

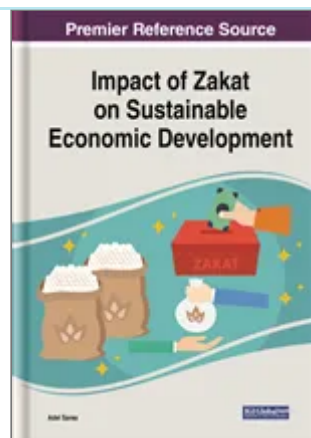
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Developing a Conceptual Framework for Zakat Collection and Distribution Impact on Social Welfare Through Implications of SDGs

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Source Title: Impact of Zakat on Sustainable Economic Development (/book/impact-zakat-sustainable-economic-development/242359)

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Pages: 19

DOI: 10.4018/978-1-7998-3452-6.ch009

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Abstract

Although Islamic social finance including zakat has witnessed an upsurge in development in quantum, which reached US\$2 trillion in 2015 and is projected to exceed US\$3 trillion by 2020, due to a lack of transparency, trust, and timely disclosure to public has resulted in inefficient of zakat collection and ineffective disbursement for the wellbeing of recipients. The reason for this could be neglecting adoption of financial technology specifically blockchain and artificial intelligence system in zakat management to enhance proper collection and efficient distributions timely and effectively reporting to public. Therefore, this research proposes an 'Islamic Social Welfare Financial Technology' (ISW FinTech) as an innovative framework that assesses zakat institutions operational efficiency of zakat collection, transparency, and effective distribution that would lead to wellbeing of zakat recipients. This framework is based on new six clusters according to their needs and priority, which convert them from being zakat recipients into zakat payers.

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Introduction

It is generally accepted that *Zakat* administration by *Baytul Maal* or designated religious authority is the most important socio-economic institution in the Islamic system (Kaslam, 2009). This is consensus that *Zakat* has a significant role to play as a state wealth-creating public institution in the Islamic world to solve the socio-economic problems faced by Muslim communities as highlighted by Abdussalam, Johari and Alias (2015). However, this aspiration has yet to be realized given the limited role of *Zakat* agencies in contemporary Muslim societies.

The prescribed eight *Asnaf* of *Zakat* provide a comprehensive solution to address the diverse social needs which include social welfare and sustainable development in relation to poverty eradication, enhancement of social wellbeing, education, healthcare and to protect the human life as well as ensure peace and prosperity of the planet. Recently, the United Nations has called on all institutions and governments worldwide to give priority to Sustainable Development Goals (SDGs). According to Ivankina and Anikina (2015) SDGs and social welfare are directly connected with the idea of sustainable development towards providing the best chances, security, healthcare, education quality, income distribution, equal life opportunities for the current and future generations. In regards of the mentioned above *Zakat* as one of the pillars in Islam, then should not be treated as an Islamic obligation only, but it should be considered as backbone of enhancing Islamic social welfare tool and uplifting mechanism for the Muslim society which is summarized in eight (*asnaf*) *Zakat* recipients.

On the other hand, Midgley (1994) defines social welfare as a process of planned social change designed to promote people's welfare within the context of a comprehensive process of economic development. This has proved to be a popular definition primarily because it plans and promotes social welfare comprehensively throughout the entire social spectrum using an environmental systems-oriented method (Lowe, 1995). Furthermore, Abrahams et al. (1994) explains that the conceptualization of social welfare has its basis in social development that is positive, caring, and people focused. In the words of various scholars (Kramer & Johnson, 1996; Butterfield, & Chisanga, 2013), the fundamental values are human dignity, equality, social justice, and equitable distribution of resources. Within SDG framework sustainable social welfare is concerned with both present and future communities (Marris, 2018). Besides SDGs that has been proposed by United Nation, however, Islamic system has been proposed more inclusive sustainable development system and has implemented that system during a golden age of Islamic history proves that sustainable development in Islamic worldview is not limit to seventeen goals, but can be extended more than seventeen as long as can develop and protect society. In addition, Islamic social system has more potential and differs of economic tools including *Zakat* that easily can uplift the Muslim society, nevertheless, due to lacking adoption of technology, missing transparent, sophisticated system failed to achieve social welfare and SDGs in OIC countries (Noordin 2018 & Omar A., 2018).

Zakat had been the Islamic social welfare program that assumed a significant role to safeguard and promote the Muslim social wellbeing during the period of the righteous caliphate (Rauf, 2015). The *Zakat* management and distribution system during 2nd Caliph was effective and efficient that there were given *Zakat* to all needed minorities in society to receive *Zakat* fund within an area or inspiration (Nadzri et al., 2012). It is clear indication that *Zakat* system can be play great role in enhancing social wellbeing of society, if there is proper system and management that channel *Zakat* fund through that direction. However, in our current time due to expansion of life cycle and life became more turbulence with difficult to achieve social welfare, there is a need for developing sophisticated system to facilitate effective distribution channels. In this regard, juristic issues and validation on proposed *Zakat* framework distribution from different schools of thoughts need to be discussed by contemporary Muslim scholars (Askari, Iqbal, & Mirakhor, 2011).

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Chapter 9

Developing a Conceptual Framework for Zakat Collection and Distribution Impact on Social Welfare Through Implications of SDGs

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DOI: 10.4018/978-1-7998-3452-6.ch009

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