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Anwar Hasan Abdullah Othman, IIUM Institute of Islamic Banking and Finance (IIiBF), Malaysia

Mohammad Habibullah, IIUM Institute of Islamic Banking and Finance (IIiBF), Malaysia

Mohd Sukri Muhamad Yusof, Techtrade Defence Sdn Bhd, Malaysia

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Preface

The Impact of Zakat on Sustainable Economic Development is a key reference that examines the role of Islamic social finance, including Zakat in contributing to sustainable economic development worldwide. Zakat has been identified as a valuable source for the development of the economy of the Muslim community and give an impact on socio-economic development of the nation.

This publication highlights the impact of Zakat on Sustainable Development, by adopting an Islamic approach to contemporary socioeconomic issues and the methods of content analysis and meta-analysis methods. This book is meant to serve professionals, economists, regulators, financial analysts, academicians, researchers, and postgraduate students. It shows current research on modernized of Zakat into Islamic economic patterns in order to tackle the current issues faced by Muslim worldwide.

Chapter 1 outlines the impact of Zakat on SDGS and Poverty Alleviation on Muslims in India, It illustrates that the Zakāt is more than a handy tool to alleviate poverty among Muslims in India by manifesting itself as a successful model that meets the financial needs of development activities across the social divide, including non-Muslims. Zakāt possesses a robust potential to implement the Sustainable Development Goals (SDGs) and alleviate poverty among Muslims in a Hindu majority country like India. Using the Zakat funds for implementation of SDGs warrants valuable offers viable solution hitherto underestimated and underutilized. The core Islamic principles or Maqāsid al-Sharī'a entail alleviation of hunger, poverty and inequality, peace promotion and environmental protection. A strong connection between the Zakāt beneficiaries and Zakāt administrators points towards the spirit of partnership for the goals (SDG 17). The institution of the Zakat doe not only concern with fund mobilization, but also involves organized and systemic collection and distribution of Zakāt money as well. The fundamental principle that governs Zakāt is socially responsible development. One of the important ways in which Zakāt can help implement SDGs is through promoting financial inclusion that may trigger off other related developmental goals.

Chapter 2 describes the Impact of Zakah on economic development in Malaysian by investigating the effect of zakah distribution on economic development of Malaysia. The chapter uses quantitative methodology and employs statistical procedures to explain the relationship between zakah and economic development. The findings reveal a positive relationship between zakah and GDP as well as zakah and Human Development Index. It also shows that with every increase in the distribution of zakah, there is a positive change in the GDP.

In Chapter 3, the focus is on the institution of zakat in Tunisia. In the Tunisian case, it is still an idea more and more sponsored by civil society and some political classes as one of the solutions for a more equitable distribution of wealth on the territory and a means of reducing the poverty. The authors focus on the primary role of zakat institutions: fundraising with the aim to identify the main elements that can

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intervene to pay zakat to the zakat institutions and to also to estimate the factors that can influence the behavior of individuals after the establishment of this type institution.

Chapter 4 describes Zakat system in in the Middle East and North Africa (MENA) region. The aim of the chapter is to evaluate the relative quality index of the zakat institutions websites (ZIWs) in 10 Islamic countries in the MENA region (Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Saudi Arabia, Sudan, and UAE). The chapter develops a quality index for ZIWs consisting of 6 dimensions and 40 items. The countries with the top quality index are Saudi Arabia (95%) and UAE (88%) whereas countries with the low quality index include Bahrain (41%) and Algeria (13%). Accordingly, this chapter propose some recommendations to improve the quality index of the ZIWs. The results obtained could have some implications for Arab countries. Most recently several Arab countries have initiated e-government initiatives which will improve the country capabilities to collect and utilize the Zakat funds. The proposed e-quality index of ZIWs may play an important role in the success of these initiatives.

Chapter 5 describes the system of Zakat in Malaysian an authorized body, called State Islamic Religion Councils (SIRCs), to manage the Zakat. It works independently to ensure that the zakat administration and management become more efficient and effective. In Malaysia, Muslims (either Malaysian or foreigner) are encouraged to make their zakat payments to the government's zakat collection centres for proper distribution to the needy. An easy way to pay zakat is through a monthly salary deduction scheme. In order to avoid a clash with the monthly tax deduction for income tax, employers can make adjustments so that the monthly zakat deduction is taken from the monthly tax deduction. To encourage employers to involve in this scheme, more collaboration should be established between zakat institutions and Inland Revenue (LHDN).

Chapter 6 describes zakat bank. The bank should not be treated as a charitable organization subjected to the law against perpetuity or restricted under the tax law for charitable organizations. Also, the bank should also not to be treated as a corporate entity that aims for profit maximization. This is to ensure that the money collected for a particular year is allocated for investment purposes to support Muslims growth. In case there is a failure to pay, the zakat bank recovery processes will not adopt the current practices. Surah al-Baqarah will be adopted in dealing with genuine defaulters.

Chapter 7 focuses on The Current Practice and Expected Transformation of Zakah Institution in Yemen in Light of the Current Crisis. Zakah institution has been governed and managed by the government, and its administration is formed under the responsibility of the Zakah Agency, and later on under the local counsel of each locality. The management and administration under this agency has been criticized of being less transparent on Zakah resources of both collections and distributions issues. Therefore, Zakah collections have suffered inefficiency due to low level of confidence in the governmental agencies assigned to collect Zakah funds. This encourages Zakah payers to always seek an alternative way to channel Zakah funds, which has been found in other voluntary organizations to carry the same role that the government should have made in collection of Zakah funds.

Chapter 8 describes Zakat Management and Economic Sustainability in the United Arab Emirates. This chapter enhances the Zakat framework and theme providing live examples from United Arab Emirates (UAE) practice. IN UAE, Zakat Payment is directly linked to Sustainable Development Goals, given that Zakat revenues contribute to eradication of poverty and hunger, promote good health and well-being, and contribute to the provision of quality education, decent work, and economic growth. The significance of this chapter is mainly a potential of improving the awareness of the Islamic communities about the importance of the zakat implementation. Also it helps individuals and authorities in managing the Zakat and recognizing the role of Zakat worship in making a big difference in the human

being's life and living standards. In this regard, the concern not only getting funds or giving money, but also to promote sustainable community development.

Chapter 9 is mainly concerned with Zakat distribution framework (FinTech). This new system should bring about a stronger Zakat system with substantial advantages to society and nation. Still numerous reformations are needed to attain the objectives of Zakat and social welfare along with the realization of sustainable development goals in OIC countries.

Chapter 10 examines the Impact of Zakat on the economy, organization, and Moral and Social, Zakat is a thanksgiving, for the blessings given by Allah (SWT) to muzakki, because it has been given the wealth compared to the others. It is an instruction for Muslims to obey of paying zakat as stated in the Al-Qur'an and hadith. The discussion above mentioned the promising benefits and potentials that can be derived from zakat i.e. social, moral and economic prosperity. It is beyond of what people assumed about zakat which obviously play a strategic role for an individual and society. Moreover, this result denies the negative arguments of Western scholars on the concept of Islamic economy that include zakat.

Chapter 11 describes Zakat accounting from the Quran and Hadith, many would say that most of Quranic verses in relation to the zakat are as a compulsory payment and its function as one of the important pillars of Islam.

Chapter 12 describes Zakat Capable of Alleviating Poverty and Reducing Income Inequality. This chapter mainly aims to discuss the role of zakat in alleviating poverty and reducing income inequality, specifically in Malaysia. This chapter elaborates on the interlinkages between the institution of zakat and Maqasid-al-Shari'ah. Deliberate Malaysian zakat institution as well as discuss the strategies and policies implemented by the Malaysia government in poverty eradication and income inequality reduction. Further, this chapter also explains the role of Malaysian zakat institutions in supporting government poverty eradication and income inequality reduction initiatives. This chapter offers practical help to practitioners in providing a direction for zakat institutions in supporting the daily living of the poor.

Therefore, Chapter 13 describes Zakat system in Brunei Darussalam, inefficiency in social finance is due to a lack of standardisation in social finance such as zakat and waqf laws. This chapter submit that Brunei needs standardisation and unification to speed up the process of strengthening social finance. Brunei is controlled under one power of monarch sovereignty and Islamic laws are ruled as part of the law in the country.


Therefore, Chapter 14 describes integration and Development of Zakat Collection and Distribution in the Islamic Finance Industry, it is a common practice in all Muslim societies that everyone should pay and distribute zakat by him or herself. Islamic banks face the challenge of trust that may affect their core business. Islamic banks should work to increase the trust of Muslims to convince them that Islamic banks can act as agents on their behalf to collect and distribute zakat funds. Accepting this role of Islamic banks in Muslim societies is a big challenge that requires banks to work hard to spread and increase the awareness of Muslims about the advantages of collecting and distributing zakat funds by Islamic banks. The banks should emphasize that they will do their best to deliver zakat funds to those who are really in need and will execute real development projects that fight and eradicate poverty from societies.

Adel Sarea
Ahlia University, Bahrain

Chapter 6


Establishment of Zakat Bank: Do We Need One?

Hakimah Yaacob

 <https://orcid.org/0000-0001-5653-4448>


Universiti Islam Sultan Sharif Ali, Brunei

Adli Yaacob

 <https://orcid.org/0000-0003-0374-9968>


International Islamic University Malaysia, Malaysia

Khairul Hidayatullah Basir

 <https://orcid.org/0000-0001-5858-4916>

Universiti Islam Sultan Sharif Ali, Brunei

Qaisar Ali

 <https://orcid.org/0000-0002-6825-650X>

Universiti Islam Sultan Sharif Ali, Brunei

ABSTRACT

When the Islamic bank was first established in 1963, they realised leveraging on the conventional platform was an easy way out to create an Islamic banking system. Despite of financial outcry, multiplications, and lack of welfare on the customers, the bank continues championing the financial system. Behaving as an alternative to the conventional financing, Islamic banking is no different. With all the conventional guidelines and controlled regulations of IMF and the World Bank, the Islamic bank's hands are tied. Nothing much has been done to ensure a complete move out to assist customers in getting 'good financing facility,' which is humane in nature. This chapter is an attempt to explore Zakat Bank out of banking furore using a Zakat platform. The finding suggests that the establishment of Zakat Bank is crucial to ensure the true financing based on Shariah principles and guidelines. This chapter adopts library research including reports and guidelines from the financial regulators. The chapter concludes with a proposed model for a Zakat Bank for authority's consideration.