that the potential zakat amounts collected exponentially increase (by a factor of 2.5 for gold qiyas and 2.9 for silver qiyas) — in line with the nishab (thresholds). Although the percentage of muzakki (zakat payers) may decrease or remain constant, the rising zakat amounts reflect a positive impact on the community and society by facilitating the redistribution of surplus wealth to deserving recipients. The silver qiyas potential zakat amounts are 1.5, 1.8, 2, and 2.2 times higher than gold qiyas. Seeing the possibility of an increase in zakat collection followed by an increase in several economic aspects, the study highlights the importance of considering different qiyas approaches and their implications for zakat distribution in promoting a more equitable and effective utilization of zakat funds.

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