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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

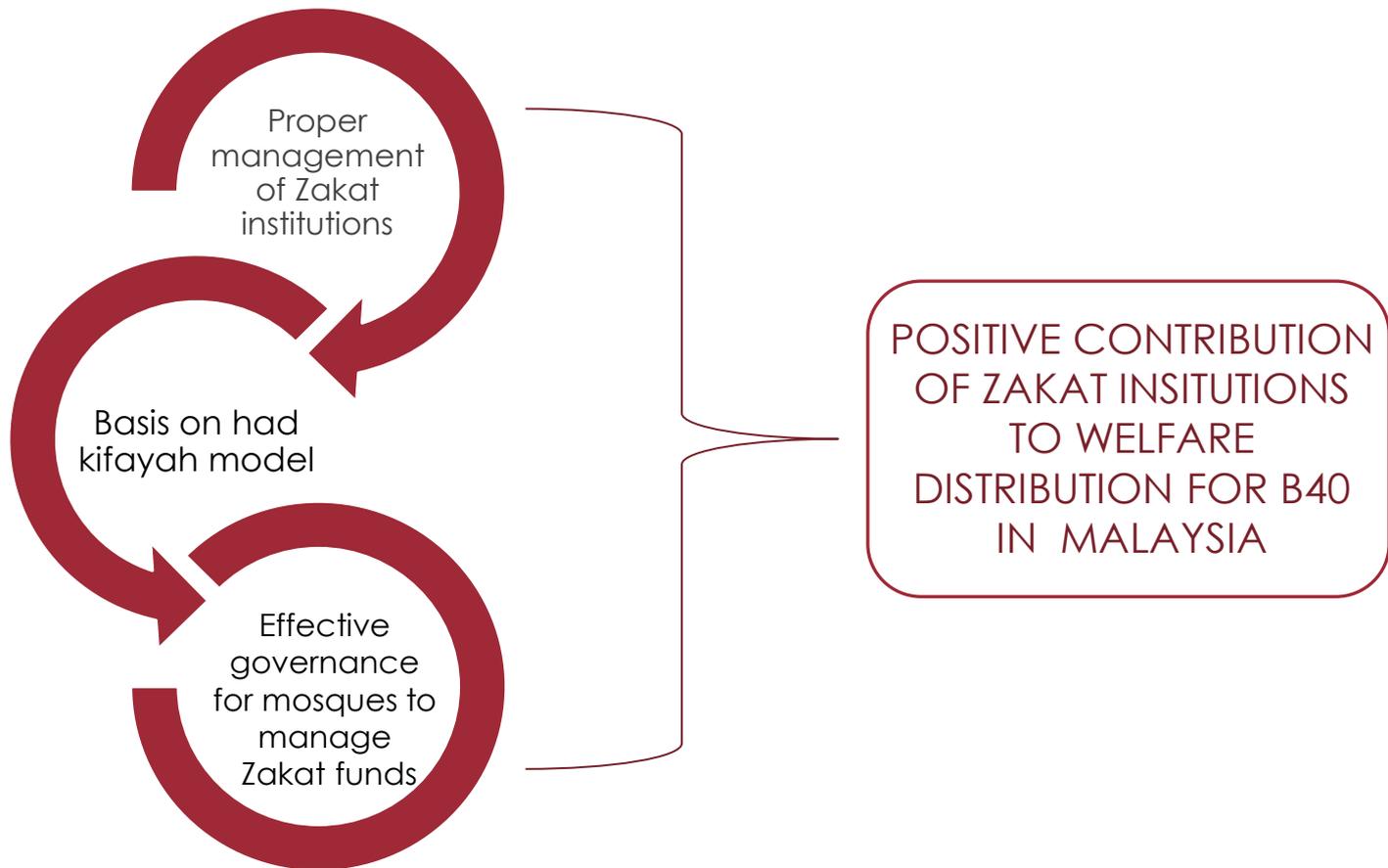
MODEL

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

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