

THE MANAGEMENT OF ZAKAT BY CENTER FOR ZAKAT MANAGEMENT (CZM): A MALAYSIAN EXPERIENCE

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Abstract: *Zakat plays a significant role in the Muslim socioeconomic development. It is mentioned in eighty two places in the Holy Quran. However, zakat is an obligation for specific Muslims providing a fixed amount of their wealth with certain conditions and requirements for beneficiaries called al-mustahuqqun. Moreover, the concept of zakat exemplifies a strong concern with social and economic justice. In addition, the redistribution of economic impact of zakat depends on how it is administered, especially with regard to collection and distribution. Unfortunately, there was no comprehensive zakat institution has been set up to collect and distributes of zakat in Bangladesh except Center for zakat Management (CZM). Presently, Malaysia became a hub of Islamic financial Institutions for Islamic banking as well as for zakat management. This study discusses how to collect and disburse zakat in Bangladesh based on CZM and Malaysia experience.*

Keywords: *zakat* Institution, Bangladesh, Malaysian experience.

INTRODUCTION

Zakat is an obligatory contribution of a Muslim to be spent on specified activities as spelt out in the Qur'an. The existence of the system of *zakat* is to ensure that wealth will be equitably distributed in the Islamic economy and that the wealth should not be in the hands of a few greedy individuals. Many developing nations, including all the Muslim countries since none of them have achieved a developed nation status, have been pushing and formulating development strategies to achieve sustainable economic development and improve their standard of living. Any discussion on *zakat* in the context of worship cannot be disconnected from the socioeconomic factor, especially in aiding the underprivileged based on the *maslahat* concept (al Qardhawi, 2000). *Zakat* carries the meaning of producing a certain amount from a specific wealth for the benefit of those who are entitled to receive it as stipulated by Allah (Ibn Abidin,

1966). The primary purpose of *zakat* is to redistribute the wealth of the society among the poor. According to the basic principles of Islam, *zakat* institution has to be established first within Muslim society in a well-organized way (Shawal, 2009). The *zakat* institution should be under the responsibility of the Muslim Government or it also can be under the special Muslim supervisory body that has been appointed by that Government. The *zakat* management in Malaysia is under the authority of state government; whereby in Bangladesh the *zakat* Board under the supervision of the Islamic Foundation under the ministry of religious affairs was established on June 5, 1982 through the *zakat* Fund Ordinance 1982.

The management of *zakat* collection is getting better from year to year, but then the issue of *zakat* distribution still causes a lot of problems, arguments as well as discussions. The difficulty with the distribution methods, *zakat* distribution to the eligible people, and the problem with poverty that is still happening even though the *zakat* distribution has been implemented. For an instance, *zakat* institution having a shortage *zakat* fund while some having surplus, are among the issues that has decreased the performance and achievement of the *zakat* institution. This situation will cause a lot of problems. The issues about the leak of *zakat* collection and rough distribution among the people might happen if *zakat* payers pay *zakat* directly to the needy and poor people (Sanep et. al, 2006). This study will investigate the suitable method, which can be applied in order to enhance the existing method of collection distributing *zakat* fund in Bangladesh based on the system that used in Malaysia.

LITERATURE REVIEW

Conceptual Foundation of *Zakat*

Zakat plays a more significant role in improving the socio-economic condition of Muslim communities. The conceptual framework of the program which involves direct and indirect distribution of *zakat* and its related issues. *Zakat* management systems in any Muslim country face the lack of institutional involvement in the process. *Zakat* apart from being an obligatory worship also has socio-economic objectives (*ibadaat al maliyyah al-ijtimayiah*). Although, Islam is one of the most common religions in the world, there have not been many studies about the potential of *zakat* institutions. Most studies take place in highly Muslim populated countries where *zakat* plays a crucial role in the country's financial system such as in Bangladesh, and Malaysia.

Zakat in Bangladesh

The ultimate goals of *zakat* are to reduce inequality and to establish human rights, social justice, and empowering the poor by poverty reduction in Muslim communities (Azmi, 1991). In Bangladesh, foreign aid from donors contributes a significant portion of the development budget. If *zakat* funds are properly managed, these funds could reduce foreign aid and significantly reduce the debt burden (Hassan & Khan, 2007). Several economists projected that, in 2004–2005, potential *zakat* funds could have contributed up to 43% of the annual development plan of Bangladesh. For example, the GDP of Bangladesh was US\$163.72 billion in 2005, and the

Muslim population was 88%; therefore, the adjusted GDP for the purpose of *zakat* estimation was US\$144.08 billion (Shirazi & Amin, 2009). According to the basic principles of *zakat*, the *zakat* institution has to be established first within Muslim society in a well-organized way (Shawal, 2009). Therefore, it is high demand to set up a potential institution in Bangladesh to reduce the poverty and human development.

Zakat in Malaysia

Currently, in Malaysia, *zakat* management authority is under the government of each state. There are some states which have been privatized their *zakat* institution like Selangor, Wilayah Persekutuan Kuala Lumpur, Pahang, Pulau Pinang, Melaka and Negeri Sembilan (Sanep et. al, 2006). According to Yusuf (2000), the government should be accountable in collecting and distributing *zakat* funds for a few reasons. *Zakat* distribution by the government will keep and maintain the dignity of needy and poor people, instead of receiving *zakat* funds from the rich people directly. Besides, if the *zakat* payers distribute the *zakat* funds themselves, then it might be influenced by a specific manner which can neglect the concept of *zakat* funds distribution. Shortly, there are two important roles of *zakat* institutions, which collect *zakat* dues and distributing *zakat* funds. *Zakat* officers that have been assigned by the government will do these roles.

RESEARCH METHOD

This study was made mainly on the basis of secondary data and information. The major sources of data were the literature of *zakat*, journals and different relevant research studies. After reading through most of the articles, annual reports of different banks, books and different websites were found that this study will be conducted based on qualitative analysis of research.

DISCUSSION AND RESULTS

Philosophy of Zakat

Abdul Aziz (1993) suggests that every category of people who deserves to be given *zakat* must receive their rights. If there are among the categories that do not need the offerings of *zakat*, then *zakat* must first be distributed among the poor and needy. He also asserts that the *zakat* disbursed must benefit the recipients. In relation to this, Monzer Khaf (1999) argues that *zakat* is an instrument to eradicate poverty among the members of the Muslim society. Moreover, *zakat* distribution aims to alter the lives of the poverty-stricken by making them rich. For this purpose, *zakat* does not necessarily be given to all categories if there are those who need more *zakat*. With regard to this, Muhamad Abdul Munaim (1997) maintains that the obligatory nature *zakat* should become a catalyst to aid the Muslims in four aspects through the goal of *zakat* distribution: to resolve the poverty issue, to establish social justice, to develop a society based on love, mutual solidarity, brotherhood. A similar view is also expressed Husein (2003) who considers the role of *zakat* as not only improving the standard of living for the poor and downtrodden but also making the recipients productive members of the society. The gift of *zakat* is not only interim,

providing relief to the recipients, as they will also be aided by the purchase of tools and equipment that they can utilize to gain their sustenance.

***Zakat* Institutions and Its Practices in Bangladesh**

There are a large number of people in Bangladesh living in poverty, but there are many wealthy and rich people as well in the country. There is a large gap between the rich and poor in the society. Every year the rich-poor gap is widening, posing a threat to social coherence (Haque, 2006). A large amount of money is collected and there is a more possibility to collect more of *zakat* collection every year in our country. It is mostly being used to buy saris, lungi, mosquito nets, and charitable items among poorer people. For this reason, there is no socioeconomic impact of *zakat* on the society. As a result, Poverty is thus spiraling up. Basically, there is no effective or structured method for *zakat* distribution in Bangladesh. However, it is believed that in order to prevent such tragic incidences from occurring there is a need for more manpower to be used while giving *zakat*. The use of more people can lead to better organization and control over the crowds of people that gather to receive *zakat*. According to Bureau of Islamic Economics, *zakat* collection in 2010 was about Tk. 110 billion or 1.4 billion USD, which was equivalent to 1.4 percent of GDP (Asif Ibrahim, 2012). In the private sector in Bangladesh, there are a number of volunteer organizations, mostly associated with religious associations. However, many of these associations do not have transparency in *zakat* funds management. In the absence of transparency and accountability, people are weary and reluctant to contribute to *zakat*. In addition, the planners of poverty alleviation strategies, both in the public and private sectors, are not seeing the urgency to adopt *zakat* in poverty reduction policies. Part of the reason could be their lack of proper Islamic understanding and faith in *zakat*, and their perception that any religious ideas be seen as “non-progressive”. Although the government of Bangladesh is very keen to alleviate poverty, it has never seriously looked at the institution of *zakat* as a national strategy for poverty reduction. For the fiscal year 2012–2013, the government of Bangladesh did not include *zakat* as one of the poverty reduction programs (Bangladesh Ministry of Finance, 2012)

***Zakat* Institutions and Its Practices in Malaysia**

The roles of *zakat* institution are not only to collect the *zakat* dues, but also to distribute the *zakat* funds to the *zakat* recipients. *Zakat* is being collected from a variety of sources such as individuals as well as corporate companies, while later on is distributed to the eight groups of recipients like what has been mentioned by Allah in his Holy Qur’an. The *zakat* institution should be under the responsibility of the Muslim Government or it also can be under the special Muslim supervisory body that has been appointed by that Government. The Federal Constitution of Malaysia (1957) proclaims Islam as the official religion of the federation. However, any issues related to Islamic laws and customs, including soaked administration are under the jurisdiction of the respective states, which is the Sultans, except in Federal territory whereby the Islamic law and administration are governed by the Federal government (Md Saad & Abdullah,

2011). *Zakat* management and collection in Malaysia is under the authority of state government under the jurisdiction of the State Council (Majlis Agama Islam Negeri-MAIN) and each state managed the *zakat* funds different ways such as Selangor, Pulau Pinang and Sarawak have privatized *zakat* collection and distribution. The other states such as Wilayah Persekutuan, Negeri Sembilan, Melaka and Pahang only privatized skate collection. The other states managed by Majlis Agama or Jabatan Agama Islam Negeri (*Zakat Centre Report*). Malaysia's authorities have created *zakat* institutions for *zakat* contributors and *zakat* recipients in collecting and distributing *zakat* efficiently. But at the same time, several lacking of the current *zakat* distribution, implementation throughout the country were found in the literature. Firstly, a connection gap in term of information between *zakat* institution and *zakat* recipients. This was because of the failure of *zakat* institutions unable to recognize exactly the *zakat* recipients every year (Muhammad Syukri, 2006). For instance, in Kuala Lumpur, Federal Territory, those who really need *zakat* should follow the procedure such as filling the form, must have supporting relevant document and finally will be interviewed (Zainal Abidin, 2001), but the dignity of the needy and poor should be revealed publicly somehow disrupt the process. A further possible reason the *zakat* institution cannot disburse efficiently is the problem to identify the entire eight *zakat* recipient. For instance, *zakat* payers were not satisfied with the *zakat* institution in *zakat* distribution because the institution was not disbursing to all *zakat* recipients fairly (Hairunnizam et. al 2009).

Another problem that has been recognized in Malaysian *zakat* institutions is the shortage of staff and experts in the *zakat* institutions relative to the numerous tasks under their responsibilities. This happened because of several problems including lack of management expertise, lack of commitment, lack of information and legal aspects. It is suggested that *zakat* institution should use modern technology to monitor the population of the particular area. This will help to monitor the distribution of *zakat* to the eligible and then will track the progress of eradication of poor people. Nowadays, it is argued by (Hairrunizam & Radiah, 2010) that *zakat* distribution, performance that be managed by an institution is not quite excellent compared the sophisticated system in *zakat* collection process so the respondent in improvement should be done immediately. Presently, the development of *Zakat* institutions in Malaysia is getting better, especially in terms of *zakat* collection (Hairunnizam et. al 2008). The escalation of the *zakat* collection also due to some factors, for instance, likes e-*zakat* development. Most of the *zakat* institutions in Malaysia nowadays have started to develop e-*zakat* by adopting web-based Internet application that makes *zakat* information available electronically to all the people (Shawal, 2009).

The 'Center for *Zakat* Management' (CZM) in Bangladesh

Bangladesh has a dual system of *zakat* management where the payment of *zakat* is voluntary and may be made to the *zakat* Board of Islamic Foundation, a government agency under the Ministry of Religious Affairs or to several other private institutional collects or even to private individuals. Matters pertaining to *zakat* are governed by the *zakat* Fund Ordinance, 1982. There

is no effective or structured method for *zakat* distribution in Bangladesh. Too often, rich people buy charitable items for distribution via relatives, local government representatives (union council chairman or members) or mosque imams and head teachers at local *madrasha* (Islamic school). Some also distribute clothes or food in orphanages out of their *zakat* money. Although Bangladesh is a Muslim country, this country severely lacks proper organization corresponding to giving and receiving *zakat*. There are not many organizations set up to collect and distribute *zakat* amongst the people properly. People in the country give *zakat* individually and there is usually a crowd of people gathered around to collect it. This creates a crowded situation where it is quite likely for chaos to ensue, leading to the poor being killed in stampedes. However, if we had proper *shari'ah* based organizations willing to collect and distribute *zakat* these deaths could have been avoided.

Among the *zakat* Institutions, Centre for *Zakat* Management (CZM) which is a non-government organization. There is another such organization named 'Bangladesh *zakat* Board' which is currently not so active. The CZM is an organization which collects and distributes *zakat* in a systematic way. This organization has a selection committee, which basically looks up the people who are in need of *zakat*. They arrange the proper steps through which people may receive this *zakat* aid. Many needy people have received sufficient help through this organization, whereas, these steps are much more difficult for individuals to undertake by themselves. A study conducted by CZM found that Bangladesh can collect approximately 20,000-25,000 crore Taka (USD2.9 to 3.00 Billion) in each year. If it is collected through proper channels using proper methods. This money can help the poor of the country immensely and totally reshape Bangladesh altogether. It is believed that the unexpected percentage of poor people will be reduced if *zakat* is collected and distributed by the proper organizations in a systematic method.

RECOMMENDATIONS AND SUGGESTIONS

These are some suggestions for setting up the *zakat* institution in Bangladesh based on Malaysian experience.

- *Zakat* is mandatory for the rich and is the poor's right on the wealth of the rich. Therefore, it should be collected and distributed by the Islamic Government.
- *Zakat* is part of the Islamic economic system to eradicate the poverty from Muslim society.
- The system of *zakat* in Bangladesh must be modernized like e *zakat* system, web based information system.
- Bangladesh has about 6.0 million extreme poor families. Around US\$ 3.0 billion can be mobilized just through *zakat* and thus, be used to make a dent on poverty.
- In many Muslim countries *zakat* payers get tax exemption like Malaysia, and Bangladesh can follow the path to encourage *zakat* payment.

- The Government should not use more than 20 percent of *zakat* money for their management, cost as the cost will come from *zakat* collection.
- Many people pay *zakat*, but it needs an institutionalized approach to manage *zakat* for poverty alleviation that could be supportive to government efforts and be an economic tool for social development.
- To stop and control the collection of *zakat* individual, Most of the well-off Muslims pay *zakat* on their own ways. But it does not make any sustainable difference to the lives of the poor.
- Islamic NGO's should explore, to play the role of a facilitator to take up giant development projects, instead of doing all itself.
- *Zakat* institution should reach out to people at the grassroots level and share with them all relevant information on collection and distribution of *zakat* in a transparent manner in order to earn their trust and enhance credibility, which is the only way to grow.
- To make awareness among the people, because many people do not know how to pay *zakat*.
- Bangladesh Government must learn from the experiences of other Muslim countries like Malaysia which use *zakat* in a very sustainable way.
- To increase the number of research on *zakat*, there have not been enough research and studies on *zakat* in Bangladesh to identify details of *zakat* collection and its use.
- Finally, private institutional *zakat* management should lie with the government to implement the *zakat*.

CONCLUSION

Zakat Board of Bangladesh Government fails to lead a structured process for *zakat* administration; collections from all *zakat* payees and distribution to the needy people. Besides, many people prefer to distribute *zakat* personally rather than centrally. As a result, *zakat* management in Bangladesh not able to make an effective distribution of *zakat*. On the other hand, in Malaysia, they do have a compulsory *zakat* law and the collection system that in exists is systematic way. An integrated approach is required to strengthen the presence of the *zakat* system in Bangladesh to create a development country. *Zakat* management in Malaysia is under the authority of state government. In a nutshell, it may say that the roles of *zakat* institution are not only to collect the *zakat*, but also to distribute the *zakat* funds to the *zakat* recipients. Therefore, Malaysia is considered one of the model countries from the Muslim world for *zakat* management, which can be followed by other countries like Bangladesh.

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