

INVESTIGATING THE POSSIBILITY OF APPLYING ZAKAT OR FEES TO REDUCE UNDEVELOPED LANDS IN RIYADH - SAUDI ARABIA

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ABSTRACT : *This study aims to identify and analyze the causes of the wide spread of undeveloped lands in Riyadh, evaluate current obstacles to reduce their size, analyze current government policies, critically evaluate current proposals, and suggesting recommendations to adjust regulations concerning undeveloped lands in Riyadh. The study opted to a mixed method approach through a questionnaire as a tool to collecting data. The sample was composed of 60 participants containing investors, brokers, real estate developers, religious scholars, law experts, government officials, and consumers. After analyzing the data, the results appeared as follows: Monopoly is on the top the obstructive factors, then comes the unwillingness of real estate investors to accelerate the development of their undeveloped lands, as well as the lack of basic rules concerning the donation of lands to citizens and the lack of procedures in monitoring the investment of undeveloped lands. The current government policies concerning undeveloped lands are not clearly defined or set in professional way. The researcher recommends an integrated plan consisting of chronologic stages of solving the whole case of undeveloped lands, starting with warning periods, giving priority to the most important and strategic pieces of land, and starting with the largest areas, as well as recommendation to fulfill further field studies about complicated cases of undeveloped lands in big cities of the Kingdom Saudi Arabia.*

KEYWORDS: *Sharia, Saudi Arabia, Taxes, Undeveloped land, Zakat*

INTRODUCTION

The issues of urban land being none developed evoke a variety of theories. Each theory is useful as a basis for evaluating parts of the problem. The theory of economic development (Robbins, 1970) is related to the fundamental conditions of development, as well the basic causes of economic growth and decline. The comparative advantage theory (Hunt & Morgan, 1995) evaluates the market orientation as a potential resource for comparative advantage. The rule of law theory (Falcon, 2010) suggests the procedures that force landowners to sell land at fair prices. The pure theory of taxation (Edgeworth, 1897) lies on laws of incidence and equal sacrifice and calls for mandatory payment. The monopoly theory (Salerno, 2003) is an exchange phenomenon manifested in the emergence of a monopoly price in an otherwise competitive market economy.

The public interest theory of government (Maloney, 2001) indicates that granted individual ownership is connected to the public interest. The theory of land ownership (Rothbard, 2009) details that uneconomic land sites would be forced into use. The random walks theory (Fama, 1995) lies on a market where there are large numbers of rational, profit-maximizers actively competing. The price theory (Weber, 2003) is concerned with explaining economic activity in terms of creation and transfer of value.

Undeveloped lands in Riyadh city is an issue that has been pending for decades and needs to be solved without delay. Riyadh is the biggest economic city in the Arab World; Saudi Arabia ranked as the sixteenth in the world, according the International Bank ranking (2014). Riyadh real estate market reaches \$500 billion annually; 22% of the global market in Riyadh (High Commission for development of Riyadh city, 2014). Half of the urban zone in the city of Riyadh is empty land (white lands), 77% of the white lands are undeveloped lands (without roads, electricity and water). Real estate investors invest their money in undeveloped land for long periods of time. They mostly opt to safe investment based on waiting for sharp rise of prices (As-salem, 2013). The main advantages of investing in undeveloped land in Riyadh consist of saving maintenance costs and follow-up costs, profiting of the duration of profitability, and profiting of annual income that comes in the form of rent. Al-harbi (2014) suggests that more than half of Saudi citizens who live in Riyadh City don't own a house. Riyadh Urban Observatory (2014) reported that the population in Riyadh is about 5.7 million inhabitants, 52% of them don't own a house. A study carried out by Al-jassem (2013) depicts that 70% of Saudi citizens don't own a house. These changes in figures illustrate an existing gap that tends to increase with time.

Recently, numbers of scholars and in Saudi Arabia have agreed on the necessity of imposing fees on undeveloped lands in order to convert them into residential buildings in a way that prevents monopoly and contributes in solving housing crisis. Furthermore, some people call for dispossessing unused lands (Zahrani, 2011). With regard to undeveloped lands seeking lack of services (electricity, water, roads), certain real estate investors suggest the collaboration of the private sector in solving a part of the housing crisis. (Zahrani, 2011). Imposing fees on undeveloped lands within a perfect regulation simulates future organized land beneficial possession. This is similar to the incident in the era of Caliph(governor) Omar bin al-Khattab (570–644 G.) who deprived one owner of the possession of a land because he had been granted the land and did not revive it. The possibility of expropriating a land for the public interest, compensating the owner with the price he paid for the land, and re-allocating new beneficiaries will reduce the aggravating oligopoly of lands (Zahrani, 2011).

“Zakat” is a compulsory act decreed by God to be undertaken by each able and adult Muslim. It is one of the five fundamental pillars of Islam's. According to Al-Surf et al. (2013), Zakat is regarded as a fraction of property and wealth, which Muslims ought to forfeit annually. This is meant to assist the poor individuals in the society. ‘Zakat’ is intended to ensure that the wealthy individuals are not corrupted in any way hence, liberated from sin (Sidawi, 2009).

The researcher argues that applying Zakat or fees on undeveloped land in Riyadh might contribute in reducing congestion and horizontal urban expansion; as well it might contributes in reconstructing suburbs and resettles a large proportion of population. Although attention tends to focus exclusively on the particular modern phenomenon called “sprawl”, suburban expansion has existed since the beginning of cities. A city, in its initial form, tends to grow organically as its population increases (Steil & Salingaros, 2007, p. 1). This study investigates the possibility of applying Zakat or fees on undeveloped lands in Riyadh city to reduce the huge spreading; a phenomenon that draws attention of the majority of the Saudi society.

Research Background and Objectives

In the past 20-25 years, a Saudi citizen, who went home with a salary amounting to 1000 pound each month, could comfortably purchase a piece of land to build his/her "Dream house". However, in the current times, a common citizen who has managed to attain a bachelor's degree as "freshman" and earns a salary of about 2500 pounds per month is not able to build or buy his "Dream Home" (Mubarak, 2007). Subsequently, the labor prices have declined as compared to what was paid to laborers 30 years ago.

This fact is in concordance with the comparative advantage theory that evaluate the market orientation as a potential resource for comparative advantage (Hunt & Morgan, 1995, p. 1). This situation is perplexing and leads to question as to why a county like the Kingdom of Saudi Arabia, which has more than 2.2 Million Klm² in land, a population of 25 million and an average citizen income of \$36,500 per year, cannot afford to buy a 250 m² piece of land. The density per citizen is around 11.5 per km, which indicates Saudi Arabia is one of the lowest countries with regard to density per population. According to a research conducted by Abdul-Salam (2013) it is shown that before 8 years, 62% of Saudi families owned a house. However, in 2013, it dropped to 58%. Another study about Riyadh City showed that 52% of Saudi citizens living in Riyadh don't own a house. (Abdul-Salam, 2013).

This study presents causes as well as factors of the spread of undeveloped lands in Riyadh city. The issue of land squarely lies within the functions of the government. Therefore, it is the responsibility of the government to solve it. In line with the outlined causes and factors, this study addresses the issue of Zakat and the possibility of its application on undeveloped lands, since housing issue is the biggest problem in Saudi Arabia, especially in Riyadh, which touches more than 70% of Saudi citizens, while Riyadh city, as stated by the economist Zamil (2012), has more than 50% of its land space "empty". This implies that undeveloped land issue requires questioning why there exist large pieces of undeveloped land in this city, yet it is one of the largest cities in the Middle East. It comes after Istanbul, Teheran and Baghdad (Butler, 2009).

The objectives of the research can be summarized as follows:

- To identify and analyze the causes of the wide spread of undeveloped lands in Riyadh.
- To evaluate current obstacles to reduce the size of undeveloped lands in Riyadh.
- To critically evaluate current proposals concerning undeveloped lands.
- To recommend an adjustment of undeveloped land regulations in Riyadh.

RESEARCH METHODS

The researcher opted to mixed approach, since imposing fees on undeveloped land in a city like Riyadh which has a distinguished culture, is justified by reviewing articles and studies that involve statistics and policies on land in the Riyadh city. As a result, the research process has been able to outline whether the Saudi government could adopt a charging system on undeveloped land or not, justified by both qualitative and quantitative approaches. The research relied on one key data collection instrument. The idea of choosing this open-ended method of interview is to assist in understanding the procedures involved in the research and also to look for inventive insights. In addition, this type of

questionnaires presents the respondents with the opportunity to discuss, in depth, the issues that make the housing problem increase.

The study used a wide sampling frame that contained investors, brokers, real estate developers, religious scholars, law experts, government officials, and consumers for the sake to reach the most idealistic sample that realizes the aims of the study. The study focused on male questionnaire respondents of different ages, especially the segment aged from 25 to 35 years old, since this segment is the most affected. Concentrating on males goes in line with the Saudi Arabia's reality regarding the dominance of men in the society and normally, men are regarded to be homeowners in the Arabian culture. A sampling frame of 60 participants was selected to yield a wholesome understanding of the problem of white lands in Riyadh.

RESULTS

The results indicate that both age groups 31-40 years and 41-50 years represent the largest number which is (17) out of (60) members of the sample, namely (28.33%), then comes the age group (51 years and over) of (15) members, namely (25%), and finally the age group (less than 30 years) of (11) members, namely (18.33%). Concerning the educational variable, bachelor degree holders represent the highest proportion of the sample; (26) out of (60) members, namely (20%). Nevertheless, the lowest number of high diploma is (2), namely (3.33%). With regard to the job nature variable, the table indicates that the position of government officials represents the highest proportion among the sample; (19) out of (60) members, namely (31.66%), the position of both investors and consumers is (12) members each, namely (20%), the various group (others) is (10) members, namely (16.66%), and the groups of brokers and real estate developers are (3) members each, namely (5%).

Figure (1) shows the questionnaire, results to perceive the causes of the wide spread of undeveloped lands in Riyadh. The results indicate that illegal infringements are the most important cause of the wide spread of undeveloped lands in Riyadh. This cause has been repeated through the respondents' answers 25 times; reaching the percentage of (42%) among the rest of causes listed on the table, which shows monopoly in the second place with (25%), then granting land to those who do not deserve it in the third place with (16.67%). This means the existence of many government pieces lands without control or monitoring, which would be seen as abandoned lands.

Among the questionnaire respondents, some real estate developers quote that illegal infringements are sometimes associated with legal disputes; such a case prolongs the life of undeveloped lands until the dispute is solved. One of the consumers' quotes monopoly is increasing because of the greedy real estate investors. Some other consumers assume that many pieces of land have been granted to dignitaries or influential people who are not concerned but by keeping that land undeveloped until its price hits the maximum point.

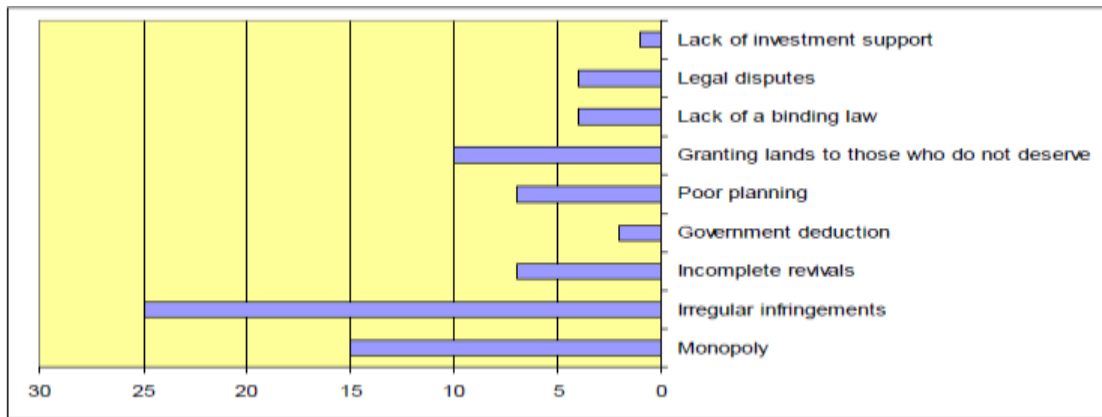


Figure (1) The causes the wide spread of undeveloped lands in Riyadh.

Figure (2) shows the questionnaire results to perceive the proportion of government property of undeveloped lands in Riyadh. The results indicate that government property of undeveloped lands in Riyadh is low in comparison with private property. This indication has been repeated through the respondents' answers 50 times; reaching the percentage of (83.34%) against the opposite answer. This means that many wealthy people who have pieces of land out of their immediate interest of exploitation or profiting. Some investors, who were responded to the questionnaire among the study sample members, quote that undeveloped lands in Riyadh are mostly owned by wealthy people who do not need urgent benefits. So they monopolize the lands until the prices rise exaggeratingly. One broker quotes "the government started buying back pieces of land it had granted before to people". One law expert quotes: "there is no government property in urban cities, as an example; the government could not find a land to raise a building for the Ministry of Housing, so there was no option but to cut a piece of land from Riyadh airport area".

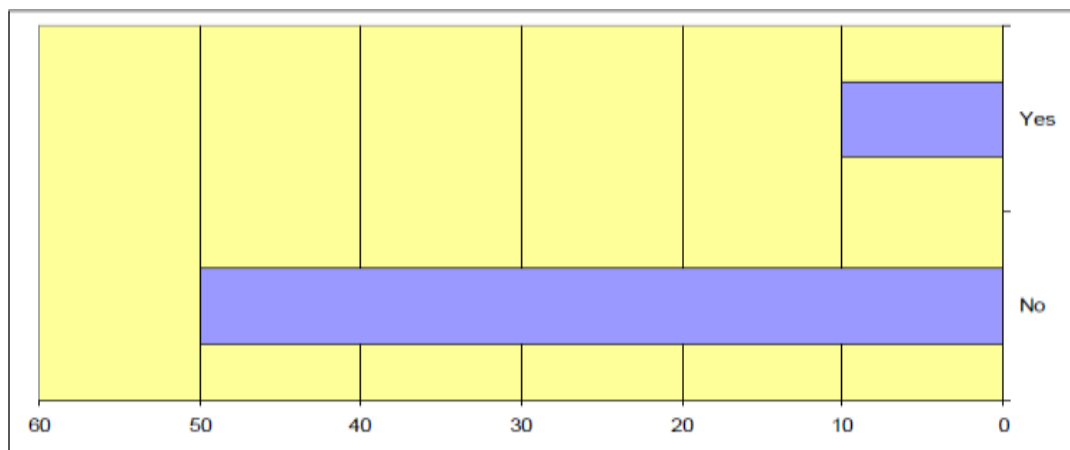


Figure (2) The proportion of government lands of undeveloped Lands

Figure (4.3) shows the questionnaire results to perceive the advantages of the increasing size of undeveloped lands in Riyadh. The results indicate that the lack of advantages in increasing the size of undeveloped is the most repeated answer in comparison with the advantages of reduction of noise pollution and reduction of population density. This opinion has been repeated through the respondents' answers 43 times; reaching the percentage of (71.67%) against the list of advantages listed on the table, which shows reduction of population density in the second place with (18.34%), then reduction of noise

pollution in the third place with (13.34%). This means that Saudi citizens look negatively to such issues and are aware of improper phenomena. Among questionnaire respondents, some lawyers quote that the lack of advantages in the increasing size of undeveloped lands is due to the absence of binding laws. The government should set a decree that force owners who have been granted lands to immediately benefit from the land or give it back to the government, instead of freezing it. One consumer quotes “such pieces of land serve as free parking for people in crowded quarters”. One broker quotes “such vacant lands could be useful for public parks only.

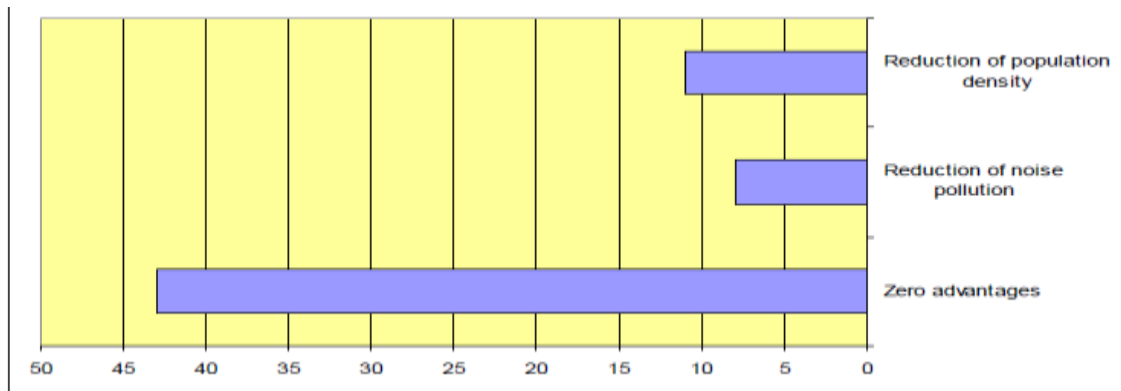


Figure (3) The advantages of the increasing size of undeveloped lands

Figure (4) shows the questionnaire results to perceive the negative effects of the wide spread of undeveloped lands in on the national economy. The results indicate that inflation is the most negative effect caused by undeveloped lands in Riyadh. This opinion has been repeated through the respondents answers 45 times; reaching the percentage of (75%) in comparison with the list of negative effects listed on the table, which shows that poor services come in the second place with (26.67%), the reducing the beauty of the city in the third place with (15%). This means that a minority of wealthy people dominates the market and control the flow of inflation. Among the questionnaire respondents, some consumers quote that inflation in Riyadh is controlled by investors, real estate offices, and traditional owners, and most of the aforementioned benefit from inflation. One real estate investor quotes “it is an additional cost on the government fund to install services into quarters separated by tremendously vast lands”. A consumer quotes “urban horizontal expanding in a city reduces its beauty and affects the accomplishment of infrastructure”.

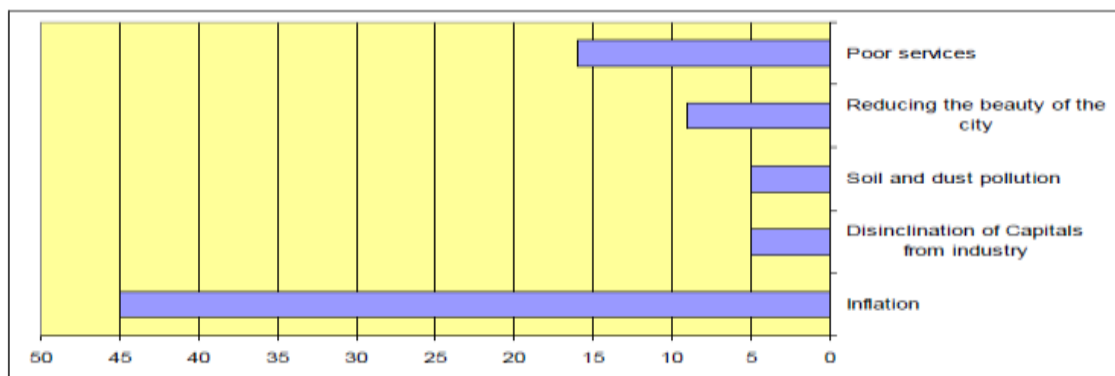


Figure (4) The negative effects of the wide spread of undeveloped lands on the national economy

Figure (5) shows the questionnaire results to perceive the most important factors that obstruct the reduction of the area of undeveloped lands in Riyadh city. The results indicate that monopoly is the most critical factor that obstructs the reduction of undeveloped lands in Riyadh. This opinion has been repeated through respondents' answers 43 times; reaching the percentage of (71.67%) in comparison with the rest of factors listed on the table, which shows that poor urban planning comes in the second place with (40%), then Narrow-mindedness about investment development in the third place with (30%). This means that real estate investors are convinced that monopoly has no relationship with their business since some religious scholars quote that monopoly concerns the most indispensable goods like foods and urgent services. Although poor urban planning is well placed on the table, but narrow-mindedness about investment development is the main obstacle since owners and real estate investors possess the key to develop the land. Among the questionnaire respondents, some religious scholars quote that monopoly is not included in property, but it is included in absolute necessities of people's needs such as food, drink, and what can be harmful to health, and they exclude the property from the field of monopoly. One broker quote "altogether monopoly, poor urban planning, narrow-mindedness about Investment development, landlords' influence, administrative routine, deactivation of banking loans and real estate funding are factors that obstruct the reduction of the area of undeveloped lands in Riyadh city". On law expert quotes "such lands are among tributaries of the national economy, so the government should set a law that oblige owners to defreeze those properties".

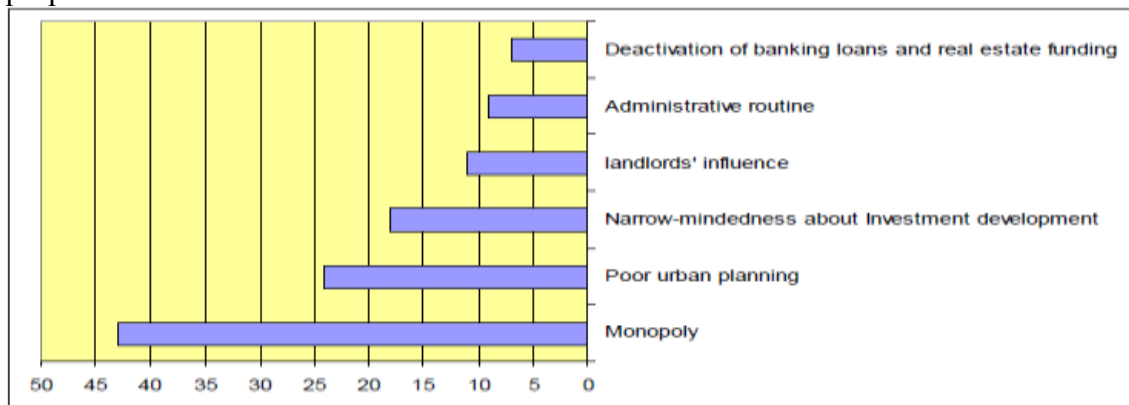


Figure (5) The factors that obstruct the reduction of the area of undeveloped lands in the city of Riyadh

Figure (6) shows the questionnaire results to perceive the government departments that greatly contribute in obstructing the development of undeveloped lands in Riyadh city. The results indicate that the Ministry of Municipal and Rural Affairs is on the top of government departments that greatly contribute in obstructing the development of undeveloped lands in the city of Riyadh. This opinion has been repeated through respondents' answers 33 times; reaching the percentage of (55%) among the rest of governments departments listed on the table, which shows that Ministry of Planning comes in the second place with (26.67%), then the Ministry of Housing in the third place with (13.34%). This means that the majority of people are having bad experience with the Ministry of Municipal and Rural Affairs, as well as it explains the wide range of activities and missions of this ministry. Among the questionnaire respondents, some government officials quote that the contribution of the Ministry of Municipal and Rural Affairs in obstructing the development of undeveloped lands is due to the large number of transactions, lack of staff, and the

complex procedures of rights and their fulfillment. One law expert quotes “both the Ministry of Municipal Affairs and the courts are the most contributing in obstructing the development of such lands since they do not yet think about imposing Zakat on undeveloped lands”. One consumer quotes “the governor of Riyadh shall impose fees on white lands to oblige owners to develop them and sell them on reasonable prices”.

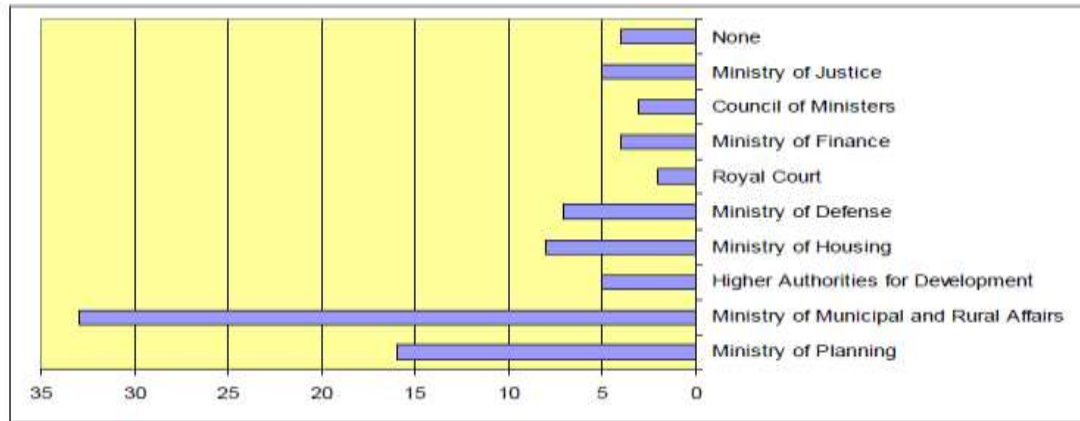


Figure (6) Government departments that greatly contribute to obstruct the development of undeveloped lands.

Figure (7) shows the questionnaire results to perceive the awareness of officials about of the necessity for the government intervention in solving the problem of undeveloped lands in Riyadh city. The results indicate that government officials are aware of the necessity of such intervention. This opinion has been repeated through the respondents’ answers 49 times; reaching the percentage of (81.67%) against the opposite answer. This means that this issue is common whether to common citizens as well to government officials. It means also that major decisions could not emerge from government officials, but from the highest points of the pyramid or from the board of consultation (shoura). Among the questionnaire respondents, some real estate developers quote that awareness is mostly obstructed by conflicts of interests. One consumer quotes “the awareness is found, but corruption blinded their insight”. One law expert quotes “most of government officials are aware of the necessity for a government intervention, but such decision is dispersed between different levels of responsibility and different ministries, as well between different levels of personal interests”

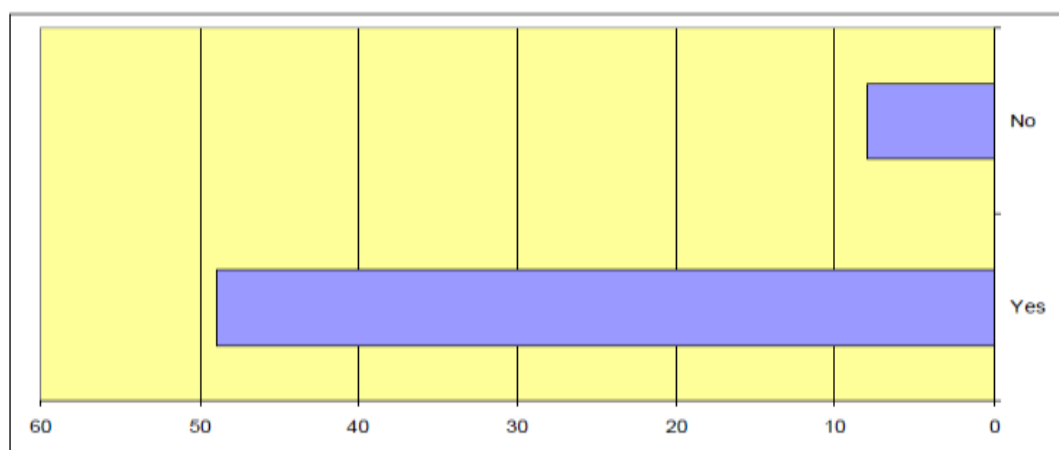


Figure (7) The awareness of government officials of the necessity for the

government intervention

Figure (8) shows the questionnaire results to perceive the basic rules of granting lands to citizens in Riyadh city. The results indicate the non-existence of rules. This opinion has been repeated through respondents' answers 47 times; reaching the percentage of (78.34%) in comparison with availability of lands and age stipulation as basic rules listed on the table. This means that people experience lack of explanations and answers to their questions. It also explains the possibility of obstacles existence in setting rules about some issues. Since some law experts assume that the government has no undeveloped land in urban cities, then the opinions of real estate investors, brokers and land owners should better answers. Among the questionnaire respondents, some real estate investors quote that lands are mostly granted to most influential people and dignitaries. A real estate broker quotes "one of the basic rules is being a citizen of the same city, and more specifically personal relationship with influential people that better qualifies one to obtain a land". However, a government official quotes "age, social situation, income and date of demand are the basic conditions of granting lands to citizens".

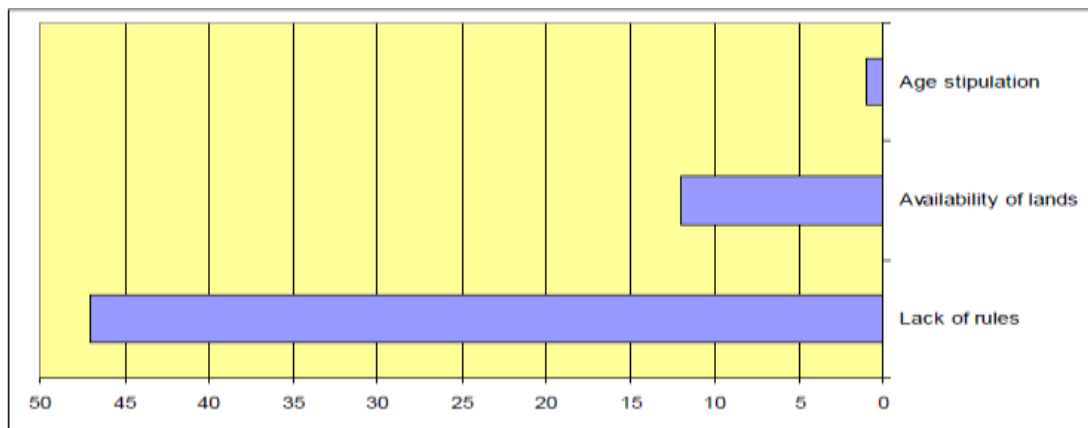


Figure (8) Basic rules of granting lands to citizens

Figure (9) shows the questionnaire results to perceive the most privileged fields in granting undeveloped lands in Riyadh city. The results indicate that housing is the most privileged field. This opinion has been repeated through the respondents' answers 34 times; reaching the percentage of (56.67%) among the rest of most privileged fields listed on the table. This means that Saudi common citizen is concerned with owning a house while seeing huge abandoned pieces on undeveloped land. This explains also that industrial and agricultural fields are in the circle on interests of Saudi citizens. Among the questionnaire respondents, some government officials quote that granting lands to citizens help them insuring residence and stability to be devoted to productivity and creativity. One consumer quotes "the government grants industrial pieces of land out of the urban strip at 75 km far from Riyadh". However, a real estate investor quotes "the government rent industrial pieces of land to people against a symbolic price".

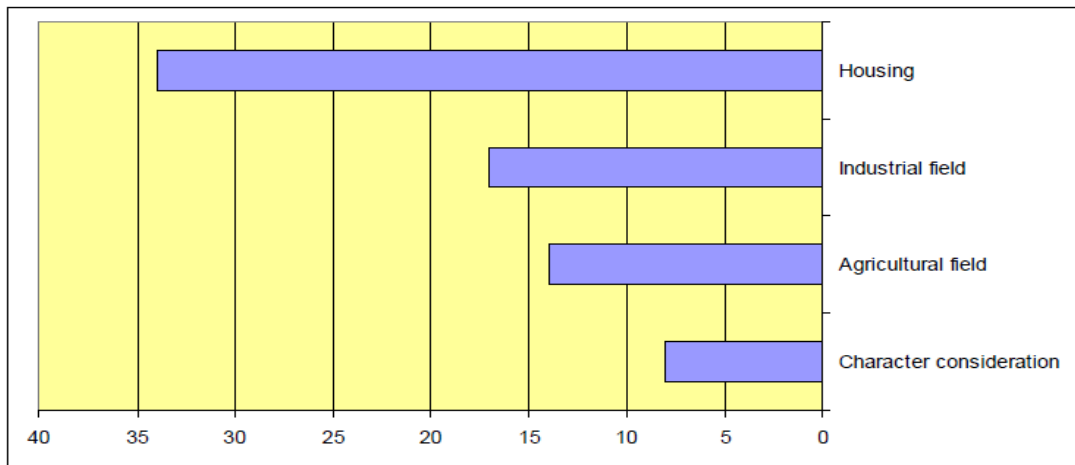


Figure (9) The most privileged fields in granting undeveloped lands to citizens

Figure (10) shows the questionnaire results to perceive the procedures followed in monitoring the investment of undeveloped lands for future development in Riyadh city. The results indicate the lack of monitoring. This opinion has been repeated through the respondents' answers 54 times; reaching the percentage of (90%) against license acquisition and provision of services as procedures listed on the table. This means the absence of a monitoring system that can control the business and the staff. Since it is assumed that the government employed monitoring committees in all the cities of the Kingdom, this case could be explained by the absence of media role. Among the questionnaire respondents, some consumers quote that there are no procedures other the obligation to fix a fence around the undeveloped land. One real estate investor quotes "I know about some frozen pieces of land for more than thirty years". Another real estate investor quotes "monitoring investment is definitely not acceptable".

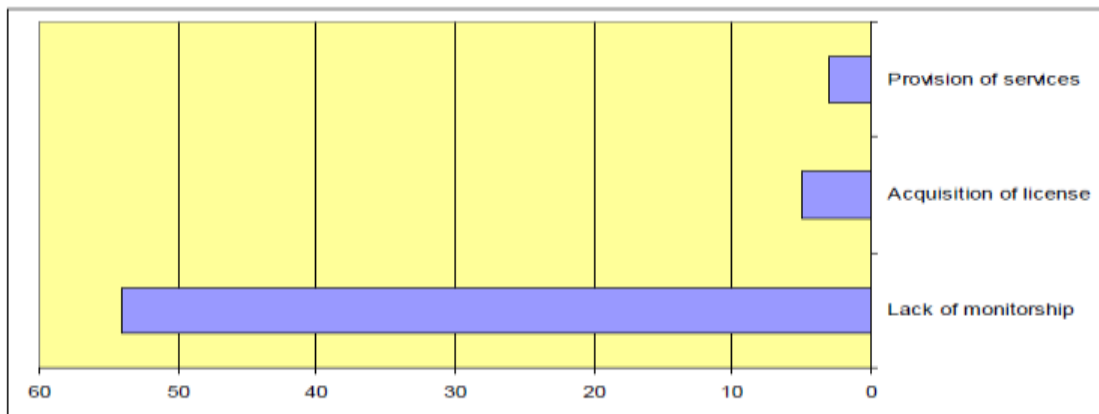


Figure (10) Procedures followed in monitoring the investment of undeveloped Lands

Figure (11) shows the questionnaire results to perceive whether real estate investors get advantages from the current regulations concerning undeveloped lands in Riyadh city or not. The results indicate that (95%) among the sample members agree on the opinion that real estate investors get advantage from the current regulations. This opinion has been repeated through the respondents' answers 57 times. This means that the majority of real estate investors benefit of weak situations, such as the absence of laws and rules, as well as the absence of fees payment. Among the questionnaire respondents, some customers

quote that those real estate investors are the most profiting from the current regulations since they are alone in market against disadvantaged common citizens.

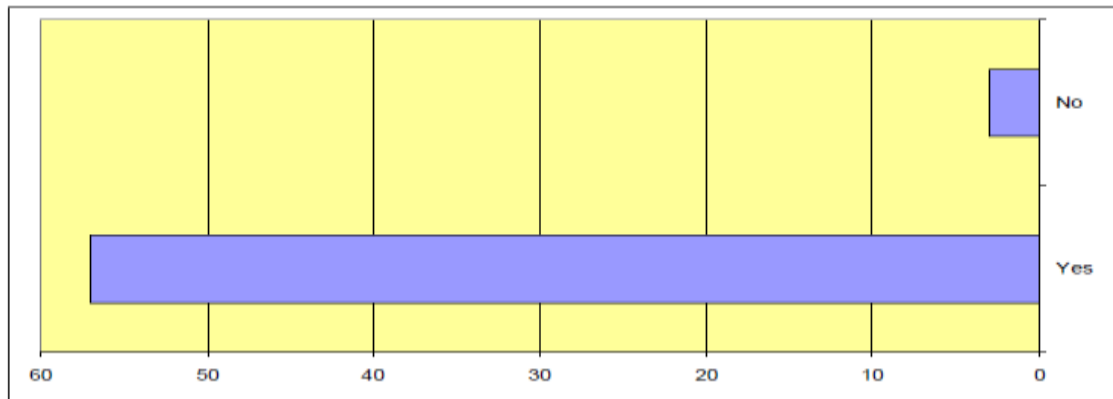


Figure (11) The advantages that real estate tradespersons get from the current regulations concerning undeveloped lands

Figure (12) shows the questionnaire results to perceive the attitude about applying Zakat or fees on undeveloped lands in Riyadh city. The results indicate the lean to fees imposition. This opinion has been repeated through the participants' answers 48 times; reaching the percentage of (80%) against application of Zakat (compulsory alms) and against the opposition of both choices listed on the table, which shows that application of Zakat comes in the second place with (43.34%), and shows opposition of both choices as the weakest option. This means that Saudi citizens are looking for power of controlling social issues, since imposing fees could be systemized and controlled by official organizations. Among the questionnaire respondents, some investors quote that imposing fees is much more effective than applying Zakat, because Zakat is a religious duty that targets social solidarity, and its expenses are limited to eight types of neediness. Moreover, Zakat is a devotional duty that should preferably be given by the individual in order to feel the performance of his religious duty. A real estate broker quotes "government intervention is needed to collect Zakat, as well to impose fees on undeveloped lands to oblige owners to develop them". Another broker quotes "I call to the imposition of fees on every piece of undeveloped land inside the urban strip. Such fees should be equal to 10% of the land value under a policy of 'combating monopoly', then entrust fees income in fund that could have the name of 'housing income fund'. Whoever wants a loan to raise a house, a compound or tower, can submit his demand to this fund".

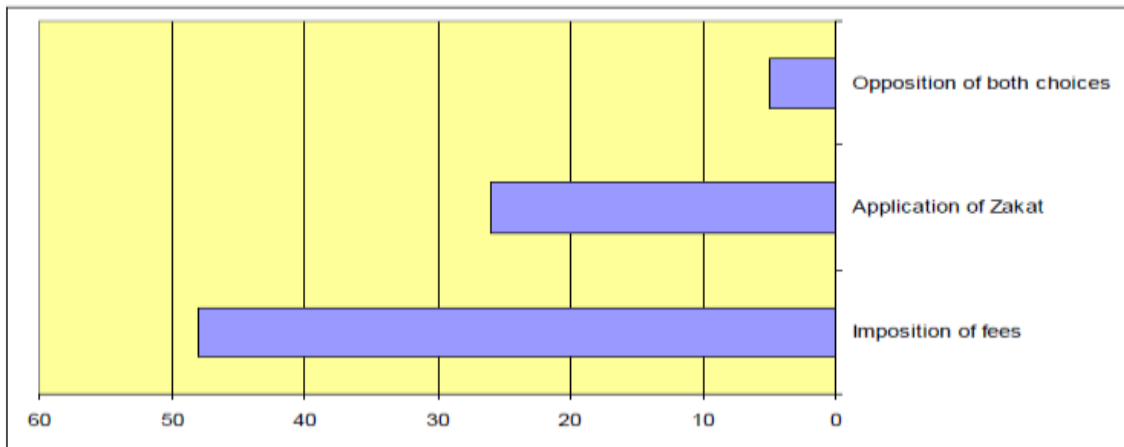


Figure (12) Current proposals about the application of Zakat or fees

Figure (13) shows the questionnaire results to perceive the appropriate mechanism of applying Zakat or fees on undeveloped lands in Riyadh city. The results indicate the market value is on the top of all mechanisms. This opinion has been repeated through respondents answers 43 times; reaching the percentage of (71.67%) against the other considerations listed on the table, which shows also that applying zakat or fees on undeveloped lands comes in the second and third place with (33.34%) and (31.67%) successively. This explains that the market value is the prevailing mechanism, which is a common fact in real estate business in stable countries. Among the respondents, some brokers quote that the market value requires experts in real estate evaluation, and this skill is scarcely found in the Saudi market; thus, selling and buying processes will be delayed in the property on the pretext of taking more time to perceive prices by personal means. A real estate investor quotes “evaluation should be according to all integrated standards for the sake to assure fairness to all parties”. A government official suggests “if the land surface is below 10000m², it should be evaluated according to the market value, if it more than that, it should be evaluated according to the location and surface”.

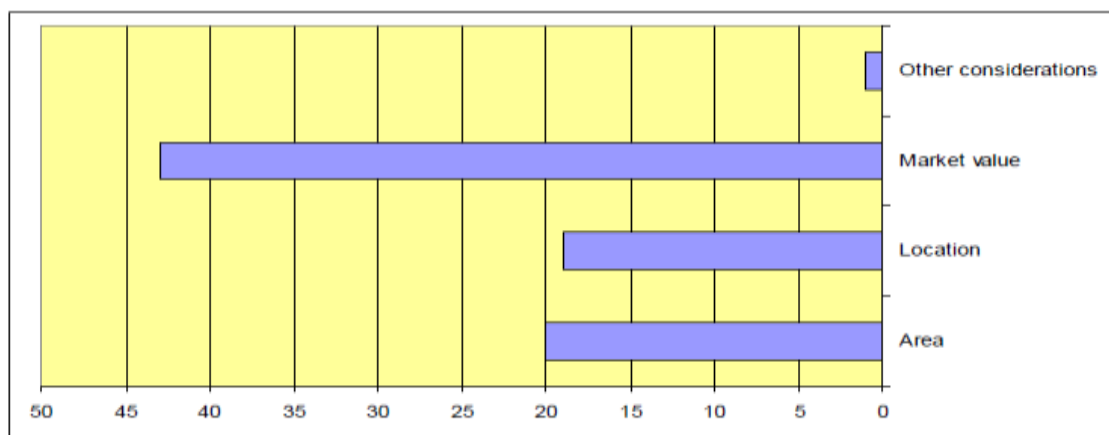


Figure (13). The appropriate mechanism of applying Zakat or fees on undeveloped lands

Figure (14) shows the questionnaire results to perceive the appropriate mechanism of applying Zakat or fees on undeveloped lands in Riyadh city. The results indicate the market value is on the top of all mechanisms. This opinion has been repeated through respondents

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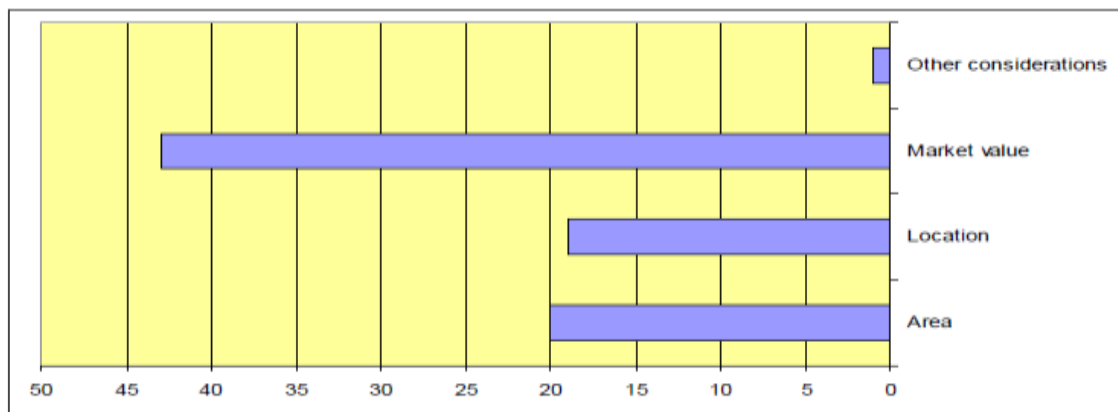


Figure (14) The appropriate mechanism of applying Zakat or fees on undeveloped lands

Figure (15) shows the questionnaire results to perceive the appropriate mechanism of collecting Zakat, if applied. The results indicate that the collection of Zakat by the government is the best option. This opinion has been repeated through the respondents' answers 51 times; reaching the percentage of (85%) against the opposite option. This explains the high level of trust in the government to control financial mechanisms. It explains also that Saudi citizens look for organization and commitment. Among the questionnaire respondents, some investors quote that the collection of Zakat by the government avoids the probability of non-commitment, hesitation, or delay in paying Zakat accruals. A broker quotes “concerning undeveloped lands, zakat should be collected by the government, otherwise such lands owners will not pay it”. A government official suggests, “Zakat on undeveloped lands should be applied by the government according to a static and clear mechanism, including the fixation of a board on the land containing all necessary details”.

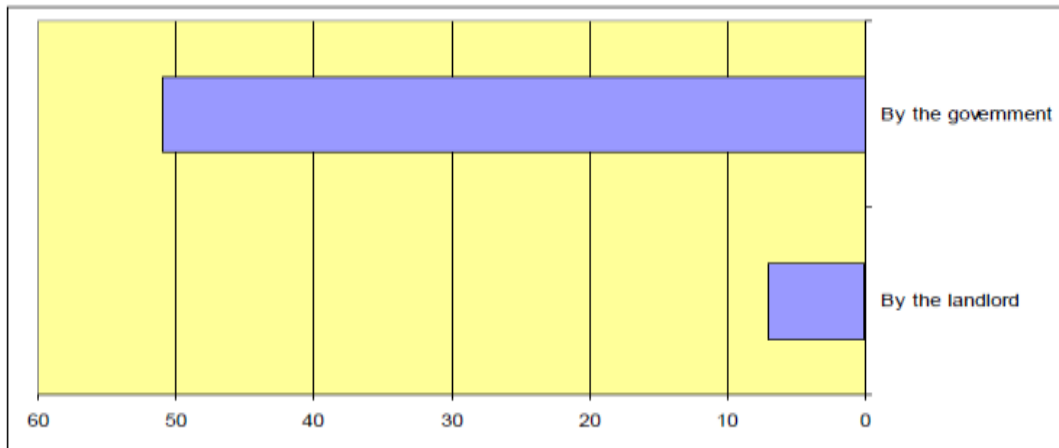


Figure (15) The appropriate mechanism of collecting Zakat if applied

Figure (16) shows the questionnaire results to perceive the most capable government authority of monitoring Zakat collection or fees imposed on undeveloped lands. The results indicate that the Ministry of Municipal and Rural Affairs is on the top of authorities the most capable of monitoring Zakat collection or fees imposition. This opinion has been repeated through the respondents' answers 21 times; reaching the percentage of (35%) against the other government authorities listed on the table, which shows also that Department of Zakat comes in the second place with (31.67%), and then comes the Ministry of Justice in the third place with (23.34%). This means that the Ministry of Municipal and Rural Affairs is seen as the most appropriate of the field of real estate, since expertise is required in such issues. Some brokers, among the questionnaire respondents, quote that the monitoring authority of Zakat or fees collection should be supported by an executive authority, such as the Ministry of Interior to avoid any refusal or attack against agents. Some real estate investors quote "Zakat and income Department is the most capable to monitor the application of Zakat and the imposition of fees since it is in relation with the Ministry of Finance". Among who opted the Ministry of Finance, a broker quotes "the ministry of finance is able to initiate a committee that has an coordinating mission with the Ministry of Municipal and Rural Affairs, the Ministry of Housing and the Ministry of Justice".

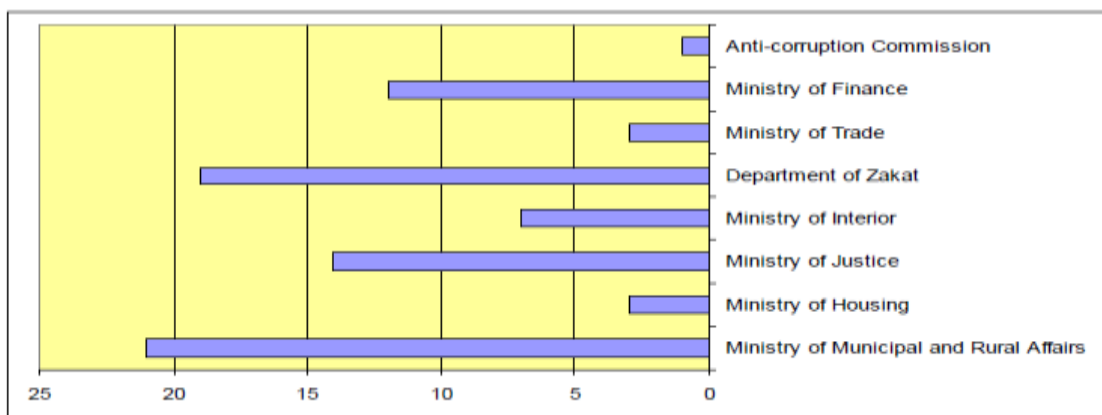


Figure (16) The most capable government authority of monitoring Zakat or fees

Figure (17) shows the questionnaire results to perceive laws and conditions that can be added to regulations related to undeveloped lands in Riyadh city. The results indicate the need of imposing fees on undeveloped lands. This opinion has been repeated through the

respondents answers 38 times; reaching the percentage of (63.34%) against other suggested laws and conditions listed on the table, which shows also that determining a deadline of possessing lands while undeveloped comes in the second place among laws and condition that can be added to regulations with (26.67%). Expropriation is the last option with (15%). This explains that a wide range of people look for a rationale decisions that will be profitable for both the government fund as well for the citizens' benefit. Some law experts, among the sample members, quote that laws and conditions that can be enforced should include determining a deadline for non-exploited undeveloped lands. One broker quotes "The imposition of fees compels the owners of undeveloped land to pay a fee in a form of fine for land obstruction away from use and benefit". A government official suggests "adding a law that determine a deadline of possessing lands while undeveloped or allows expropriation of granted lands should be justified and approved by the high committee of scholars before any application".

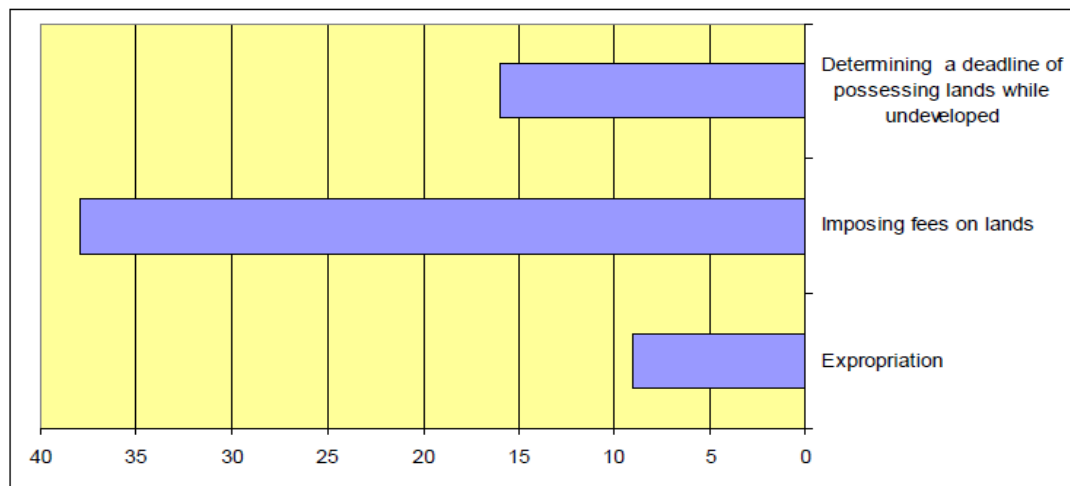


Figure (17) Laws and conditions that can be added to regulations

CONCLUSION

This study targeted to realize its objective concerning applying zakat or fees on undeveloped lands in Riyadh city in Saudi Arabia. To make undeveloped lands useful, a variety of Saudi citizens and experts have been addressed through a questionnaire to collect their opinions. This research method, as stated by (Bradley, 2006), engages people in the development of the economy of the country in general. It is plausible whether to apply zakat or introduce a fee on undeveloped lands to motivate people and firms to offload land that is otherwise undeveloped. The natural order of development, according to Adam Smith's theory of economic development, is determined by the evaluation of the relative risk and potential profit to be earned in alternative uses of capital. Through the analysis of the study questionnaire, the main results come as the following:

- It appeared that the main causes of the spread of undeveloped lands consist of illegal infringements. This is due to the some factors; some of them are related to the huge land in Riyadh city, and some of them are related to the powerful or influential businessmen, who dare to trespass the boundaries of law, some other factors are due to unfair grants to citizens who do no need the land. This goes with the theory of land ownership (Rothbard, 2009). The researcher argues that illegal infringements as a cause of the wide spread of

undeveloped lands could be definitely solved by a firm decision from the council of senior scholars in Saudi Arabia) Government lands in Riyadh city cannot be considered as disadvantageous, since they are often invested into future projects related to urban development strategy, run by regular committees that monitor projects according to priorities and preferences of sites. This goes against the rule of law theory presented by Falcon (2010). Some consumers quoted that undeveloped lands have the advantage of reducing noise pollution and population density, but the main advantage of undeveloped lands is being a fixed asset that grows in value without expenses. The durability of undeveloped lands in Riyadh leads to steep prices and easy profit.

- Concerning the current obstacles to reduce undeveloped lands spreading in Riyadh, it appears that monopoly is on the top the obstructive factors, then comes the unwillingness of real estate investors to accelerate the development of their undeveloped lands. Some other obstacles are related with contributing government departments in obstructing the development of undeveloped lands, especially by the Ministry of Municipal and Rural Affairs. This is due, as seen by some questionnaire respondents, to the huge number of operations and cases that require time and active staff to break administrative routine. However, the researcher argues that the government is able to solve the problem of monopoly by taking regular and legitimate procedures: either by applying Zakat on undeveloped lands, imposing fees charge according to the market value, the size, and location, or by imposing indirect fees to face monopoly. Limiting real estate investment to lease and sale is the cause of deceleration in developing undeveloped lands. This argument is in accordance with the argument of Wallance (1986) that land in zoned markets would be determining the partial of the land price function in the process of equilibrium in the land market. Salerno (2003) argues that the fewness of sellers in a market does not affect its competitiveness (Salerno, 2003, p. 14).

- Another obstructive factor reveals in the lack of basic rules concerning the donation of lands to citizens, as well in the lack of procedures in monitoring the investment of undeveloped lands. The researcher argues that the basic rules in granting lands to citizens requires the development of an accurate system and a mechanism to track the precise criteria applied in order to impose social justice. this obstructive factor is systematically solved by creating a policies and procedures system. This is in concordance with the rule of law theory (Falcon, 2010).

- The current government policies concerning undeveloped lands are not clearly defined or set in professional way, since systemization in Saudi Arabia needs more time and efforts. The current efforts have been enabled by raising active committees to stop illegal violation and control every piece of land in all cities of the Kingdom. Housing in Riyadh city requires the Saudi government intervention to organizing, controlling, establishing a Housing Bank, accelerating the adoption of plans by municipalities, giving citizens long term loans, supporting small contractors, and facilitating the acquisition of job visas for foreign labor, encouraging major companies to build houses for their employees, imposing fines on undeveloped lands, and the development of lands with integrated services. This argument is in accord with the theory of land ownership that details that uneconomic land sites would be forced into use, and land would be prevented from entering other lines of use greatly demanded by consumers. (Rothbard, 2009).

- The current proposals concerning the reduction of undeveloped lands consist of applying

whether Zakat or fees in a way to urge owners to develop their pieces of land and exploit them rather than paying annual dues against the inert situation of the land. The researcher suggests that the lack of monitoring investment in undeveloped lands is due to the absence of an e-government system that can manage database information and monitoring mechanisms. The system can also take automatic action against misuse and obstruction, as well as it is open for collection of all necessary information about undeveloped lands and priorities to solve their problems in mature stages of time. Senturk (2007) agrees on calling for mandatory payment of a certain percentage from every kind of property to be given to needy and poor people as required by Islamic law (Shaira) in the application of Zakat (the Islamic pillar related to compulsory alms).

- Most of questionnaire respondents (80%) go with the application fees instead of Zakat, since Zakat (compulsory alms) is strictly bounded to poor and needy people and could not be used in other fields of development. The appropriate mechanism of applying fees on undeveloped lands should estimate the piece of land according to the market value. This is in concordance with the random walks theory stray from a market where there are large numbers of rational, profit-maximizers actively competing, with each trying to predict future market values, and where important current information is almost freely available to all participants (Fama, 1995, p. 76). The imposition of fees can be determined within a system which is not linked with the conditions of Zakat whether in terms of collection or in terms of disbursement. This makes the imposition of fees more effective than the application of Zakat on undeveloped lands. The market value can be carried out through committees of accredited real estate offices, belonging to the government, who are experienced in real estate property investment and development.

- The imposition of fees will certainly reduce real estate prices and empower citizens to possess reasonable dwelt and housing. The collection of Zakat by the government on undeveloped lands is similar to imposing fees but in different conditions of disbursement. Laws and conditions in relation to undeveloped lands should not go beyond what is applicable in most countries of the world.

- To adjust current lands regulations, it is recommended to build a bank of information about each piece of undeveloped land in Riyadh, as well as the other cities, and study related cases systematically to avoid any type of defiance of confrontation with powerful people and accelerate reducing of useless spreading of undeveloped land. Imposing fees on undeveloped lands is a national interest that real estate investors should benefit from in moving real estate process capitals. The price reduction would move the wheel of economy and the overall growth of the economy forward. This goes with the price theory, since this theory is concerned with explaining economic activity in terms of creation and transfer of value (Weber, 2003, p. 1).

RECOMMENDATIONS

The researcher suggests the following recommendations:

- Imposing a fee between 5 to 10% of the land value on the white land if it remains undeveloped two years after applying the system, as a warning and to give them sufficient time to decide either by developing it, or selling it. Most important located lands, start with 10-15%, least located undeveloped 5-10%. In this regard, it is recommended to refer to the operation of the land use planning system in the United Kingdom (Monk & Whitehead,

1999), and the US housing experience (Bank Financial Group, 2012) in this regard.

- Making an integrated plan consisting of chronologic stages of solving the whole case of undeveloped lands, starting with warning periods, giving priority to the most important and strategic pieces of land, and starting with the largest areas.

- Since this issue has been the main event in the Saudi society for the recent last decades, it is recommended to fulfill further field studies about complicated cases of different vast undeveloped land in big cities of Saudi Arabia to look, in one hand, for better solutions, and the other hand to keep the academic game in play based on this study output.

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