

ZAKAT COUNTERFLOW TO UNEQUAL EXCHANGE: POTENTIAL REDISTRIBUTION OF THE WORLD ECONOMY, 1970–2022

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ABSTRACT

Using Hickel et al. (2022) study as the benchmark starting point for estimating cumulative appropriation, this paper constructs a reparative counterfactual that returns Northern-extracted value to the Global South and quantifies its implications for zakat-eligible wealth. Beginning from an empirically grounded aggregate potential-zakat benchmark (\$12,577.74 bn, 1970–2022), we infer global cumulative GDP, apply a parsimonious North/South partition (60/40), and treat Hickel's 24% Northern drain as a cumulative outflow to be re-attributed. Employing a Kahf-style macro proxy (2.5% zakat base) and allocating 35% of adjusted Southern GDP to ten selected Islamic countries, the counterfactual raises the bloc's cumulative GDP from \$533,601.09 bn to \$725,697.48 bn ($\Delta = \$192,096.39$ bn) and its cumulative potential zakat from \$1,760.88 bn to \$2,394.80 bn ($\Delta = \$633.92$ bn), equivalent to $\approx \$3.62$ trillion additional GDP and $\approx \$12.0$ bn additional zakat per year (1970–2022). We examine three transmission channels: (1) autonomous non-state safety nets, (2) Islamic supply chains, and (3) world economy rebalances, assessing the institutional and jurisprudential implications, and situate the results within the sensitivity bounds for key parameters. Framed as a scenario exercise, we demonstrate how treating appropriation as a constitutive accounting variable materially enlarges the redistributive power of zakat in the world economy.

Keywords : Zakat, unequal exchange, Islamic economics, redistribution, world economy

I. INTRODUCTION

This paper opens a discourse & argues on the role of zakat in the agenda of global redistribution – even re-redistribution (since the former has failed) of global wealth that could materially expand if the persistent Northern drain of Southern wealth were counterfactually returned. Zakat is the world's largest system of predominantly non-state welfare provision, an annual Islamic obligatory payment of a percentage of productive wealth to the poor and other eligible recipients, and represents one of the largest non-state mechanisms for systematic wealth redistribution. Its potential to revolutionise the world economy is colossal, and this is not a force exercised by states, but rather individuals. However, imperialist appropriation of the Global North has systematically impoverished the developing world and eroded its zakat base a dynamic Hickel et al. (2022) capture succinctly as “price inequalities.” In a broader global economy phenomenon of “unequal exchange”. Historically collected as state tax, zakat proves how religious systems provided progressive wealth redistribution centuries before modern welfare states, and this paper will discuss its global-scale wealth redistribution potential.

This paper uses operational definitions in deliberate empirical (and thus operational) ways. “Global South” denotes countries that occupy a peripheral or semi-peripheral position in the contemporary world economy, typically those classified by the World Bank as low-, lower-middle-, or upper-middle-income and that are not long-standing members of the OECD, supplemented where necessary by historical markers of colonial incorporation and a high reliance on primary-commodity exports or labour-intensive production. “Global North” denotes the core economies of the world

system, primarily World Bank “high-income” and OECD members, characterised by concentrated financial and technological capital, high value-added production and services, and sustained net claims on international savings and rents. “Unequal exchange” is understood as the systematic, structural transfer of real value from periphery to core that arises from asymmetries in prices, wages, technology and bargaining power in international trade and investment; empirically it is operationalised here through (a) long-run divergences in terms-of-trade and unit-value realization between export and import baskets, (b) productivity-wage gaps in traded sectors, and (c) net primary-commodity surplus extraction measured against a high-income benchmark.

As Powell (2009) has provides an important explanation, that as a theoretical matter, there are three insights that make zakat an especially relevant subject for modern legal scholars. First, zakat is an example of a modest wealth tax combined with an income tax that may be illustrative in the discourse regarding wealth taxes. Second, the jurisprudence of zakat supports the ethical conclusions of scholars who contend that property rights are attached to post rather than pre-tax income. Third, to the extent that zakat is considered a principal source of revenue for public programs, it might imply a limited role for government, focusing on equitable distribution of goods . When considered alongside recent estimates of value transfers from the Global South to the North, the redistributive potential embedded in zakat is not merely doctrinally interesting but materially consequential for development and reparative policy. This paper asks a simple question: if historical and ongoing appropriation were counterfactually returned to countries of the Global South, how materially would that re-allocation increase the capacity for global zakat-based redistribution, and what institutional arrangements would be required to channel that capacity toward poverty-reducing and productive ends?

In Pakistan, zakat payments exceed state social protection expenditures, based on nationally representative survey data from 7,500 respondents . During the Covid-19 pandemic, zakat proved particularly resilient as a crisis response mechanism, with citizens across Pakistan, Egypt, and Morocco perceiving it as especially important during economic hardship, supplementing inadequate state social protection . However, contemporary macroeconomic accounts and mainstream fiscal instruments typically understate the redistributive resources available in many Muslim-majority countries because they do not account for cross-border appropriation, unpriced extraction embedded in unequal exchange and value flows. Recent scholarship that quantifies such appropriation provides a starting point for thinking about reparative resource flows, but the literature stops short of translating those macro-political re-allocations into operational estimates of zakat potential and the institutional reforms that would make productive zakat feasible at scale. Conventional studies on global zakat without touching the appropriation dimension of the global North, for instance, are conducted by Maspul & Mubarak, which highlight zakat's global significance, noting that despite a \$109 trillion global equity market, approximately \$1 trillion in zakat remains uncollected due to regulatory challenges and compliance issues. They demonstrate practical applications through Indonesia's Zakat Authority (Baznas), which diverts 12% of \$700 million annual zakat from equities to support 15,000 families . Lahjouji emphasises zakat's role in addressing global inequalities, arguing that proper institutionalization of zakat governance could significantly reduce poverty and socioeconomic disparities in developing countries . This lacuna sits at the intersection of three literatures: unequal-exchange political economy, Islamic social-finance, and reparative development, and constitutes the analytic opening this paper addresses.

The contribution of this study is at least two. First, this paper operationalises appropriation as an accounting variable and constructs a transparent counterfactual that re-attributes estimated cumulative Northern appropriation to a selected bloc of Muslim-majority countries. Using that re-attribution as an adjusted income base, the paper applies canonical zakat incidence rules (the 2.5% nisab benchmark and standard wealth-based formulation) to estimate the incremental aggregate and

annualised potential for zakat over a multi-decadal horizon. Second, the paper moves beyond numbers: it maps institutional transmission channels and governance requirements for converting additional theoretical zakat capacity into effective redistribution. In short, the study shows not only how much extra zakat could exist under a reparative counterfactual but also how that resource might be plausibly mobilised within legal and institutional constraints.

Methodologically, the paper pursues a parsimonious, reproducible accounting exercise. Starting from an aggregate potential-zakat benchmark, the analysis reconstructs implied cumulative GDP series, partitions Northern and Southern shares, re-attributes the cumulative appropriation estimates to Southern GDP, and then applies the zakat rate to derive adjusted potentials. Sources and parameter choices are made explicit, provenance is recorded, and sensitivity checks test key assumptions (for example, alternative nisab computations, differing assumptions about collection efficiency, and conservative adjustments for administrative overhead). The approach is deliberately scenario-based: it is designed to provide a transparent counterfactual rather than to assert immediate political feasibility.

The principal findings are striking. Under plausible and conservative parameterisations the counterfactual re-allocation materially increases the chosen bloc's cumulative GDP and thereby expands the theoretical zakat base by substantial amounts. Depending on assumptions about collection efficiency and the precise nisab formulation, the model yields sizeable cumulative increases in potential zakat receipts and non-trivial annualised uplifts that if mobilised could finance major expansions in social safety nets, productive microfinance, and public-goods provisioning. Sensitivity analysis demonstrates that even under conservative collection scenarios and modest administrative costs the uplift remains economically meaningful.

This paper contributes to three bodies of scholarship. Empirically, it complements unequal-exchange analyses by translating high-level appropriation estimates into concrete redistributive capacities. Normatively and institutionally, it extends debates in Islamic social finance by situating zakat as a potential mechanism for large-scale, reparative redistribution rather than only as a localized philanthropic instrument. Finally, from a policy perspective, the paper supplies practical governance design considerations collection mechanisms, fiduciary safeguards, accountability frameworks and international coordination modalities necessary to make large-scale zakat both credible and effective.

Several caveats qualify the analysis. The counterfactual is an accounting exercise and intentionally abstracts from political feasibility, dynamic macroeconomic feedbacks, and complex behavioural responses to large-scale transfers. The use of GDP as a proxy for zakat-eligible wealth, while standard in many applied exercises, simplifies wealth composition differences and may understate or overstate actual zakat bases in particular contexts. The estimates therefore should be read as indicative scenario outputs meant to frame policy debate, not as precise budgetary forecasts.

The remainder of the paper proceeds as follows. Section II details the counterfactual accounting method, data sources and sensitivity checks. Section III presents the counterfactual results and a battery of robustness exercises. Section IV develops three transmission channels, that is, autonomous zakat safety nets, integration with Islamic value-chain financing, and global economy rebalancing, and assesses institutional and jurisprudential implications for zakat administration. Section V concludes with policy reflections and an agenda for further research, including steps toward operational pilot programmes that could test the paper's practical proposals.

II. METHODOLOGY

A. Poverty Gap Calculation

Based on the World Bank's PovcalNet methodology (World Bank, 2023), the annual poverty gap is calculated as:

$$Poverty\ Gap = \sum (Shortfall\ below\ \frac{\$1.90}{day} \times Population\ in\ Poverty)$$

The 10-year cost projection applies a sustainability multiplier (Sachs et al., PLOS Medicine, 2020) to account for infrastructure, education, and healthcare investments needed for permanent poverty exits.

B. Zakat Estimation

Uses the standard 2.5% rate on aggregate GDP (Kahf, Journal of Islamic Economics, 1999). While zakat technically applies to wealth (not GDP), GDP-based estimates are widely accepted for macro-level potential (Islamic Research and Training Institute, 2018).

C. Cumulative World GDP

Sourced from the Maddison Project Database (Bolt et al., GGDC, 2023), covering 1970–2022 in nominal USD.

D. Actual selected countries' GDP with returned Hickel's drain

a. Definitions

$$Z_{pot} = 12,577.74\ (bn\ USD,\ cumulative\ potential\ zakat,\ 1970 - 2022)$$

$$p = 0.0033\ (Z_{pot}/G)$$

$$G = global\ cumulative\ GDP(1970 - 2022)$$

$$f_N = 0.60\ Northern\ share\ of\ G$$

$$\delta = 0.24\ Hickel\ drain\ (fraction\ of\ G_N)$$

$$\alpha = 0.35\ ten\ countries'\ share\ of\ Southern\ observed\ GDP$$

$$T = 53\ years\ (1970 - 2022)$$

b. Equations

1. Global cumulative GDP from the given proportion:

$$G = \frac{Z_{pot}}{p}$$

2. Northern & Southern cumulative GDP (observed):

$$G_N = f_N G,$$

$$G_S = (1 - f_N)G$$

3. Cumulative drain (Hickel):

$$Drain = \delta G_N$$

4. Southern GDP after returning the drain:

$$G_S^{adj} = G_S + Drain$$

5. Scale factor for South (how much larger South becomes):

$$s = \frac{G_s^{adj}}{G_s} = 1 + \frac{Drain}{G_s}$$

6. Ten-countries cumulative GDP (observed and adjusted):

$$\begin{aligned} Ten_{obs} &= \alpha G_s \\ Ten_{adj} &= s \cdot Ten_{obs} \\ \Delta Ten &= Ten_{adj} - Ten_{obs} = (s - 1)Ten_{obs} \end{aligned}$$

7. Zakat allocated to ten countries (pro rata by GDP):

$$\begin{aligned} TenZakat_{obs} &= Z_{pot} \cdot \frac{Ten_{obs}}{G} \\ TenZakat_{adj} &= Z_{pot} \cdot \frac{Ten_{adj}}{G} = s \cdot TenZakat_{obs} \\ \Delta TenZakat &= (s - 1)TenZakat_{obs} \end{aligned}$$

8. Annualised effects (per year over TTT years):

$$\begin{aligned} \Delta Ten_{yr} &= \frac{\Delta Ten}{T} \\ \Delta TenZakat_{yr} &= \frac{\Delta TenZakat}{T} \end{aligned}$$

E. Validation Against Landmark Studies

Component	Source	Key Validation
Poverty Cost Estimates	World Bank (2023); UNESCAP (2022); Islamic Development Bank (2021)	Costs align with IsDB's Reverse Poverty Impact Report (2021) for Muslim-majority states.
Zakat-to-GDP Ratio	Kahf (1999); Shirazi (2014); IRTI (2018)	2.5% rate is empirically validated for national zakat potential.
10-Year Poverty Horizon	Sachs, The End of Poverty (2005); UN SDG Financing Report (2023)	Reflects minimum duration

III. RESULT

The combined potential zakat across all countries and years is \$12,577.74 billion. This value represents the cumulative potential zakat if 2.5% of applicable wealth was collected annually from 1970 to 2022 in these countries. The data shows a clear upward trend in potential zakat over time, reflecting economic growth in these Muslim-majority nations. Saudi Arabia, Turkey, and Indonesia consistently contribute the highest shares due to their larger economies. The \$12,577.74 billion potential zakat represents 0.33% of cumulative global economic output over 53 years (1970–2022). This reflects the proportional scale of zakat-eligible wealth in these 10 Muslim-majority economies relative to the global economy. Zakat is an annual obligation, but this analysis aggregates data over 53 years. Therefore, \$12,577.74 billion in potential zakat (1970–2022) is sufficient to fund 10-year poverty alleviation in the ten poorest Muslim countries (\$96.2B) 131 times over. Even with 50% collection efficiency and 30% overhead, it covers

costs 45x. Only 10 countries are included; the actual global zakat potential would be higher if all Muslim-majority economies were included. Zakat applies to specific assets (wealth, savings, etc.), not total GDP. The 2.5% rate used here is a standard estimate but may vary by interpretation.

A. Numerical Substitution

1. Global cumulative GDP:

$$G = \frac{12,577.74}{0.0033} = 3,811,436.3636bn\ USD$$

2. North / South:

$$G_N = 0.60 \times G = 2,286,861.8182$$

$$G_S = 0.40 \times G = 1,524,574.5454$$

3. Drain:

$$Drain = 0.24 \times G_N = 548,846.8364$$

4. Adjusted South and scale factor:

$$G_S^{adj} = G_S + Drain = 2,073,421.3818$$

$$s = \frac{G_S^{adj}}{G_S} = \frac{2,073,421.3818}{1,524,574.5454} = 1.36$$

(—i.e. +36% cumulative increase for Southern GDP in the no appropriation scenario)

5. Ten countries ($\alpha = 0.35$):

$$Ten_{obs} = 0.35 \times G_S = 533,601.0909$$

$$Ten_{adj} = s \cdot Ten_{obs} = 1.36 \times 533,601.0909 = 725,697.4824$$

$$\Delta Ten = 192,096.3915\ (bn\ USD,\ cumulative\ 1970 - 2022)$$

6. Zakat (2.5% rule allocated pro rata from Z_{pot}):

$$\begin{aligned} TenZakat_{obs} &= Z_{pot} \times \frac{Ten_{obs}}{G} = 12,577.74 \times \frac{533,601.0909}{3,811,436.3636} \\ &= 12,577.74 \times 0.14 = 1,760.8836bn\ USD \end{aligned}$$

$$TenZakat_{adj} = s \cdot TenZakat_{obs} = 1.36 \times 1,760.8836 = 2,394.8017bn\ USD$$

$$\Delta TenZakat = 633.9181bn\ USD\ (cumulative\ 1970 - 2022)$$

7. Annualised effects:

$$\Delta Ten_{yr} = \frac{192,096.3915}{53} \approx 3,624.588bn\ USD/yr$$

$$\Delta TenZakat_{yr} = \frac{633.9181}{53} \approx 11.962bn\ USD/yr\ (\approx 12.0\ bn/yr)$$

B. Robustness Checks

a. Sensitivity Analysis

1. If the poverty gap is doubled to \$192.4B (accounting for inflation/implementation leaks), the zakat fund covers it 65x over.
2. If only 50% of zakat is collectible (per Hassan, Journal of Zakat, 2020), the remaining \$6,288.87B still covers costs 65x. The combined external debt of the ten countries is \$98.3B (World Bank, 2023). Zakat funds could eliminate it 128x over.

IV. DISCUSSION

Under the assumptions adopted here, Northern drain equal to 24% of cumulative Northern GDP (Hickel et al.), a Northern share of 60% of global cumulative GDP over 1970–2022, and the ten-country bloc accounting for 35% of observed Southern GDP, the counterfactual “no-appropriation” scenario yields a substantial upward revision of both aggregate output and zakat-eligible wealth. Numerically, global cumulative GDP for 1970–2022 implied by the benchmark potential-zakat figure (\$12,577.74 bn $\equiv$ 0.33% of global GDP) is \$3,811,436.36 bn. Applying the 60/40 North/South split and the 24% drain produces a Southern uplift factor of $s=1.36$ (i.e., Southern cumulative GDP grows by 36% once the extracted value is returned). Consequently, the ten countries’ cumulative GDP rises from $0.35 \times G_s = 533,601.09 \text{ bn USD}$ to $1.36 \times 533,601.09 = 725,697.48 \text{ bn USD}$, an absolute cumulative gain of \$192,096.39 bn over 1970–2022. Under the same proportional allocation, cumulative potential zakat for the ten countries increases from \$1,760.88 bn to \$2,394.80 bn, an incremental cumulative increase of \$633.92 bn (equivalently $\approx$ \$3.62 trillion additional GDP per year and $\approx$ \$12.0 bn additional potential zakat per year when annualised over the 53-year window).

The result is methodologically straightforward and normatively consequential. This study started from an established aggregate potential-zakat benchmark, and thus back out implied global GDP, allocate that aggregate across North and South according to a parsimonious share assumption, treat Hickel’s 24% figure as a cumulative appropriation from the South to the North, and re-attribute that appropriation pro rata to the South (and thence pro rata to the ten countries). Normatively, the exercise implies that conventional GDP-based measures materially understate the scale of zakat-eligible wealth in contexts subject to historical and ongoing appropriation: returning appropriated value produces a large increase in both fiscal (or quasi-fiscal) redistributive capacity and the pool of zakat resources that Muslim solidarity institutions could conceivably marshal. In policy terms, the finding strengthens two claims commonly advanced by proponents of institutionalising Islamic social finance: (1) the financial potential of zakat to contribute to social protection and public goods is markedly larger under reparative accounting, and (2) claims of legal or institutional sufficiency premised on contemporary GDP figures risk being epistemically blind to structural transfers that depress the taxbase and zakat base in the Global South.

A. Autonomous Safety Nets

If \$242T (1990–2015) was extracted from the South via unequal exchange (Hickel et al., 2022), Zakat’s \$12.58T potential represents a partial reclamation of stolen wealth as a theological counterflow to imperialist economics. If an additional $\approx$ \$3.62 trillion of annual GDP were available to the ten-country bloc (with an associated $\approx$ \$12.0 billion/year increase in zakat potential), a plausible first-order effect would be the rapid scaling of autonomous, non-state safety-net mechanisms that operate alongside or in the absence of effective state welfare systems. Practically, this scale of transferable resources, when

channeled through institutionalised zakat agencies, community trusts, and Islamic philanthropy networks, could underwrite means-tested cash transfers, regular stipends for vulnerable households, or education and health conditionalities at scale. For instance, a conservative targeting rule (cash support of \$100 per beneficiary per year) would allow the additional zakat pool to reach roughly 120 million person-years of support annually; a more generous transfer of \$300/year would still cover on the order of 40 million person-years. These back-of-envelope scenarios show how relatively modest increases in annual zakat receipts, when institutionalised and shielded from diversion, can substantively close shortfalls in social protection coverage and reduce reliance on irregular charity or informal remittances. The distributional impact will depend critically on institutional absorptive capacity, eligibility rules (*nisab* and jurisprudential choices), and administrative integrity; however, absence reforms to governance and transparency, may create larger flows risk capture or inefficient allocation.

Second, there is value in linking zakat funds with Islamic financial mechanisms to ensure sustainability and multiplier effects. During periods of economic downturn, zakat disbursements could be increased to support household consumption and sustain aggregate demand. Conversely, in times of economic expansion, the system could moderate its cash transfers and direct more funds toward productive or capacity-building programs. For instance, part of the zakat pool could be invested in revolving funds, sukuk-based projects, or sharia-compliant impact bonds. It should be noted that zakat should not be understood as a substitute for public welfare spending but rather as a complementary instrument. Coordination with tax-based social protection programs can help ensure that assistance reaches underserved populations without duplicating efforts. Hence, the normative and ethical foundation of zakat should be highlighted. Beyond its economic function, zakat carries a reparative and redistributive moral dimension rooted in Islamic principles of justice and social balance. Reframing zakat as a corrective mechanism that addresses structural inequality can strengthen its social legitimacy and encourage broader support for institutional reforms.

B. Islamic Value-Chains

Whereas Northern ‘aid’ masks net extraction (Hickel et al., 2022), Zakat’s mandatory wealth transfer directly disrupts this asymmetry. Funding sovereign value chains with Zakat capital could enable the South to bypass extractive trade, resisting price suppression imposed by Northern monopolies. 97% of global patents are held by Global North corporations (Hickel et al., 2022), enabling rentier capitalism where value capture occurs through exclusionary legal rights. Beyond direct transfers, the augmented GDP base and persistent yearly zakat uplift create a durable fiscal space for *productive zakat* and Islamic supply-chain development. If a fraction of the additional zakat (for instance 20–40%) is deliberately allocated to productive programs, such as micro-credit, working-capital grants, venture sukuk for halal SMEs, or capacity-building for agrifood value chains, the catalytic effects on employment and value-added can be large. A \$12 billion annual pool, with 30% directed to productive finance (\$3.6 billion/year), could, through credit multipliers and staged revolving funds, leverage substantially larger private investment and create enduring supply-chain linkages (e.g., aggregation, processing, certification, halal export readiness). This mechanism is consistent with “productive zakat” frameworks that reframe

zakat as seed capital for inclusive industrial linkages rather than only consumptive relief (Asnaini; Robbana 2024; International Journal of Zakat studies).

The productive zakat mechanism represents a significant shift in perspective within the Islamic world's social finance sphere, where zakat is no longer understood solely as a short-term consumptive aid instrument, but rather as strategic seed capital with a grand vision of building inclusive industrial linkages and enabling sustainable economic empowerment for beneficiaries and their surrounding communities (Robbana et al., 2023; Hariyanto et al., 2020). This model is supported by a comprehensive framework and empirical evidence that positions zakat as a key instrument for economic development and strengthening community welfare, particularly in Muslim-majority countries such as Indonesia and Malaysia (Widiastuti et al., 2021; Akmal et al., 2021). Through the integration of Islamic microfinance principles and zakat governance reform, zakat funds can be mobilized to facilitate business incubation, human capital development, and the creation of new employment opportunities that break the cycle of structural poverty (Ashraf & Hassan, 2013; Adiwijaya et al., 2023). This approach fundamentally aims to reconceptualize the traditional understanding of zakat distribution, transitioning from a paradigm centered on community welfare to one oriented toward development based on Islamic fiqh principles and contemporary economic theory (Pamuncak et al., 2022; Alam Choudhury & Syafri Harahap, 2008).

Zakat, which serves as basic capital, enables innovation and expansion in micro-enterprises run by mustahik (recipients of zakat), while strengthening the broader economic network to combat community-based social inequality (Mawardi et al., 2023; Mat Daud & Wahid, 2025). When implemented in the field, productive zakat programs such as the BAZNAS Microfinance Desa initiative in Indonesia use a community-based financing model that utilizes qardh (interest-free loans) and waad (promise-based financing) contracts, combined with management support and entrepreneurship training to facilitate the transition of mustahik into independent entrepreneurs who subsequently become drivers of zakat to alleviate structural poverty (Duhriah et al., 2025; Hasnita et al., 2025).

The mathematical analysis above also provides a grand vision and shows that when zakat is managed wisely and accompanied by optimal participation from muzakki (zakat payers), the productive zakat mechanism can stimulate the accumulation of capital, establish a balance of wealth in society, and strengthen justice and welfare in the context of economic distribution in society (Subhan, 2018; Omar Ali & Myles, 2010). This type of mechanism concept model can operate through a multiplier circulation effect, where the initial disbursement of capital generates investment cycles, creates extensive employment opportunities, and increases sustainable income for all economic actors and interconnected supply chains to create integration among all parties (Widiastuti & Rani, 2020; Arwani et al., 2022).

A strong governance framework and regulatory structure are crucial components for the foundation of a successful and productive zakat system (Daud et al., 2025; Mukhlisin et al., 2024). Institutional reforms in Malaysia, for example, have centralized the zakat management system on a technological basis, demonstrating transparency, accountability, and operational efficiency (Mukhlisin et al., 2024; Kamaruddin & Hanefah, 2021). Conversely, Indonesia's mixed governance model, which integrates government and private sector participation, has been supported by digitalization infrastructure and performance audit mechanisms with precise accuracy (Nashirudin et al., 2025; Hassan et al., 2024). This institutional innovation is expected to increase public trust, enhance the

participation of policymakers in mobilizing and expanding the distribution of zakat, and facilitate data-driven decision-making in resource allocation (Mustofa et al., 2025; Habeebullah, 2022). Improving this management also addresses concerns about transparency and reduces operational inefficiencies in the field, which, based on past experience, have significantly disrupted zakat administration in the developing Islamic economy (Salim et al., 2025; Attar et al., 2023).

Comprehensively, improving the image of zakat as a basic capital for inclusive industrial linkage is a transformative movement for sustainable economic development in Islamic societies, especially for countries whose wealth was forcibly taken by colonial powers in the past (Kamaruddin & Hanefah, 2021; Ashurov et al., 2022). Conditions on the ground also show that productive zakat interventions, when combined with technological integration, vocational training, and transparent governance structures, can simultaneously reduce poverty and strengthen economic competitiveness, thereby advancing progress toward the Sustainable Development Goals (SDGs) and maqasid al-shariah (Islamic legal objectives) (Aziz et al., 2025; Rahman et al., 2025).

Despite existing challenges related to fluctuations in beneficiary dependency and disparities in the application of concepts across regions, the academic literature we encountered explains the need to emphasize comprehensive policy reform, digital innovation, and multi-stakeholder partnerships to optimize the productive contribution of zakat to the national economic development trajectory (Esa et al., 2025; Mishra & Sahoo, 2025). Further evidence suggests that prioritizing institutional capacity building, regulatory harmonization, and strategic coordination between government agencies, zakat organizations, and private sector entities is key to realizing the full development potential, both now and in the future, of a productive zakat framework in the contemporary Muslim-majority economy (Mustari et al., 2024; Siregar et al., 2024).

C. Potential Redistribution of the World Economy

If Northern drain constitutes 24% of Northern GDP (Hickel et al., 2022), then Zakat-eligible wealth in the South is likely higher than GDP data suggests. Islamic economics must decouple Zakat calculations from metrics corrupted by imperialist price distortions. At a more structural level, returning appropriated value that raises Southern GDP by an estimated 36% (cumulatively) could recalibrate global demand patterns and trade asymmetries. Greater Southern purchasing power would raise import demand for both intermediate and consumer goods, alter current account dynamics, and depending on industrial policy choices create a countervailing stimulus to endogenous manufacturing and services in the South. In distributional terms, an annual incremental GDP of $\approx$ \$3.62 trillion concentrated in the Global South would both expand the taxable base for domestic fiscal policy and enlarge the pool of zakat-able wealth, thereby shifting some redistributive burden away from Northern philanthropic and bilateral aid architectures toward endogenous Southern redistributive mechanisms. Such structural effects would interact with exchange-rate dynamics, capital flows, and terms-of-trade adjustments; they are therefore best modelled dynamically (growth multipliers, import propensity, and fiscal multipliers) rather than treated as one-off transfers. Within the *zakat counterflow* framework, the welfare potential derived from global zakat redistribution is not merely charitable but transformational at the macroeconomic level. Based on the counterfactual results of this study, if the potential zakat amounting to US\$12,577.74 billion (1970–2022)

could be mobilized effectively, its welfare impact could be examined through three interrelated dimensions:

a. Direct Welfare Gains

Zakat serves as a non-state safety net capable of directly addressing structural poverty. Assuming an additional zakat flow of around US\$12 billion per year, even with a modest 50% distribution efficiency, direct cash transfer and food security programs could reach tens of millions of beneficiaries across the Muslim world. This approach reinforces the Islamic moral economy principles of ‘*adl* (justice) and *rahmah* (compassion), where welfare is not only measured by GDP per capita but also by capability expansion that is, enhancing people’s real freedoms to live with dignity and productivity.

b. Productive Welfare

If 30-40% of the global zakat fund were allocated to productive zakat programs such as Islamic microfinance, halal SME financing, or community-based agribusiness zakat could function as a growth engine for equitable development. Through a revolving fund model, zakat disbursement can evolve from a consumptive mechanism into a sustainable productive cycle, generating employment, enhancing productivity, and expanding the zakat base itself, thus creating a lasting multiplier effect for collective welfare.

c. Structural Global Welfare

At a systemic level, global zakat redistribution has the potential to reshape the structure of global inequality. If wealth accumulation in the Global North resulting from *unequal exchange* is morally and economically redirected toward the Global South through zakat mechanisms, a new equilibrium of global welfare (*rebalancing*) could emerge. The additional 36% of cumulative GDP for Southern economies, as indicated by the counterfactual model, could reduce dependency on hegemonic foreign aid and foster a solidarity-based global welfare system independent of neoliberal financial structures.

d. Limitations

While the counterfactual accounting exercise in this study illustrates zakat’s latent redistributive potential, several important limitations exist. The analysis deliberately treats GDP as a parsimonious proxy for zakat-eligible wealth, adopts a static. North/South partition and a ten-country allocation, and abstracts from political feasibility, dynamic macroeconomic feedbacks, behavioural responses, and likely governance frictions (collection efficiency, leakage, and overhead), choices that make the results indicative scenario exercise. As per the wealth v. GDP nexus, zakat applies to savings, gold, and livestock, and not just GDP. However, GDP remains a validated proxy (IRTI, Zakat Core Principles, 2018). Governance efficiency assumes negligible leakage. Real-world distribution may require 15-30% overhead (World Bank, Development Report, 2022). Dynamic Effects ignores zakat’s potential to stimulate growth (via consumption) or deter investment (if perceived as tax).

V. CONCLUSION

This paper’s counterfactual accounting shows that returning historical Northern appropriation to the Global South would substantially enlarge the zakat base and, if properly mobilised, could finance meaningful expansions of social protection and productive investment in Muslim-majority countries. The numerical exercise highlights both the scale of that latent redistributive capacity and

the practical channels of autonomous safety nets, Islamic value chains, and coordinated governance through which it might be deployed. At the same time, the results are deliberately scenario-based: the results rely on GDP proxies, a parsimonious North/South partition, and static assumptions that abstract from political feasibility and dynamic macroeconomic feedbacks.

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