

by Student's Name  
Course/Code  
Professor's Name  
University  
City, State  
Date



# THE EFFECTIVENESS OF ZAKAT INSTITUTIONS IN WELFARE DISTRIBUTION FOR B40 IN MALAYSIA

---

# Literature Review: Aim of Zakat

- Zakat is an advanced social safety net, established by Sharia, that heeds the welfare of the vulnerable populations (Almarzoqi et al. 2018, p. 41)
- The distribution of Zakat is entrusted primarily to the government; yet, it may also be implemented by concerned people (Almarzoqi et al. 2018, p. 41)
- Zakat institutions are among key instruments established by Islam for improving welfare in the poor populations (Mohd Ali et al. 2015, p. 356)
- Zakat institutions aim to defend the socioeconomic welfare of the poorer populations as well as ensure socioeconomic fairness (Al Haq & Wahab 2017, p. 261)

# Literature Review: Socio-economic role of Zakat

- Zakat is established in such a way that it is aimed at reducing poverty (Almarzoqi et al. 2018, p. 42).
- Zakat contributes to producing a flow of funds and increasing the consumption of the poor and needy (Mohd Ali et al. 2015, p. 356)
- The Zakat scenario is gradually taking an advantageous derivation in helping the impoverished and the disadvantaged (Al Haq & Wahab 2017, p. 260)
- A transparent distribution of zakat is to have a direct effect on just distribution of income, which eventually meets the following goals:
  - a. Eradicating economic inequalities
  - b. Provides major source of income
  - c. Maximizes social security and minimizes unemployment
  - d. The mobilization of resources (Saad & Abdullah 2014, p. 71)

# Literature Review: Zakat and Welfare Enhancement

- Zakat is regarded as an effective tool in improving Muslim socio-economic development (Saad & Abdullah 2014, p. 69)
- The proper management of Zakat institutions is believed to alleviate poverty, thus enhance welfare of poorer populations (Saad & Abdullah 2014, p. 69)
- Effective zakat distribution tends to decrease poverty prevalence, the extent of poverty and its severity (Mohd Ali et al. 2015, p. 355)
- Ab Rahman et al. (2019) argue that good governance of zakāt funds is prominent in enhancing welfare; it could be done by increasing the role of mosques as a platform to regulate zakāt funds

# The Theory of Zakat

## MEANING

The **theory of zakat** indicates that zakat distribution is to enhance income inequality and welfare of the community

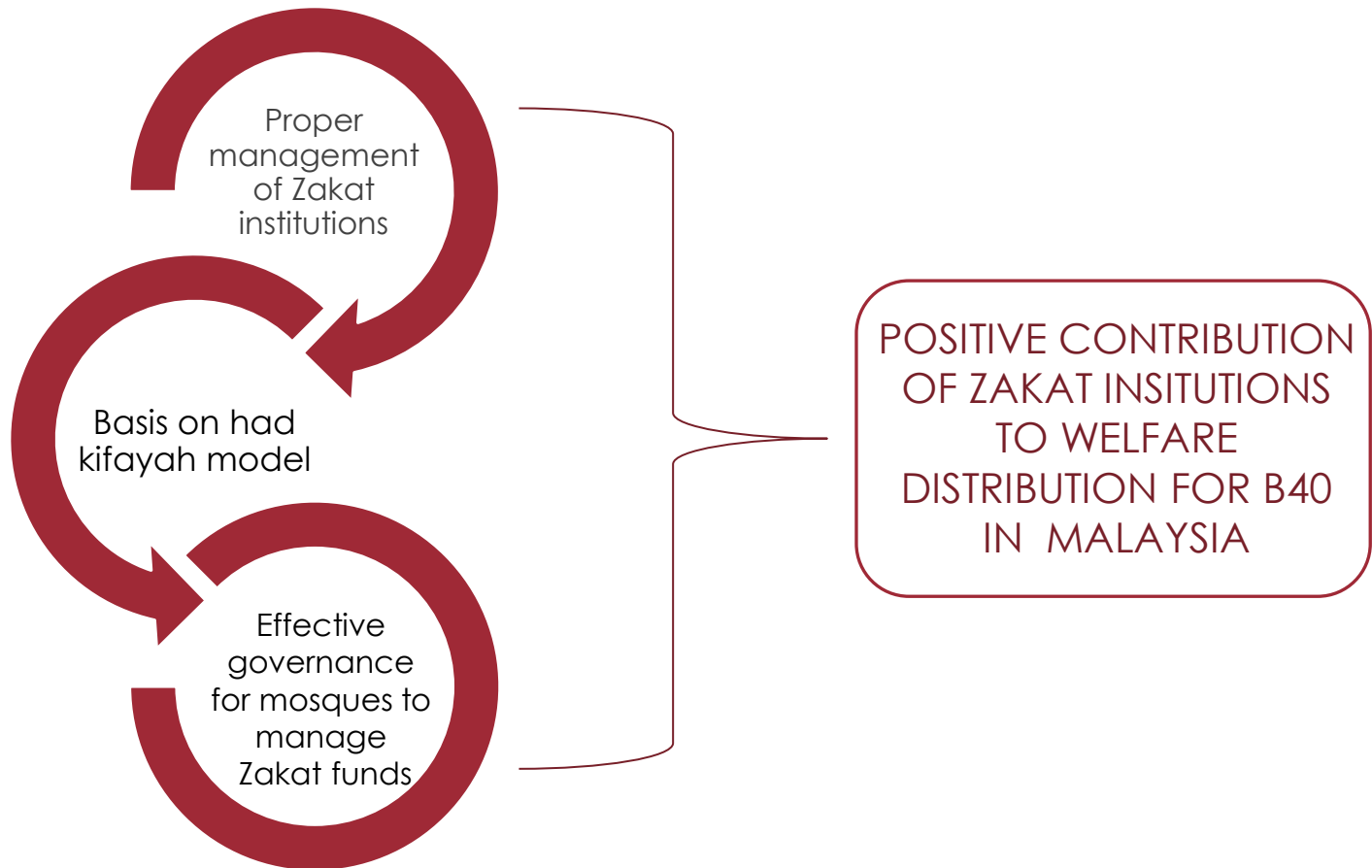
## MODEL

Zakat distribution simulation models are encouraged to be grounded on had kifayah, a method employed to determine eligibility of people to receive Zakat assistance (Hasan & Rashid 2019)

## RESULT

Such model showed the capacity of zakat to decrease income inequality, income loss and enhance the welfare of the community (Ibrahim et al. 2020)

# Conceptual Framework



# Hypothesis Development

H1

- Zakat has a substantial positive influence on the enhancement of community welfare

H2

- Proper management of Zakat institutions is crucial in achieving socio-economic growth

H2

- Contribution of Zakat institutions to improving welfare stems from effective management of Zakat funds
- Had Kifayah model has to be relied upon in designing Zakat distribution models

# Hypothesis Development

Overall, Zakat institutions are regarded as an efficient tool in enhancing socio-economic welfare, provided that:

- Zakat funds are properly managed
- One relies upon Had Kifayah model to provide fair distribution of Zakat funds
- One entitles effective bodies, like mosques, with efficient governance of Zakat funds



# Reference List

- Ab Rahman, A, Thaidi, HA & Ab Rahman, MF 2019, `A proposed mosque model for zakāt governance towards achieving global peace`, *Al-Shajarah: Journal of the international institute of Islamic thought and civilization (ISTAC)*, 105-23, viewed 18 May 2020, <<https://journals.iium.edu.my/shajarah/index.php/shaj/article/view/925>>.
- Al Haq, MA & Wahab, NB 2017, `Effective Zakah distribution: highlighting few issues and gaps in Kedah, Malaysia`, *Journal of Islamic Economics*, vol. 9, no. 2, pp. 259-288, <http://dx.doi.org/10.15408/aiq.v9i2.4002>
- Almarzoqi, RM, Mansour, W & Krichene, N 2018, Islamic macroeconomics: a model for efficient government, stability and full employment
- Hasan, SF & Rashid, KA 2019, `The Provision of Haddul Kifayah for shelter the actual cost of shelter for Asnaf Faqr and Miskin: a comparative study`, *MATEC Web of Conferences*, 266, <https://doi.org/10.1051/mateconf/20191201826626603021>
- Ibrahim, P, Ali, M, Muridan, M, Jazid, AI 2020, `Revisiting Zakat distribution on income inequality and welfare: the Malaysia experience`, *Journal of Islamic Economics*, vol. 4, no. 1. <http://dx.doi.org/10.26740/al-uqud.v4n1.p146-161>
- Mohd Ali, AH, Rashid, Z, Johari, F & Aziz, MR 2015, `The effectiveness of zakat in reducing poverty incident: an analysis in Kelantan, Malaysia`, *Asian Social Science*, vol. 11, no. 21, pp. 355-367, <http://dx.doi.org/10.5539/ass.v11n21p355>
- Saad, N & Abdullah, N 2014, `Is Zakat capable of alleviating poverty? An analysis on the distribution of zakat fund in Malaysia`, *Journal of Islamic Economics, Banking .....*, vol. 10, no. 1, pp. 69-95.