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An Islamic Economic Framework for Achieving SDG 1 and 10

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Abstract: This paper explores the potential of Zakat as a faith-based social finance mechanism to achieve SDG 1 (No Poverty) and SDG 10 (Reduced Inequality) within individualistic the Indian context. Given that Indian Muslims face disproportionate levels of poverty, this study evaluates how moving from an "charity" model to an institutionalized "productive" model can catalyze sustainable development. It argues that leveraging India's vast Zakat potential estimated at billions of rupees can significantly augment national efforts toward social inclusion without relying on state funding.

Keywords: Islamic Economic Framework, Zakat, SDG1 & 10

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Introduction

The United Nations' 2030 Agenda for Sustainable Development is built upon a fundamental, universal pledge: to leave no one behind. This ambitious global framework seeks to eliminate extreme poverty and reduce systemic inequalities by ensuring that the benefits of progress reach the most vulnerable and marginalized populations first. Zakat is a compulsory obligation in the faith of Islam to pay a certain part of surplus Wealth to the specified beneficiaries every year. As per Islamic principles, every year, 2.5% of wealth subject to Zakat has to be paid by the Muslims to the 8 specified heads of beneficiaries and causes. Zakat is compulsory to be paid by every Muslim who owns sufficient amount of wealth. In Islamic jurisprudence, if a Muslim owns an equivalent monetary sum of Nisab, he has to pay 2.5% of surplus wealth above the Nisab every year India is home to the world's third-largest Muslim population. Despite the country's rapid growth, a significant portion of this community remains in the "informal economy" with limited access to credit.

Statement of the Problem: Zakat in India is largely unorganized, often distributed in small cash amounts that provide only temporary relief.

By professionalizing Zakat through NGOs and "Baitul Maals" (Community Treasuries), India can create a sustainable model to bridge the inequality gap (SDG 10) and break the cycle of poverty (SDG 1). 2. Poverty (SDG 1) and the Role of Zakat: Islam provides a mandatory mechanism for wealth redistribution through "Zakat" (obligatory alms). In the Indian context, Zakat should not be viewed as a religious ritual, but as a community-led social security system. With India's Muslim population being largely urbanized yet overrepresented in the "informal economy," Zakat can act as the missing bridge to financial inclusion.

- The Capital Gap: Millions of Muslim micro-entrepreneurs from weavers in Varanasi to locksmiths in Aligarh lack access to formal banking due to lack of collateral.
- national Zakat as "Risk-Free" Seed Capital: By institutionalizing Zakat at a or state level, the community can provide Qard al-Hasan (Interest-free loans) or direct grants for equipment.
- National Alignment: This model complements the PM Mudra Yojana by reaching the "bottom of the pyramid" individuals who may fall through the cracks of formal bureaucratic processes. 3. The Indian Zakat Landscape: Challenges and Opportunities: The Centralization Deficit: India lacks a statutory body like Malaysia's Lembaga Zakat. The result is a fragmented landscape where thousands of small NGOs and local Mosques (Masjids) collect funds with no data sharing mechanism. This leads to overlapping aid (some families receive from five sources) while others receive none. The "Fish vs. Fishing" Dilemma Current Indian Zakat is 90% "Consumption-based."

- The Logic of Productive Zakat: Under Islamic Jurisprudence (Fiqh), Zakat can be used to provide tools of trade. (total
 - Case Study: Instead of distributing food kits worth ₹2,000 to 100 families ₹2 Lakhs), the fund could purchase four E-rickshaws for daily four unemployed heads of households. Each rickshaw generates a income of ₹800–₹1,200, creating long-term financial independence. The 40,000 Crore Potential: If we calculate the Zakat potential based on the Reserve Bank of India (RBI) data on household savings and the estimated net worth of the Indian Muslims middle and upper class:
 - Conservative Estimate: ₹40,000 Crores annually.
 - Impact: This is equivalent to roughly 25% of India's total budget for Education and Health (Union Budget 2024-25). If even 10% of this were diverted to high-impact education, it could fund 500,000 every year. full-tuition 4. Mapping Zakat to SDGs in India: scholarships SDG 1: No Poverty (Alleviation to Elimination) for professional courses
 - Case for India: Use Zakat to provide "Seed Capital" for small-scale vendors in urban slums or farmers in rural Bihar/UP.
 - Mechanism: Instead of giving ₹1,000 to 50 people, give ₹50,000 to one person to start a sustainable business, effectively removing them from the poverty list permanently. SDG 10: Reduced Inequality (Wealth Redistribution)
 - Closing the Gap: Zakat acts as a voluntary "wealth tax" that recirculates stagnant capital from Mumbai/Hyderabad) to underdeveloped regions. free Indian affluent areas (like
 - Empowering the Marginalized: Focus on the Gharimin (debtors) to artisans from the clutches of high-interest local moneylenders, a major cause of inequality in India.
5. Proposed Model: "The Digital India Zakat Framework": To make this possible in India, the study propose: exactly
1. Tech-Driven Transparency: Using apps and blockchain to show donors where deficit."
 2. Corporate-Style their Management: money goes, overcoming the "trust Encouraging Indian Muslim professionals to volunteer in managing Zakat funds like a "Social Venture Capital." Educational to Endowments: Using Zakat for SDG 4 (Quality Education) minorities. improve the Human Development Index of Indian
6. Education and Social Dignity: The first command of the Quran was to "Read" (Iqra). Quality education (SDG 4) is the most powerful tool for social mobility. Tiruchirappalli's Strength: With institutions like Jamal Mohamed College, Tiruchirappalli is well-positioned to lead this charge. Ensuring that marginalized students have access to digital literacy and technical skills fulfills the Islamic mandate of seeking knowledge and the state's goal of decent work (SDG 8).

7. Policy Suggestions: i. Waqf for Public Good: Utilize existing Waqf (endowment) properties in the district to build vocational training centers specifically for the "socially backward sections". ii. Digital Inclusion: Expand digital banking and literacy to rural blocks to ensure Direct Benefit Transfers reach the intended recipients without leakage. iii. Ethical Business Practices: Encourage local industries to adopt responsible production (SDG 12) and fair wage policies, treating workers with the dignity prescribed in Islamic tradition.

Conclusion: It is highly possible for India to achieve significant progress in SDGs 1 and 10 through Zakat. The success of this model does not require changes in Indian law, but rather a change in community mindset. By transforming Zakat from a ritual of "giving" to a strategy of "investing in humanity," India can demonstrate a powerful secular-friendly model of how religious obligations can solve modern global crises.

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