# SHARI'AH PRINCIPLES GOVERNING THE EFFECTIVE IMPLEMENTATION OF THE INVESTMENT OF *ZAKAT* FUNDS*

**Abstract**
*The investment of Zakat funds has become one of the most sensitive issues in contemporary Islamic finance because it stands at the intersection of worship, public welfare and poverty alleviation. Classical juristic discourse generally emphasised collection and distribution, while modern Zakat institutions increasingly operate within complex financial environments in which productive utilisation may strengthen the economic position of eligible beneficiaries. This article examines the Shari'ah principles that should govern any investment of Zakat funds. It argues that investment is subject to strict legal and ethical safeguards. Using doctrinal Islamic legal methodology, the article analyses the principle of maṣlaḥah (public interest)), the prohibition of ribā (interest), gharar (deceit) and maysir (gambling), the requirement of lawful underlying assets and contracts, the preservation of capital, liquidity and accessibility of funds, and the priority of immediate beneficiary needs. The article finds that Zakat investment is permissible only where it is Shari'ah-compliant, beneficiary-centred, risk-controlled and institutionally accountable. Investment should not convert Zakat from an immediate redistributive obligation into a speculative institutional fund. The article recommends that Zakat institutions adopt formal Shari'ah governance, investment policies, liquidity buffers, risk limits, transparent reporting and beneficiary-impact monitoring before deploying Zakat funds into income-generating projects.*

**Keywords:** Zakat Investment, Shari'ah Governance, maṣlaḥah, ribā, maysir, Islamic Finance

## 1. Introduction

Zakat in Islamic law is not merely a voluntary act of benevolence; rather, it constitutes a legally enforceable institution grounded in spiritual purification, wealth redistribution, and the realization of social justice within the Muslim community.[1] The Qur'an identifies the categories of persons and causes to which Zakat may be directed, thereby giving the institution a defined legal destination rather than leaving its allocation to unrestricted administrative discretion.[2] At the same time, contemporary Muslim communities face conditions that differ significantly from the social and economic circumstances in which many classical rulings were formulated. Poverty is no longer only a matter of temporary personal need; it is often connected to unemployment, weak access to capital, health vulnerability, educational exclusion and lack of productive assets. These conditions have led jurists, administrators and Islamic finance scholars to ask whether Zakat funds may be invested in productive projects capable of generating sustainable benefit for eligible recipients. The question is delicate because Zakat funds are not ordinary public revenue. They are religiously earmarked resources held for the benefit of specified beneficiaries. The administrator of Zakat is therefore not a free owner but a trustee. Any policy that delays distribution, exposes funds to avoidable loss, or benefits institutions more than recipients may contradict the very purpose for which Zakat was legislated. Conversely, a rigid insistence on immediate cash distribution in every case may fail to address structural poverty where productive empowerment would better serve the poor and vulnerable. The legal problem is therefore not whether Zakat investment may be productive, but whether the productivity remains within the texts, objectives and ethical concepts of Shari'ah.

The central argument of this article is that Shari'ah does not support speculative or institution-centred investment of Zakat funds. It supports, at most, beneficiary-centred productive deployment of Zakat funds governed by public interest, lawful contracts, capital preservation, liquidity, risk control and transparent accountability. These principles are not optional administrative preferences. They are legal safeguards derived from the nature of Zakat itself, the prohibition of unlawful financial gain, and the fiduciary character of Zakat administration.

## 2. Methodology

This article adopts a doctrinal Islamic legal research method. It examines primary sources of Shari'ah, classical juristic writings, legal maxims, contemporary fiqh resolutions and Islamic finance standards in order to identify the normative principles applicable to the investment of Zakat funds. The doctrinal method is appropriate because the issue is fundamentally legal and conceptual, it asks what the Shari'ah permits, restricts or prohibits when funds collected for Zakat are deployed into income-generating ventures. The primary sources considered are the Qur'an and Sunnah, particularly the texts dealing with Zakat distribution,[3] the prohibition of unlawful consumption of

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[1] Yusuf al-Qaradawi, *Fiqh al-Zakat: A Comprehensive Study of Zakat, Regulations and Philosophy in the Light of Quran and Sunnah,* Trans Monzer Kahf (Saudi Arabia: Scientific Publishing Centre, King Abdulaziz University, Jeddah 1999), v.1, 40.
[2] Quar'an 9: 60
[3] Qur'an 9:60

wealth,[4] the prohibition of ribā,[5] and the avoidance of deceptive or speculative transactions.[6] The article also relies on classical juristic formulations of maṣlaḥah, ribā, gharar, maysir, trusteeship and legal maxims relating to harm prevention. These materials are important because they provide the conceptual frameworks through which contemporary issues in Islamic finance are assessed.

The article further applies an analytical approach to modern institutional Zakat administration. It does not treat Zakat investment as a purely theoretical question. Rather, it considers how principles such as capital preservation, liquidity, priority of immediate need and lawful investment structures operate in practice. The analysis therefore moves from doctrine to institutional implication. Contemporary resolutions and standards, especially those of the International Islamic Fiqh Academy and the Accounting and Auditing Organization for Islamic Financial Institutions, are used as persuasive modern authorities because they address financial realities that were not fully developed in classical juristic discussions.[7] The study is limited to Shari'ah principles governing investment of Zakat funds. It does not attempt a full empirical assessment of existing Zakat institutions, nor does it examine all national statutory regimes on Zakat administration. Its focus is normative and institutional: to identify the legal safeguards without which investment of Zakat funds would become religiously and ethically problematic.

## 3. Analysis and Discussion

### Public Interest (Maslaha) as a Foundation for Productive Zakat Administration

The doctrine of maṣlaḥah occupies a central position in Islamic legal theory. In broad terms, it refers to the securing of benefit and the prevention of harm in a manner consistent with the objectives of Shari'ah. Al-Ghazālī famously connected maṣlaḥah to the preservation of the five essential interests of religion, life, intellect, lineage and wealth.[8] Al-Shāṭibī later developed the maqāṣid framework by explaining that Shari'ah rules are directed towards human welfare in both worldly and religious dimensions.[9] These formulations are important because they show that Islamic law is not indifferent to social consequences. It seeks to protect human welfare while remaining bound by revelation and juristic discipline. In the context of Zakat, maṣlaḥah is relevant because the obligation itself is designed to address poverty, redistribute wealth and protect social cohesion. The poor, the needy and other eligible categories are not merely passive recipients of charity. They are holders of a religiously recognised entitlement. Where Zakat funds are used only for short-term relief, some beneficiaries may receive temporary assistance without escaping poverty. Where the funds are productively deployed, such as through vocational tools, micro-enterprises, agricultural assets or income-generating projects, the long-term benefit may be greater. It is on this basis that contemporary jurists discuss the possibility of investing Zakat funds for empowerment rather than limiting administration to immediate cash transfer in every circumstance.[10]

However, maṣlaḥah cannot be invoked as a general licence to override textual restrictions. Classical jurists placed conditions on the use of public interest to prevent subjective preference from being treated as law. A claimed benefit must not contradict an explicit text; it must be genuine rather than imaginary; and it must serve a legally recognised public or beneficiary interest rather than the private advantage of administrators.[11] Applied to Zakat investment, these conditions require that the proposed investment must remain within the Qur'anic allocation framework, must be directed to the benefit of eligible recipients, and must not deprive them of their immediate entitlement. This point is crucial. A Zakat institution may not justify speculative investment merely by saying that a higher return is possible. A projected return is not by itself a Shari'ah interest. The relevant benefit is the welfare of Zakat beneficiaries. If investment exposes funds to substantial loss, locks resources away from persons in urgent need, or creates institutional prestige without measurable recipient benefit, the appeal to maṣlaḥah fails. Maṣlaḥah therefore supports Zakat investment only when the investment is a disciplined means of improving the beneficiaries' welfare, not when it becomes an independent financial ambition.[12] The International Islamic Fiqh Academy's resolution on the investment of Zakat funds reflects this controlled permissibility. It permits investment in principle in projects eventually owned by eligible recipients or administered by the authority

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[4] Qur'an 4:29

[5] Qur'an 2:275

[6] Qur'an 4:29

[7] AAOIFI, *Shari'ah Standard No 35: Zakah* (Accounting and Auditing Organization for Islamic Financial Institutions 2020); International Islamic Fiqh Academy Resolution 30.

[8] Abu Ḥamid Muḥammad Ibn Muḥammad al-Ghazali, *al-Mustasfa Min ʿIlm al-Uṣul* (Beirut: Dar al-Kutub al-ʿIlmiyyah, 1993), v. 1, 286.

[9] Abū Isḥāq al-Shāṭibī, *Al-Muwāfaqāt fī Uṣūl al-Sharī'ah* (Cairo: Dār Ibn 'Affān 1997), v. 2, 8-12

[10] See: "*Juristic Debates on the Investment of Zakat Funds Under Islamic Law*" by this Author.

[11] Wahbah al-Zuḥaylī, *Uṣūl al-Fiqh al-Islāmī* (Bairut: Dār al-Fikr 1986), v. 2, 757-761.

[12] Mawaddah Warohmah, Azmy Azmy and Muhammad Syukri Albani Nasution, 'Productive Utilization of Zakat, Infak, and Alms Funds from Mosques for the Economic Empowerment of the Community in Medan City: The Perspective of al-Maslahah al-Mursalah' *International Journal of Cultural and Social Science* (2025), 6(4) 56, 60–63.

responsible for collection and distribution, but only after basic and immediate needs are satisfied and adequate guarantees against loss are provided.[13] This formulation shows that the juristic acceptance of investment is conditional, not absolute. It also shows that productive utilisation must remain subordinate to beneficiary rights.

**The Prohibition of Ribā and Its Implication for Zakat Investment**

The prohibition of ribā is one of the most fundamental principles of Islamic commercial law. Its significance is even greater in Zakat investment because Zakat funds are sacred social trust funds. The legal and moral defect of ribā lies in the acquisition of a predetermined excess without lawful counter-value, especially in a way that burdens the economically weaker party. Classical jurists differed in detail over the categories and technical applications of ribā, but they agreed that unlawful interest-based gain is prohibited. Linguistically, ribā denotes increase, addition or growth.[14] This linguistic meaning is also reflecting in Glorious Qur'anic usage. The Glorious Qur'an employs derivatives of the same root to describe natural increase, such as growth of land after rainfall. The Glorious Qur'an states: 'And you see the earth barren, but when We send down water upon it, it stirs and swells (rabat) and grows every kind of beautiful plant.'[15] Thus, in its literal sense, riba simply refers to increase, surplus, addition or growth without necessarily implying illegality.[16] Juridically, Al-Kāsānī described ribā as an excess without lawful counter-value in an exchange of property.[17] Similarly, the Shafi'i jurist, Al-Nawawi describes it as an additional amount in the exchange of certain commodities or in deferred transactions that is prohibited by the Shariʿah.[18] The Maliki scholar Ibn Rushd also explains that riba arises when one party obtains an unjustified increment in a commutative contract involving specified commodities or loans.[19] These definitions show that ribā is not every form of gain; rather, it is gain that the Shari'ah treats as illegitimate because the transaction lacks lawful counter-performance or produces exploitation.

The Qur'anic prohibition of ribā was revealed in stages, moving from moral disapproval to categorical prohibition. The decisive distinction is expressed in the Qur'anic statement that 'Allah has permitted trade and prohibited ribā'.[20] The Sunnah reinforces the seriousness of the prohibition by condemning not only the person who receives ribā but also those who pay, record or witness the transaction. 'The Messenger of Allah cursed the one who consumes riba, the one who pays it, the one who records it and the two witnesses to it, and he said: they are all equal.'[21] The breadth of this condemnation shows that Islamic law treats ribā as a systemic wrong, not merely as a private defect between two contracting parties.

For Zakat investment, the implication is straightforward. Funds collected as Zakat must not be placed in interest-bearing deposits, conventional treasury bills, conventional bonds or any other instrument whose return is ribā-based. The fact that such instruments may be low-risk in conventional financial terms does not make them permissible in Shari'ah. Safety cannot be purchased through a prohibited mechanism. Likewise, the desire to preserve capital cannot justify placing Zakat funds in interest-based arrangements. Permissible alternatives must be based on lawful contracts and real economic activity. Depending on the circumstances, structures such as muḍārabah, mushārakah, ijārah and murābaḥah may be relevant because they generate returns through trade, asset use or risk-sharing rather than predetermined interest.[22] Yet the use of a recognised Islamic finance contract does not automatically validate a Zakat investment. The contract must be genuine, the underlying asset must be lawful, the risk must be controlled, and the benefit must belong to eligible recipients. A formally Islamic structure that produces the same injustice or misdirection as an impermissible transaction would not satisfy the spirit of Shari'ah.

**The Prohibition of Gharar and the Requirement of Transparency**

Gharar refers to excessive uncertainty, ambiguity or risk in a transaction.[23] Islamic law does not prohibit every form of commercial uncertainty, because trade by nature contains some risk. What is prohibited is uncertainty that affects the essential elements of the contract and may lead to dispute, deception or unjust enrichment.[24] Ibn Rushd described gharar as a transaction in which the outcome is unknown or uncertainty surrounds the existence or

[13] International Islamic Fiqh Academy
[14] Muhammad Ibn Mukarram Ibn Mnzur, Lisan al-Arab (Beirut: Dar Sadir 2003), v. 14, 304.
[15] Qur'an 22, v 5, translation by Muhammad Taqi-ud-Din al-Hilali and Muhammad Muhsin Khan (K.S.A: King Fahd Glorious Qur'an Printing Complex).
[16] M. A Mannan, *Islamic Economics: Theory and Practice* (Leicester: Islamic Foundation 1986), 71.
[17] 'Alā' al-Dīn al-Kāsānī, *Badā'i' al-Ṣanā'i' fī Tartīb al-Sharā'i'* (Beirut: Dār al-Kutub al-'Ilmiyyah 1986), v. 5, 183.
[18] Yahya Ibn Sharaf al-Nawawi, *Al-Majmuʿ Sharh al-Muhadhdhab* (Beirut: Dar al-Fikr 1997), v. 9, 391.
[19] Ibn Rushd, *Bidayat al-Mujtahid Wa Nihayat al-Muqtasid* (Cairo: Dar al-Hadith 2004), v. 2, 154.
[20] Qur'an 2:275. Other verses include: Qur'an 2: 278-279.
[21] Muhammad Ibn Ismaʿil al-Bukhari, *Sahiḥ al-Bukhari* (Kitāb al-Buyūʿ) (Beirut: Dar Ibn Kathir 2002), Hadith 2086.
[22] AAOIFI, *Shari'ah Standards* (AAOIFI 2020), standards on muḍārabah, mushārakah, ijārah and murābaḥah.
[23] Al-Siddiq Muhammad al-Amin al-Darir, Al-Gharar fi al'Uqud wa Atharuhu fi al-Tatbiqat al-Mu'sirah (Saudi Arabia: Jeddah, Islamic Research and Training Institute, Islamic Development Bank 1997), 23-24.
[24] Muhammad Taqi Usmani, An Introduction to Islamic Finance (Kluwer Law international 2002), 43-45.

deliverability of the subject matter.[25] Al-Nawawī similarly linked it to uncertainty over whether the contractual subject matter can be obtained or delivered.[26] The Qur'an prohibits the unlawful consumption of property and requires trade to be based on consent rather than falsehood or injustice.[27] The Qur'an reads: 'O you who believe! Eat not your property among yourselves unjustly by falsehood and deception, except it be a trade amongst you, by mutual consent.'[28] Jurists have accordingly maintained that the term al-batil (unjustly) in the above relevant verse encompasses all unlawful and defective elements in commercial contracts including uncertainty (gharar). [29] The Sunnah gives more specific expression to this principle through the prohibition of transactions involving gharar. Abu Hurayrah (RA) reported that: 'The Messenger of Allah (Peace be upon him) prohibits the transactions involving uncertainty (gharar).'[30] The purpose of the rule is to preserve fairness, transparency and mutual knowledge in commercial dealings. A transaction may be invalid where parties do not know what is being sold, whether it exists, whether it can be delivered, or what obligations are being assumed. In Zakat investment, the prohibition of gharar performs a protective function. Zakat funds belong to eligible beneficiaries and must not be exposed to opaque arrangements, vague investment schemes, hidden liabilities or instruments whose risk profile cannot be reasonably assessed. Administrators must therefore understand the contract, the asset, the counterparty, the exit mechanism, the expected benefit and the risks involved. If an investment proposal is too uncertain to be explained clearly, it is unsuitable for Zakat funds.

**The Prohibition of Gambling (Maysir) and Speculative Gains**

Maysir refers to gambling or the acquisition of wealth through chance rather than lawful exchange or productive effort. Linguistically, it is associated with ease or obtaining something without proper exertion.[31] Juristically, it refers to arrangements in which gain depends substantially on chance, with one party's gain corresponding to another party's loss without legitimate counter-value.[32] The Qur'an expressly condemns gambling and commands believers to avoid it.[33] The relevance of maysir to Zakat investment is not limited to casinos or obvious gambling. It extends to speculative financial practices where returns depend primarily on chance, short-term price movements or zero-sum risk transfer rather than productive economic activity. A Zakat institution must therefore avoid investments that resemble wagering, speculative derivatives, highly volatile schemes or arrangements in which the institution is essentially betting with funds earmarked for vulnerable people. This does not mean that Zakat investment must be entirely risk-free. No productive venture is risk-free. The difference is between commercial risk attached to lawful enterprise and speculative risk detached from real value creation. Shari'ah accepts the former when it is transparent and proportionate; it prohibits the latter when it resembles gambling, exploitation or arbitrary transfer of wealth. For Zakat funds, the threshold of caution should be higher because the funds are not owned by the administrator. The objective is not maximum yield at any cost, but lawful, prudent and beneficiary-centred welfare.

**Lawful Underlying Contracts and Assets**

A further principle is that both the contract used and the asset financed must be lawful. Islamic law begins commercial dealings from a general presumption of permissibility, but that presumption is subject to restrictions imposed by the Qur'an, Sunnah and juristic principles.[34] Therefore, an investment may be invalid not only because its contract is defective, but also because the underlying asset or business activity is prohibited. For Zakat investment, this means that funds should not be placed in businesses connected with interest-based finance, gambling, alcohol, pork-related products or other unlawful sectors. The moral character of the asset matters because Zakat is a religious obligation and its administration must reflect the ethical purposes of Shari'ah. A project cannot be justified merely because it is profitable or socially popular. It must be lawful in its contractual form, lawful in its asset base and beneficial in its institutional effect. The principle also prevents superficial Shari'ah compliance. A transaction may be labelled murābaḥah or partnership while the underlying activity remains unlawful. Likewise, a lawful asset may be financed through a defective contract. Zakat institutions must therefore assess both layers together. Shari'ah compliance is not a name attached to a transaction; it is a substantive assessment of contract, asset, purpose, risk and beneficiary impact.

[25] Ibn Rushd, *Bidayat al-Mujtahid Wa Nihayat al-Muqtasid* (Cairo: Dar al-Hadith 2004), v. 2, 170
[26] Yahya Ibn Sharaf al-Nawawi, *Al-Majmuʿ Sharh al-Muhadhdhab* (Beirut: Dar al-Fikr, 1997), v. 9, 286.
[27] Qur'an 4:29; Qur'an 2:188.
[28] Qur'an 4 v 29.
[29] International Shariah Research Academy for Islamic finance (ISRA), Islamic Financial System, Principles and Operations (Malaysia: Kuala Lampur, 2013), 181.
[30] Muslim Ibn Hajjaj, *Sahih Muslim, Kitab al-Buyuʿ* (Book of Sales) (Beirut: Dar Ihya al-Turath al-Arabiy 1991), Hadith No: 1513.
[31] Muhammad Ibn Mukarram Ibn Manzur, *Lisan al-Arab* (Beirut: Dar Sadir 2003), v. 5, 298–299.
[32] Ahmad Ibn Taymiyyah, *Majmuʿ al-Fatawa* (Cairo: Dar al-Wafa 2005), v. 32, 250–251.
[33] Qur'an 5:90-91.
[34] Ibn Nujaym, *Al-Ashbāh wa al-Naẓā'ir* (Dār al-Kutub al-'Ilmiyyah 1999), 56.

**Preservation of Capital and Fiduciary Responsibility**

Preservation of capital is one of the most important safeguards in Zakat investment. The obligation arises from the nature of Zakat funds as property held for others. Administrators do not own the funds. They hold them as trustees for persons and causes recognised by Shari'ah. The Qur'an commands believers to render trusts to those entitled to them,[35] and Islamic legal maxims require 'harm to be removed'[36] and 'prevention of harm to take precedence over the pursuit of benefit.'[37]

The preservation of wealth is also one of the recognised objectives of Shari'ah. This does not mean that wealth should remain idle in every case. Rather, it Zakat ns that wealth should not be destroyed, misappropriated or exposed to unjustified loss. In the zakāt context, the principle requires administrators to avoid high-risk ventures, unverified promoters, unregulated schemes and investments that lack proper security. It also requires internal controls, approval procedures and independent Shari'ah supervision. A possible profit cannot justify a reckless investment. Where the proposed investment may lead to substantial loss of Zakat capital, the administrator should prefer direct distribution or safer empowerment tools. The principle of capital preservation also suggests diversification, limits on the proportion of funds invested, due diligence, collateral where appropriate and periodic review. If an institution invests all or most of its Zakat collections in a long-term venture and the venture fails, the resulting harm falls not on the administrator but on the poor and needy. Such an outcome would be inconsistent with trusteeship.

**Liquidity and Accessibility of Zakat Funds**

Liquidity refers to the ability of the Zakat institution to make funds or benefits available to eligible recipients without unreasonable delay or loss. The principle is essential because Zakat often responds to urgent needs: food, shelter, medical care, debt relief and basic livelihood support. If funds are locked in long-term projects, the institution may be unable to respond when beneficiaries require immediate assistance. Investment decisions should therefore be structured around liquidity. A Zakat institution should not invest all collected funds. It should maintain a liquidity buffer sufficient to meet foreseeable immediate needs. It should prefer short- to medium-term arrangements where recovery of capital is possible without severe loss. It should avoid projects whose exit depends on uncertain market conditions or prolonged litigation. Liquidity is not merely a financial convenience; it is a Shari'ah safeguard because it protects the beneficiaries' entitlement. The International Islamic Fiqh Academy's condition that immediate needs must first be fulfilled reinforces this principle.[38] Investment may be considered only after the institution has reasonably assessed and addressed urgent beneficiary needs. If the poor in a locality remain hungry, indebted or medically vulnerable, it would be difficult to justify locking large zakāt funds in delayed-return projects. Productive empowerment should complement urgent relief, not replace it.

**Priority of Immediate Beneficiary Needs**

The priority of immediate need flows directly from the purpose of Zakat. The Qur'anic distribution categories begin with the poor and the needy, signaling the centrality of relief from hardship.[39] While Zakat may support broader eligible causes, its administration must not lose sight of the human urgency behind the obligation. An investment policy that produces long-term institutional growth while leaving present beneficiaries unattended reverses the proper order of priorities. This does not mean that every Zakat payment must be distributed as cash immediately. The form of benefit may vary. A poor person may be helped more effectively through tools, training, business capital, medical support, debt settlement or housing assistance. The decisive issue is whether the assistance genuinely addresses the recipient's need. Where productive investment is designed to create a sustainable benefit for eligible recipients, it may serve the purpose of Zakat. But where investment merely delays distribution in the hope that future returns will be higher, it becomes legally questionable. Administrators should therefore begin with needs assessment. They should identify the number and condition of eligible beneficiaries, classify urgent and developmental needs, and determine what portion of collections can safely be allocated to productive projects. This evidence-based approach reduces arbitrary decision-making and ensures that investment remains subordinate to the welfare of recipients.

**Institutional Shari'ah Governance and Accountability**

The preceding principles cannot operate effectively without institutional governance. A Zakat institution may affirm Shari'ah compliance in theory while failing in practice due to weak supervision, poor documentation or absence of accountability. Because Zakat funds are trust funds, governance is part of the legal obligation. It is not merely an administrative preference. A sound governance framework should include a competent Shari'ah board

[35] Qur'an 4:58.
[36] Ahmad Ibn Muhammad al- Zarqa, *Sharh al-Qawaid al-Fiqhiyyah* (Dar- al-Qalam, 2nd edn, 1989), 165.
[37] Ibid.
[38] International Islamic Fiqh Academy Resolution on Zakat investment.
[39] Qur'an 9:60.

or adviser, written investment policy, approval limits, due diligence procedure, segregation of Zakat funds from other institutional funds, internal audit, external reporting and beneficiary-impact assessment. The Shari'ah board should not merely approve products at the beginning; it should monitor implementation and require correction where practice departs from approved principles. Investment reports should show where funds were placed, what returns were generated, what risks were assumed, what losses occurred and how beneficiaries benefited.

Transparency is especially important because zakāt relies heavily on public trust. Donors may withdraw confidence if they suspect that funds are being diverted into uncertain projects or used for institutional expansion without clear beneficiary impact. Beneficiaries may also be harmed if investment decisions are made without consultation or evidence of need. A Zakat investment framework should therefore be auditable, explainable and measurable.

**Beneficiary Ownership**

A recurring question in the investment of Zakat funds is whether the beneficiaries must receive direct individual ownership immediately, or whether a Zakat institution may administer a project on their behalf for a period of time. The safer position is that the beneficiary's right must remain the controlling consideration even where direct handover is delayed by the structure of the project. The institution should not treat investment assets as its own property. It should define who the intended beneficiaries are, how they will benefit, when the benefit will be delivered, and whether the project will eventually be transferred to them or operated for their continuing advantage. This requirement is particularly important where Zakat funds are used for collective projects. For example, a vocational centre, agricultural scheme, small enterprise fund or health-support project may benefit a class of eligible recipients rather than one named individual. Such a project may be defensible where it clearly serves one or more Qur'anic categories, but it becomes problematic where the class of beneficiaries is vague or where the institution uses Zakat money to build assets that primarily strengthen its own balance sheet. In other words, institutional administration may be a means; it must not become the end. Impact measurement should therefore form part of Shari'ah compliance. It is not enough to report that a project generated profit. The relevant questions are whether eligible recipients were reached, whether their hardship was reduced, whether their income or welfare improved, and whether the project remained within the authorised Zakat categories. A project with modest financial return but clear poverty-reduction effect may better satisfy the purpose of Zakat than a profitable investment whose benefits do not reach the poor and needy. This approach aligns with the conditional language of contemporary fiqh resolutions, which permit investment only where the immediate needs of recipients are fulfilled and safeguards exist against loss.[40] It also respects the Qur'anic allocation framework by ensuring that productive deployment does not obscure the identity and entitlement of the beneficiaries.41 Accordingly, every Zakat investment proposal should contain a beneficiary-impact plan before approval, and every completed investment cycle should be followed by an impact report.

## 4. Conclusion and Recommendations

This article finds, first, that the investment of Zakat funds is not absolutely prohibited under contemporary Shari'ah analysis, but it is permissible only within strict limits. The permissibility is conditional upon the fulfilment of immediate beneficiary needs, the existence of adequate safeguards against loss, and the direction of the benefit to eligible recipients. The International Islamic Fiqh Academy's resolution supports this cautious and conditional approach. Second, maṣlaḥah provides the principal juristic basis for considering productive Zakat investment. However, maṣlaḥah cannot be invoked to contradict clear texts or to justify speculative institutional conduct. The relevant public interest is the welfare of Zakat beneficiaries, not institutional profit, prestige or expansion. Third, Zakat funds must not be invested in ribā-based instruments. Conventional interest-bearing deposits, bonds, treasury instruments and similar arrangements are inconsistent with the prohibition of ribā even where they appear safe in conventional financial terms. Shari'ah compliance requires lawful contractual structures and real economic activity. Fourth, the prohibition of gharar requires transparency, certainty and proper documentation. Zakat investment proposals must clearly identify the contract, asset, risk, expected benefit, duration, exit mechanism and beneficiary link. Excessive ambiguity makes an investment unsuitable for funds held in trust for vulnerable recipients. Fifth, liquidity is essential to lawful Zakat administration. Investment policies must not prevent timely distribution to eligible beneficiaries. Institutions should maintain adequate cash reserves and avoid locking substantial Zakat funds in long-term projects while urgent needs remain unmet. Finally, the article finds that governance is the practical mechanism through which all other principles are enforced. Without Shari'ah supervision, investment policy, audit, reporting and beneficiary-impact assessment, the theoretical permissibility of Zakat investment may become an avenue for abuse or misdirection.

[40] Qur'an 9:60

The investment of Zakat funds is a contemporary issue that requires careful attention. Zakat was legislated to relieve hardship, redistribute wealth and strengthen social welfare. In some circumstances, productive utilisation may serve these purposes better than repeated short-term distribution. Yet the sacred and earmarked character of Zakat means that investment cannot be treated as a normal institutional finance activity. The correct Shari‘ah approach is therefore conditional permissibility. Zakat investment may be considered where immediate needs have been addressed, where the project is Shari‘ah-compliant, where capital is reasonably protected, where liquidity remains available, and where the benefit is demonstrably linked to eligible beneficiaries. It is impermissible where investment causes delay, exposes funds to excessive risk, involves ribā, gharar or maysir, or serves institutional interests at the expense of the poor and needy. The following recommendations are proposed. First, Zakat institutions should adopt a written Shari‘ah-compliant investment policy. The policy should define permissible contracts, prohibited sectors, risk limits, approval procedures, liquidity requirements and beneficiary-impact standards. No investment should be made outside this policy. Second, immediate beneficiary needs should be assessed before any investment allocation. Institutions should maintain data on poverty, debt, health needs, livelihood needs and emergency assistance within their jurisdiction. Investment should be permitted only after reasonable provision has been made for urgent cases. Third, Zakat institutions should maintain liquidity buffers. A fixed percentage of annual collections should remain immediately available for distribution. The size of the buffer should depend on the level of need, seasonal obligations, expected applications and emergency risks. Fourth, Zakat funds should be invested only in lawful, transparent and asset-backed ventures. Interest-bearing instruments, speculative schemes and businesses involving prohibited activities should be excluded. Recognised Islamic finance contracts should be used only where their substance matches their form. Fifth, a competent Shari‘ah governance structure should be compulsory. Zakat institutions should have qualified Shari‘ah advisers or boards capable of reviewing both legal form and practical implementation. Their approval should be documented, and their supervision should continue throughout the investment cycle. Finally, policymakers and Islamic legal scholars should work towards model guidelines on Zakat investment. Such guidelines should harmonise classical fiqh principles with modern governance standards, while preserving the primary purpose of Zakat as a right of eligible beneficiaries. The future of Zakat administration should not be a choice between tradition and development. It should be a disciplined integration of both, guided by Shari‘ah, public interest and accountability.