Comparison of the Approach in the Zakat Management System

Muharman Lubis, Arif Ridho Lubis and Ahmad Almaarif

Telkom University, Jalan Telekomunikasi No. 1, Bandung, 40257
Politeknik Negeri Medan, Jalan Almamater No. 1, Medan 20155
Email: muharmanlubis@telkomuniversity.ac.id

Abstract. Zakat institution have been essential entity in the collection and distribution process of zakat management effectively and efficiently. Although, it is clear that there are some difficulties, which require great attention such as transparency, accessibility, fairness and compatibility due to cultural, geographical and political context. The purpose of this paper is to analyse the common approaches used in various countries through comparison in the best practice of managing zakat fund. It is expected to provide more understanding on the business process and visualization for the purpose of improvement. The contribution of this paper is twofold, firstly, the zakat institution, regardless the limitation or boundary should identify the primary requirement in zakat management system with focusing on the alignment between the model used and the proper application system. Secondly, the findings may provide insight on how the zakat institutions can further improve their use of technology and handle their human capital to deliver more effective and efficient process.

1. Introduction
Zakat is where a people contributed to the beneficiaries who in needs with the objective of obedience to Allah ta’ala and to help the others, which become mandatory to every Muslim after one year period of time when they do not utilized certain amount of wealth in respective kind based on agree upon certain measurement. Islam have been put zakat as a mandatory tool that can be used to promote the economy establishment of the eight categories of recipient as mentioned in Al-Quran. Thus, zakat in literal sense has several meanings namely grace, blessing, growth, development, purity and neatness. Economically, the effective and efficient zakat management can help to increase economic prosperity, which improve the poor’s purchasing power that in the future lift out into a larger demand on goods. Social welfare and justice in the Islamic teachings can be realized by the implementation of the ownership of production and wealth distribution in the community and society based on specific criteria and requirement. In general, zakat is one of several instruments developed by Islam to overcome welfare issues through fair distribution besides sadaqah (alms), charity, infaq (material contribution), waqaf (providing benefits in certain periods), hibah (grant), hadiyah (gift), ghanimah (spoils of war), salab (war bonus), nafl (special portion in war), fayy (war treasure without war), kafarat (fine), fidyah (fast ransom), inheritance and wasiat (testament). Zakat Institution is the intermediary organizations that has function to help the zakat management process with considering the social implications in the respected area or location. In the process, the entire of operating expense is taken from the zakat and infaq funds collected by recognizing the portion of Amil as one of zakat receivers, although at certain extent, there is doubt in regard to the percentage due to lack of transparency from several of them.
As fundamental pillar of sharia, the obligation to pay zakat must be believed as a way to obtain reward from Allah Ta’anla, not the other way around [1, 2, 17]. Furthermore, zakat play tremendous portion in the fiscal mechanism by performing some of the primary features of modern public finance, which connected to the assistance of social grants for children and social security for poor people, subvention in school, nourishment, sanity, health or shelter and the development of transportation hub to link isolated place. Meanwhile, the income support distributed to the zakat receivers will lead to a significant increase of the money supply in the community resulting in an upward changes in the demand for goods and services. To support these for fundamental requirement of daily life such as food, wear and house, the relevant industry will work hard to produce those facilities, so the economy gradually escalated and start to permeate the idle capital, thus improve the quality of life of social community. Meanwhile, in order to sustain the increased production, the industry should look for more employee to handle various activities, either in office or factory, thus open more jobs and opportunities to the people to compete for. These situation, in turn if the relevant authority maintain this cycle, would create larger demand for goods and services, greater space for additional investments and higher contribution to a balanced economic growth. Thus, this study want to explore the primary approach which is adopted by respected country by identifying the issues for the purpose of aligning with suitable application to be used.

2. Zakat Management System Approaches

According to quantitative research done, the majority of respondents (81.5%) out of 698 respondents have agreed on the need to distribute the remaining zakat funds or the surplus to the other zakat institutions that suffer from a shortage of zakat funds [3]. It is well known that mostly the practitioners often participate in the repetitive thinking for problem solving, changing forward and backward numerous description layers, in which linear and sequential abstraction of events are naturally limited beyond the event of timeline [4]. The common problem with the distribution of zakat is very important because it influence the level of satisfaction of zakat payers into certain degree, which might lead them to pay zakat directly to asnaf or rightful zakat receivers without going through zakat institution. Meanwhile, other problems such as lack of transparency in the collection process and careless distribution to zakat receivers often occur if zakat institution do not have proper application to coordinate with the other institution in zakat management process, sometimes duplication of data and multiple disbursement happen to similar zakat receiver [1-3]. Likewise, zakat can offer direct financial support for the poor and needy with no capacity to work for themselves or have bad health condition and provide assistance by giving sustainability in the process. It can be offered in the form of tools for fisherman, land for farmers, or providing work equipment in the home industry and trading service such as carpenter, plumber or painters and other relevant supports that consider the condition and skills of the zakat receivers [5].

Innovations are closely tied to the research, development and new technologies, in which to reduce cost and shorten the time to acquire new knowledge, corporation and institutions often agree on the collaboration scheme to generate creativity to increase the quality of the production factors [6]. Similar with the zakat management process, the localization with the collaboration, either in the form of coordination, integrated or supervises could make good governance, which leads to larger investment in human capital and social services from zakat payers [7]. At different context, several countries utilized centralized approach, but the zakat institutions fail to reach those needy due to the lack of information or the absence of creativity in the distribution, in which single entity of zakat of each state causes no competition at all to improve their performance [8]. Thus, sufficient level of trust is critical to be maintained, otherwise the potential zakat payers would prefer to find the receivers directly rather than through the zakat institutions [9]. Meanwhile, empirical evidence supports the hypothesis that expenditure and education for zakat are significant antecedents of the growth from gross domestic product (GDP) in formulating economic development programs in the majority of Muslim countries. Therefore, they must make all efforts to develop zakat management system as the primary ingredients in the economy policy instead of tax incomes. In order to make this a success, every Muslim country must align the administration of the zakat collection, distribution and disbursement with the awareness
that zakat is mandatory activities to please Allah ta’ala [10]. On the other hand, regulations are urgently need to make it easier for the non-governmental zakat institutions to optimize the direct economic effect on the mobilization of zakat funds and their redistribution process [11].

3. Comparison of ZMS Approach

Both developed and developing countries required to find solution for the equal principle of distribution with support opportunities and chances of life improvement to achieve poverty reduction. Actually, majority of the countries in the Organization of Islamic Cooperation (OIC) are generally poorer than other countries with most of the poverty population located in Africa and Asia. Unfortunately, half of the global poverty is from the Muslim world whereas the Muslim population comprises only 24% of the total global population. In a recent study conducted in Pakistan [12], it presented that around 58.7 million people are living in multidimensional poverty, with 46 percent of the rural population and 18 percent of the urban households falling below the poverty line. Other OIC countries such as Bangladesh and Nigeria also have a high poverty headcount ratio of 43 percent and 62 percent respectively. As a result of low concern from respected government and extensive poverty, majority OIC countries are at a lower level compare to other countries spending on education and health services. Therefore, the human capital, productivity and national incomes levels of these countries remain at low levels. Suprayitno et al. [13] found out that zakat distribution has a positive but small impact on aggregate consumption. Hence, it should not be limited to these kind of objectives but is covering other forms of monetary aid to generate a continuous flow of income for zakat recipients. In another recent study, Abdelmawla [14] argued, based on empirical evidence using aggregated data found out that zakat and educational achievement dramatically reduced poverty in Sudan. However, most OIC countries with very few of official zakat collection do not provide a compelling case to alleviate poverty as a solution to the current problem in zakat management.

| No. | Variant Approaches | Proper Application | Country Adopted | Description | Issues |
|-----|--------------------|--------------------|-----------------|-------------|--------|
| 1.  | Centralized        | Geographical Information System (GIS), Portal Gateway | Saudi Arabia, Brunei, Darussalam, Jordan, Morocco | Reservation of authority in managing the directional control and operational activities by the hands of a concentrated group of leaders | 1. Depend highly to one authorized person or group to provide the direction and make decision 2. Negative effects of several layers of bureaucracy, which often have multiple management layers stretching from the front to the back operation 3. Significant delay in the case of local inefficiency with such event that prompt urgent reaction 4. The level of loyalty is often limited in the managers line when they function 5. Poor creativity and innovative ideas, where there is a major distance involve between leaders and front line employee in finding solution |
| 2.  | Decentralized(Controlled) | Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), Social Society System | Malaysia, United Arab Emirates, Yemen Arab Republic | Systematic dispersal of authority, which is sharing of the burden and responsibility in decision making in equal term | 1. There are schism when lower-level managers make decisions without fully understanding the effects, in which the objectives and goals may differ and misaligned 2. Increase the problems of coordination and administrative expense with high cost operation and lack of uniformity 3. Each unit will tend to be self-centred by ignoring broader interest of other unit and entire institution 4. Standardization of the procedure and application is extremely difficult with the quality of work may be poor because of lack of specialization 5. There will be duplication of effort, application, which lead to redundancy activities of distribution |
| 3.  | Distributed        | Cloud Computing, Web-Based System, Pervasive Computing | Pakistan, Qatar, Kuwait, Bahrain | The assignment of task transferability to intermediaries and to certain institution based on specific | 1. There will be complexity in providing an acceptable level of performance, reliability and availability 2. Network are regarded as an insecure communication medium due to accessibility in multiple location 3. Lack of standard for effective communication and lack of experience to understood the process of collection and distribution |

Table 1. Approach ZMS Comparison Description.
|   | Ubiquitous Computing | guidance or certain strategy | 4. There will be delayed in responding to complaint of zakat payers due to instant gratification | 5. Large data require huge bandwidth and overload management when database have been used |
|---|----------------------|-------------------------------|-----------------------------------------------|-------------------------------------------------|
| 4. | Delegated Service Delivery System, Customer Service System, Assisted Automated System | Indonesia, Egypt, China, Japan, South Korea, Libya | The assignment of any accountability to another institution to carry out specific activities and agreed upon task while retain the ultimate responsibility | 1. There will be risk of misuse power with fraudulent activities and failure to fulfil the task |
|   | | Bangladesh, India, South Africa, Ghana, United States of America | Leveraging process with flexibility to move between domain to take advantages of immediate opportunities independently but highly aligned | 2. Take long to understand the new responsibility that lead to delayed actions, hampering team’s performance and impact on quality of work or results |
|   | | Albania, Azerbaijan, Mozambique, Nigeria, Tajikistan, Tunisia, Turkey | Leveraging process with observation and direction of someone in the execution phase | 3. Loss of control over critical task and unclear line of authority with less time for internal work |
|   | | | 1. Determine the degree of success of task execution depending on personal motivation and his interests for a particular subject | 4. Problem to adjust styles in term of leadership and management as participative approach and measurement of task-oriented activities |
|   | | | 2. The goal of scaffolding is to allow employees and volunteers to be independent and to think independently with the help of others | 5. More workload while trust and confidence can be suffered a lot with breakdown of everyone recognition |
| 5. | Coordinated Application Programming Interface (API), Middleware, Web Services, Data Warehouse, Monitoring and Surveillance System | | | |
| 6. | Supervised Masjid-to-Masjid Networks, Supervised Learning, Support Vector Machine (SVM) | | | |
| 7. | Isolated (Unsupervised) Mobile application, document management system (DMS), Content Management System (CMS) | | | |
| 8. | Integrated Office Suite, Enterprise Application Integration (EAI), Business Process Management (BPM) | Kazakhstan, Singapore | Fulfilling the primary objective in a manner of dividing the functions and disciplinary field for collective optimum performance and minimum cost through agreeable channel | 1. May require specific term to compromise manager’s position on issues, strategy or tactics |
|   | | | 2. Shared decision-making can be slow and difficult, therefore may paralyze progress | 2. Shared decision-making can be slow and difficult, therefore may paralyze progress |
|   | | | 3. Can often be constrained by a lack of response and motivation | 3. Can often be constrained by a lack of response and motivation |
|   | | | 4. If the integrated process breaks down it can endanger everyone’s advocacy and work lead to mistrust to payers | 4. If the integrated process breaks down it can endanger everyone’s advocacy and work lead to mistrust to payers |
|   | | | 5. On borderline, there is confidence problems because shared responsibility on one activities | 5. On borderline, there is confidence problems because shared responsibility on one activities |

Empirical study found that zakat to GDP ratio exceeds the PGI-GDP ratio in 14 of the 17 enrolled countries with poverty line defined at earnings of $1.25 a day. Only in Bangladesh, Mozambique, and...
Nigeria, the zakat to GDP ratio was less than the PGI-GDP ratio, with the poverty line defined at $1.25 a day. We also discovered that the zakat to GDP ratio exceeds the PGI-GDP ratio in 13 of the 17 countries when the poverty line was defined at $2.00 a day. Only in Bangladesh, Mozambique, Nigeria, and Pakistan, the zakat to GDP ratio was less than the PGI-GDP ratio, with the poverty line defined at $2.00 a day [7]. Meanwhile, Firdaus et al. [15] estimate the potential of zakat institution in Indonesia by surveying 345 households. Their results show that Zakat collection could reach 3.4 percent of Indonesia’s GDP. Other researchers such as Nadzri et al. [16] recommend integrating the various poverty alleviation and redistribution tools for creating synergies. This study identified 8 type of common approaches, which are centralized, decentralized, distributed, delegated, coordinated, supervised, isolated and integrated derived from the differences of authority and accountability with considering the relationship between task units that execute the activities. Nevertheless, specific country is not constrained to adopt one approaches but this study identified the suitable approaches based on the culture context, which refer to situation and condition of particular country. The figure below represent the mechanism of the ZMS approaches by presenting the important attributes related to the authority (blue arrow) and request (blue arrow and circle). In this case, authority refer to the supremacy quality of particular person in the organization to command specific instruction to the others, control the rule of certain activities flow and ask for obedience and responsibility of position in the management process. On the other hand, request refer to the state of appeal to demand specific information or support based on the partnership or contract between two or more organization.

Figure 1. Graphic representation of ZMS variant approaches
4. Conclusion
In general, the zakat has been managed in various or collaborated approach to the receivers due to several constraints such as regulation, surplus, channel, etc. Therefore, the collection and distribution methods should consider the significant effect on the growth of micro-business and entrepreneurship perspective of the market to generate productivity and sufficient turnover in the income from the receiver. To maintain the process of zakat collection and distribution to be more effective and efficient, the identification and understanding the boundaries and limitation should be executed by considering the implementation issues in various countries that adopted different approach. The use of proper technology and application will be aligned with the discussion of what kind of solution to offers and what type of best practice to follow.

References
[1] Lubis M, Ibtisam N, Omar Y and Dahlan ARA. 2011. Enhancement of Zakat Distribution Management System: Case Study in Malaysia. International Management Conference, 2010, pp. 1-10.
[2] Lubis M and Azizah AH. 2018. Towards Achieving the Efficiency in Zakat Management System: Interaction Design for Optimization in Indonesia. User Science and Engineering, pp. 289-301.
[3] Hairunnizam W and Radiah AK. 2014. Localization of Malaysian Zakat Distribution: Perception of Amil and Zakat Recipients. PhD Thesis, University of Malaya.
[4] Inan DI and Beydoun G. 2017. Disaster Knowledge Management Analysis Framework Utilizing Agent-based Models: Design Science Research Approach. Procedia Computer Science 124, pp. 116-124.
[5] Bakar MHA and Ghani AHA. 2011. Towards Achieving the Quality of Life in the Management of Zakat Distribution to Rightful Recipients (the poor and needy). Int. J. of Business and Soc. Sci., 2(4), pp. 237-245.
[6] Laperche B, Lefebvre G and Langlet D. 2011. Innovation Strategies of Industrial Groups in the Global Crisis: Rationalization and New Paths. Technological forecasting and social change, 78(8), pp. 1319-1331.
[7] Shaikh SA. 2016. Zakat Collectible in OIC Countries for Poverty Alleviation: A Primer on Empirical Estimation. Int. Journal of Zakat, vol. 1(1), pp. 17-35.
[8] Hudayati A and Tahirin A. 2010. Management of Zakah: Centralised vs Decentralised Approach. Seventh Proc. of 7th Int. Conf. - The Tawhidi Epistemology: Zakat and Waqf Economy, pp. 351-374.
[9] Saad RA, Abdul Aziz NM and Sawandi N. 2014. Islamic Accountability Framework in the Zakat Funds Management. Int. Conf. on Accounting Studies 164, pp. 508-515.
[10] Johari F, Ali AFM, Abdul Aziz MR. 2015. A Review of Literatures on Current Zakat Issues: An Analysis between 2003-2013. An Online International Research Journal vol. 1 (2), pp. 336-363.
[11] Saidurrahman. 2013. The Politics of Zakat Management in Indonesia: the Tension between BAZ and LAZ. Journal of Indonesian Islam, vol. 7(2), December, pp. 366-382.
[12] Naveed A and Ali N. 2012. Cluster Deprivation – District Profile of Poverty in Pakistan. 1st edition, Sustainable Development Policy Institute.
[13] Suprayitno E, Kader RA and Harun A. 2013. The Impact of Zakat on Aggregate Consumption in Malaysia. Journal of Islamic Economics, Banking and Finance, vol. 9(1), pp. 39-62.
[14] Abdelmawla MA. 2014. The Impacts of Zakat and Knowledge on Poverty Alleviation in Sudan: An Empirical Investigation (1990-2009). Journal of Eco. Cooperation and Development, vol. 35(4), pp. 61-84.
[15] Firdaus M, Beik IS, Irawan T and Juanda B. 2012. Economic Estimation and Determinations of Zakat Potential in Indonesia. IRTI Working Paper Series, WP# 1433-07.
[16] Nadzri FA, Rahman A, Rashidah and Omar N. 2012. Zakat and Poverty Alleviation: Roles of Zakat Institutions in Malaysia. Int. Journal of Arts and Commerce, vol. 1(7), pp. 61-72.
[17] Lubis M and Kartiwi M. 2013. Privacy and trust in the Islamic Perspective: Implication of the Digital Age. IEEE ICT4M, 1-6.