111774 - Is it permissible to invest zakaah funds?

the question

Charitable organizations collect zakaah funds, of which there is a great deal, especially in the month of Ramadan. Is it permissible for the charity to invest these funds, with the profits going to the poor and needy?

Detailed answer

Praise be to Allah.

It is obligatory to give zakaah to those who are entitled to it, who are mentioned in the verse in which Allah, may He be exalted, says (interpretation of the meaning):

“As-Sadaqaat (here it means Zakaah) are only for the Fuqaraa’ (poor), and Al-Masaakeen (the poor) and those employed to collect (the funds); and to attract the hearts of those who have been inclined (towards Islam); and to free the captives; and for those in debt; and for Allah’s Cause (i.e. for Mujaahidoon — those fighting in a holy battle), and for the wayfarer (a traveller who is cut off from everything); a duty imposed by Allah. And Allah is All-Knower, All-Wise”

[al-Tawbah 9:60].

Zakaah is the right of these categories of people over the wealth of the rich. So long as any of these categories is present, they must be given their due. Investing zakaah funds delays giving zakaah to those who are entitled to it, or prevents it being given to them altogether, if the project incurs losses and the capital is lost.

Therefore contemporary scholars have ruled that it is not permissible to invest zakaah funds.

Shaykh Ibn ‘Uthaymeen (may Allah have mercy on him) was asked about the ruling on some charities investing zakaah funds.

He replied: With regard to investing it in the purchase of real estate and the like, I do not think that is permissible, because what should be done is to meet the need of the poor person who is entitled to it at present. As for the poor in the future, that is up to Allah.

End quote from Liqa' al-Baab al-Maftooh (1/67)

The scholars of the Standing Committee were asked about a charity that wants to invest its funds.

They replied: If the wealth mentioned in the question is zakaah funds, then it must be given to the categories who are entitled to it according to sharee'ah when it reaches the charitable organisation. But if it is not zakaah funds, then there is no reason why it should not be invested in the interests of the charity, because that will further benefit the aims of the charity and those who donate to it. End quote.

Fataawa al-Lajnah ad-Daa'imah (9/403, 404)

They were also asked:

Can a global Islamic charity invest zakaah funds that may be put in the bank until they are spent, and the investment thereof will not affect their being spent on the categories of zakaah recipients stipulated in sharee'ah, on the basis that they will be invested in "liquid" or "unfrozen" schemes, so that it will be possible to withdraw the funds when necessary, and they will be invested in areas that are well-established and proven to be trustworthy – although we do not say that they are guaranteed – so that they will not be akin to dubious investments? Moreover the charity is not a real person or several person who represent themselves; rather it is a virtual entity and the people involved are working for the good of Islam and the Muslims.

They replied:

It is not permissible for the trustee of a charity to invest zakaah funds. What is required is to spend them on the categories stipulated in sharee'ah, after ascertaining that they are being given to those who are entitled to them. That is because the purpose of zakaah is to meet the needs of the poor and pay off debts of the debtors, and because investment may be detrimental to these

interests or may cause severe delay in giving it to those who are entitled to it.

End quote from Fataawa al-Lajnah ad-Daa’imah (9/454, 455

Those who regard it as permissible to invest zakaah funds stipulate that that should only be done after meeting the urgent needs of those who are entitled to zakaah. It says in the resolutions of the Fiqh Council:

It is permissible in principle to use zakaah funds in investment projects which will end with those who are entitled to it taking possession of the zakaah, or which belong to the Islamic organisation that is responsible for collecting and distributing zakaah, so long as that is done after meeting the immediate needs of those who are entitled to it and so long as there are sufficient guarantees to prevent loss.

End quote from Majallat al-Majma‘ al-Fiqhi

It is very difficult, if not impossible, to say that this condition could be met, because the number of poor and needy, mujaahideen striving for the sake of Allah, wayfarers, debtors, and those whose hearts are to be softened, exist in the millions. So zakaah must be given to these people, and it is not permissible to delay it.

And Allah knows best.