



جامعة السلطان الشريف علي الإسلامية
UNIVERSITI ISLAM SULTAN SHARIF ALI
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The Economics of Happiness: The Truth and Lesson from Zakat



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Happiness in Economics as Understood Across *Ism* and Religion

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Abstract

The concept of happiness has been discussed long time ago by economists. Recently, it became the most related and important thing to be studied because of its impact in societies. Discussion about happiness basically interprets within two separate views. First, happiness related with economic variable, for instance, how money can create happiness. Second happiness is discussed within the context of religion. However, the discussion did not combine both contexts, economic variable and religion, to interpret happiness. Therefore, it is important to highlight the concept of happiness in a different way such as in this article. Different cultures will have their own perspective on the determination of happiness. From just “individual perspective” of happiness, they then formed an *ism* through involvement of a big society from the same culture. Some *isms* such as hedonism and materialism are synonyms in characterizing the concept of happiness in this modern world. At the same time, the *isms* are actually working with the economic and non-economic indicators as elements to strengthen the *ism* itself. On the other hand, the concept of happiness from the perspective of religion will also be a part of discussion in this article. Therefore, this article will reveal that the meaning of happiness is different in terms of religion and *ism*. So to

Introduction

- The following issues have been examined - “who pay and receive” and “how do you pay”
- Researchers have agreed that the emergence of intermediary institution to pay zakat is seen more practical nowadays
- The impact of zakat on economic development could only be measured if zakat is channelled via intermediaries
- However, the institutional form should be established. In this study, we want to establish zakat intermediaries (zakat institution) as a non-profit organization.
- Later, how could the non-profit organization influence the economy? How it could influence the state national account? Up to our knowledge, there is no such study that has been established to link quantitatively between zakat intermediaries and economic development.

Introduction

- Zakat also has the ability in contributing to happiness of a society (i.e., payers and recipients)
- Therefore, this paper will contribute in two aspects. Firstly, the contribution of zakat on the economy by linking with NPO as prescribed under the System of National Account. Secondly, zakat also provides the happiness to payers and recipients. By combining both, we are able to calculate the GNP Happiness.

Zakat Institution as NPO

- First - In line with OECD principles – NPOs are not permitted to be a source of income, profit or other financial gain for persons or entities that establish, control, or finance them. But, they can generate profits for the beneficiaries or to cover the operating costs of trustee.
- Second - Although NPOs may not be a source of profit to other economic agents, NPOs may act as market producers if they provide services for which they charge prices or fees that are economically significant. Economically significant prices influence both the amounts producers are willing to supply, and the amounts consumers are willing to buy

Zakat Institution as NPO

- Therefore, in recognizing the contribution of zakat to the economy, we need to: establish a trustee (zakat institution) as NPOs, and NPOs should be established as a defined purpose, their market behaviour, who controls them, and on its revenue structure
- Structural-operational definition of Zis as NPO – (i) ***Institutionally separate from government***; (ii) ***self governing***; (iii) ***voluntary contribution***

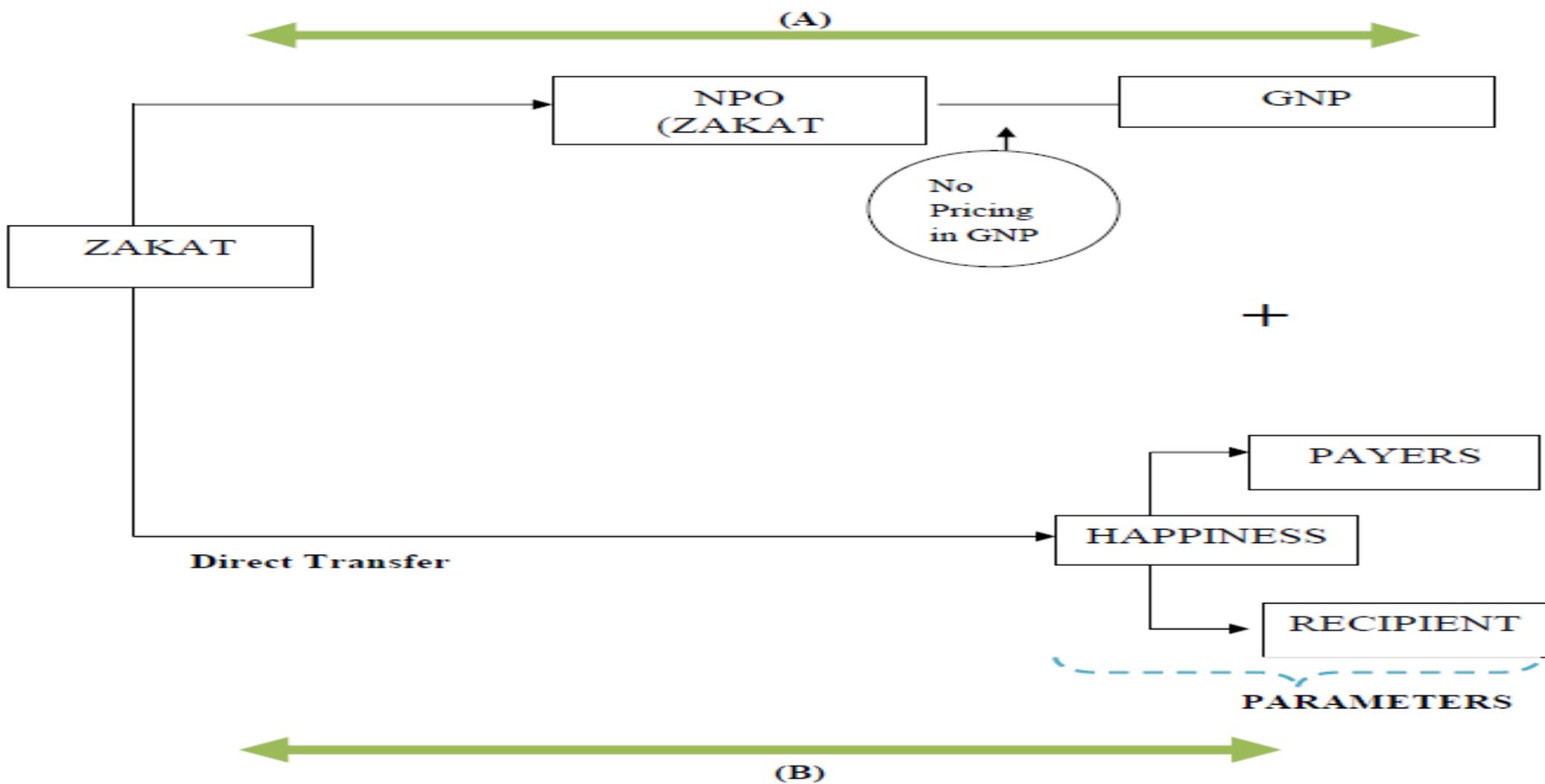
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Modified Framework of GNP With Happiness

- Modified Framework – Diagram 1
- Contribution to GNP – Table 2
- Zakat contribution to Happiness

Diagram 1: Dual contribution of Zakat in Islamic Economy



Parameters of Happiness

- Happiness is the ultimate goal to be achieved in our life
- A Muslim should reach some of the items (we suggest parameters) created as a benchmark to happiness
- Implicit parameters - peace of minds, cater the needs of others, barakah, and protect faith (derived from al quran and al Sunnah and the theory of conscience)
- Explicit parameters - reach economic capabilities, elevated levels of safety in society, and improve economic productivity.