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-mustahruqqun. 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,
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,
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.

REFERENCES

Al-Qur’an al-Kareem


