A Literature Review on the Impact of Zakat Distribution

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ABSTRACT
The literature on zakat management has continuously been discussed. However, there is a limited review article that has been conducted on the zakat distribution including the impact. The objective of this paper is to describe the related literatures on zakat distribution and the impact of it. A literature review was conducted using research articles, using sources from several databases such as Scopus, Google scholar, Emerald, Proquest, SSRN and Science Direct. In order to find related articles, search term namely; zakat distribution, impact of zakat, zakat management, zakat issues, and poverty alleviation were used. Zakat distributions aim to alleviate poverty as zakat funds help in increasing income to fulfill basic needs of the recipients. Accordingly, the zakat funds will help the recipients financial situation and they are expected to live in a stable income and able to pay zakat in the future. Thus, the main finding of this article shows that, the zakat distribution does give a positive effect towards improving the income on the recipients. Plus, the zakat funds increased recipients’ savings as well as one of the effective tools in reducing the poverty. Furthermore, the findings also show that zakat funds can be considered as a strategy in economic development. Hence, this article will provide ideas and suggestions for future research on zakat distribution.

Keywords: Zakat, Impact of Zakat Distribution, Poverty Alleviation

1. INTRODUCTION
Zakat is one of the five pillars in Islam, which has direct impacts not only for the relationship between man and Allah S.W.T but also between man and the society. It is due to the fact that payment of zakat can be used as factor of the obedience of the man to Allah S.W.T. The payment of zakat also can be used to share the wealth from the rich to the poor and promote Muslims’ economic activities and it assures the minimum living standard of Muslims.

Zakat can be defined as growth and purification. According to Farishta (2003), the exact meaning of zakat is growth, where it is the growth in purity of the soul through honest action and dealings. Furthermore, Kahf (1999) explained that giving out zakat, the savings will be purified from something illegal.

In Islamic law, the zakat need to be distributed among the categories of those who entitled (Ahmad Bello, 2009). Muslim has the obligation to give specific amount of their wealth to the specified beneficiaries with certain conditions and requirements.

The main objective of zakat is to achieve of socio economic justice. Yusof (2011) stated that zakat distribution has the ability to increase consumption since the marginal propensity to consume of the zakat payer is lower than the zakat recipient.

Zakat management are the most critical aspect in determining the direction of zakat institutions to ensure the optimize of zakat funds (Mutiara et al., 2013). Normally, management of zakat involve in two activities, which are collection and distribution (Oran, 2009). The effectiveness
of zakat management is important to enable zakat funds help in improving the lives of the poor and needy (Mahyudin & Abdullah, 2011).

There are various studies occurred from zakat management, collection and distribution. These studies not only explore in depth, but also allow other researchers to suggest and produce new knowledge on zakat. Thus, this paper seeks to review the literature on zakat distribution and the impact of it. This study will contribute suggestions and ideas for future research on zakat distribution.

2. ZAKAT DISTRIBUTION

Zakat is an important source of revenue to improve the economic condition of the poor. Zakat collection as well as distribution need to be effective to help develop the community. Jasni & Anwar (2012) tells that the strict enforcement of law, complemented by organized institutions, will impact on the zakat collection and distribution as well as the confidence of community towards the institutions.

Zakat can only be distributed to eight groups only. The fair distribution of Zakat should be implemented as far as possible to the eight groups of recipients. among the evidence of incompetent of zakat distribution is study by Norma & Naziruddin (2014). They have analysed the practice of zakat distribution in several states in Malaysia. However the result shows that there is persistent gap between collection and distribution of a few states. Additionally, the management of zakat distribution need to re-evaluate to achieve the maximum zakat distribution performance (Eza Ellani et al., 2014). Furthermore, Rusni & Nur (2016), has narrowed down the scope to analyze only in Selangor and Federal Territory, Malaysia. The study used annual data retrieved from both institutions and found that in term of zakat management, both institutions have similar practice but different in distribution to the riqab group of recipients.

One of the recipient groups has been discussed in several studies. For instance, Fuadah et al (2014) has identify the dispersal of muallaf group in terms of urban-rural poverty that involved in zakat distribution. The finding suggests that the amount of zakat funds has been allocated to muallaf in urban area in the state of Selangor. Zakat distribution to muallaf is very important to be implemented and managed properly for the welfare of muallaf (Anuar et al., 2016)

Norazlina & Rahman (2011) suggest that, to analyze the efficiency of zakat institutions. They proposed to used Data Envelopment Analysis and identify the appropriate methods to evaluate efficiency of zakat institutions. For instance, Ahmad & Ma’in (2014), has used the proposed model to analyze the efficiency of zakat management of Lembaga Zakat Selangor. Unfortunately, the result shows that in term of distribution, the efficiency is lower than collection. However, Abdullah et al (2012) has proposed another model which is Zakat Effectiveness Index in order to address the effectiveness and efficiency issue. The analysis showed that ZEIN is potential useful tool to measure the performance and efficiency of zakat management.

Study of Lubis et al (2011), has investigate another appropriate system to develop effectiveness and efficiency of zakat management process. They have suggested the use of the Geographic Information System (GIS). GIS has a advantage of maintaining and manage the cost and to avoid wasting money. Plus, GIS can enhance the capability in statistical distribution analysis.

Maheran (2014), has investigate the influence of human needs in the perspective of Maqasid as-Shariah namely religion, physical self, knowledge, family and wealth on zakat distribution effectiveness. The result shows that all variables are positively influence the zakat distribution effectiveness.

In order to enhance the zakat management, Wahid & Ahmad (2014), suggest several factors for enhancing the zakat management in Lembaga Zakat Selangor. The study shows that, the level of
confidence of zakat distribution; depend on 3 main factors, namely the corporate image of Lembaga Zakat Selangor, zakat collection and zakat distribution.

Zakat funds can be distributed to the needy recipients in the form of business capital. Most zakat institutions are currently organizing the program for business start up using zakat funds. However, if no monitoring takes place for the capital assistance, the program will end in failure (Abd Rahman et al., 2008). Plus, the recipients’ will demotivated to continue their business. In order to address the issue, another study by (Rahman & Ahmad, 2011) was examine the factors that influence the success or failure of the business. The study found that, there are a few factors are significant in influencing the success of the business such as business period, monitoring, characteristic of business, efficiency of zakat management, and social skills. In addition to that, Abdul Manan et al. (2011), has done a study to evaluate the role of zakat institutions focus on Lembaga Zakat Selangor in ensuring the business is success. The result shows that by providing capital, training and knowledge, zakat recipient can success in their business and gets a better standard of living.

Another study enhance that trust became one of the factor for effective zakat distribution. Zulkurnai et al. (2016) proposed a conceptual framework for examine the trust towards zakat institutions among the business owners. They found that shared values, communication, non-opportunistic behavior and perception on distribution are the potential factors that will influence the trust towards zakat institution.

3. THE IMPACT OF ZAKAT DISTRIBUTION

The precise practice of Zakat distribution is necessary to ensure the Zakat fund is fully utilized and it has the maximum impact on recipients especially in countries, which do not enforce Zakat payment.

A number of researches have attempted to measure the impact of zakat. For instance, Irawan et al. (2011), attempted to explore the impact of zakat programs in Bandung, Indonesia towards poverty alleviation. The research used primary and secondary data and found out that the zakat program have positive impact in poverty alleviation. Beside that, Irfan & Laily (2016), has examined the role of productive zakat program in reducing poverty level of household. By using CIBEST model that comprises four indices, they found that zakat programs able to increase the welfare index and reduced the material poverty and absolute poverty index.

Furthermore, (Abdelbaki, 2013) has analyzed the impact of zakat on poverty and income inequality in Bahrain. He estimates that zakat due in Bahrain but states that zakat role in eliminate poverty and income inequality. (Atia, 2011) concluded in her study that zakat is an important mechanism in Egypt for social stability and ensuring the poor to meet their needs. Unfortunately, a study on impact of zakat on poverty alleviation in Egypt has negative result. The study found out that the zakat collection in Egypt couldn’t eradicate the poverty from the Egyptian economy alone (Abdelbaki, 2014). However, according to Lina (2016), if zakat fund were collected and distributed according to Shariah, poverty will be reduced and Muslim society will be better.

Haq (2015) has analyzed the impact of zakat on income inequality and poverty in Malaysia by using a panel data from 2001-2012. The result shows that zakat has no significant effect on income inequality but significant in reducing both poverty and hardcore poverty. Another study that used panel data to analyzed the impact of zakat distribution on aggregate consumption in Malaysia has found out that zakat distribution give positive impact on aggregate consumption even though the impact is small and short run (Suprayitno et al., 2013).

Jehle (1994), attempted to examine the impact of zakat on income inequality in Pakistan. By employing AKS (Atkinson Kolm & Sen) index, the result showed that zakat did reduce income inequality in Pakistan. Different author has measured different ways. Shirazi (1996) has used FGT
(Foster, Greer and Thorbecke) index and found that the poverty gap had fallen from 11.2 percent to 8 percent with the existence from zakat funds.

The impact of zakat on poverty alleviation is further seen in Shirazi (2009) who estimate resource shortfall and potential zakat collection for poverty elimination in 38 OIC-member countries. The result shows that Malaysia only requires 0.02 percent of GDP to eliminate poverty make it the lowest among the other countries.

Furthermore, (Patmawati, 2006), studied the impact of zakat on reducing poverty in the state of Selangor, Malaysia. In her analysis, it revealed that zakat distribution was able to reduce poverty incidence and narrowed the severity of poverty in the state. In the state of Kelantan, Malaysia, Fuadah et al (2013), has examined the effectiveness of monthly zakat distribution in reducing poverty, and the result shows that monthly distribution give positive effect towards income improvement and the zakat will reducing poverty. It supported by Zaki (2015), which in his research, the zakat distribution give positive impact in improving monthly income even though the income is lower than poverty line.

The role of zakat and knowledge on reducing poverty has been proved by Abdelmawla (2014), where zakat and educational has impact significantly at 1% level on reducing poverty in Sudan.

Zakat funds can be used with other methods of financing. For example, Irawan & Arimbi (2012) investigate the impact of zakat funds using qardhul hasan financing on economic empowerment. The research uses case study and the result shows that qardhul hasan financing relatively helping the zakat recipients with assistance and saving deposit. There is also a linear relationship between qardhul hasan financing and recipients economic empowerment.

Those studies have shown the fact that the presence of zakat distribution programs was able to reduce and slowly eliminate poverty. The result provided proved on the importance of the role of zakat institutions in managing the zakat funds.

4. MATERIAL AND METHODS
An extensive numbers of relevant articles published in journals, theses, and online books were obtained using different databases such as Scopus, Google scholar, Emerald, Proquest, SSRN and Science Direct. In order to find related articles, search term namely; zakat distribution, impact of zakat, zakat management, zakat issues, and poverty alleviation were used. The search generated several articles published on zakat distribution. A summary of all articles is provided in Table 1.
### Table 1: Data Extraction Evidence

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<tr>
<th>Authors</th>
<th>Topic</th>
<th>Design</th>
<th>Result</th>
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<tr>
<td>(Mutiara Dwi Sari, Zakaria Bahari, 2013) (Oran, 2009)</td>
<td>Review on Indonesian Zakah management and obstacles Zakat funds and wealth creation</td>
<td>Review</td>
<td>Proposed a stage-implementation plan, a long run strategy for fighting poverty. In the short run, target one subgroup or poor in particular</td>
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<td>(Mahyuddin &amp; Abdullah, 2011)</td>
<td>Towards Achieving the Quality of Life in the Management of Zakat Distribution to The Rightful Recipients (The Poor and Needy)</td>
<td>Conceptual article</td>
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<td>Jasni &amp; Anwar (2012)</td>
<td>Kajian Perbandingan Dalam Pentadbiran Undang-Undang Kutipan Zakat Di Provinsi Aceh Dan Negeri Kedah</td>
<td>Using qualitative methods and interviews with a number of respondents in order to examine the administrative aspects of Islamic law on zakat.</td>
<td>Strict enforcement of law, accompanied by institutions organized with manpower and focused objectives, will have an impact on the zakat collections as well as the confidence of community towards the institutions.</td>
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<tr>
<td>Norma &amp; Naziruddin (2014)</td>
<td>Is Zakat Capable Of Alleviating Poverty? An Analysis On The Distribution Of Zakat Fund In Malaysia</td>
<td>Analyze the current practice of zakat distribution in several states in Malaysia</td>
<td>Provides several recommendations for zakat distribution improvement.</td>
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<tr>
<td>Title</td>
<td>Author(s)</td>
<td>Methodology</td>
<td>Results</td>
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<td>Prestasi Kecepatan Agihan Kewangan dan Bukan Kewangan di Kalangan Institusi Zakat di Malaysia</td>
<td>Eza Ellani et al (2014)</td>
<td>Use secondary data-annual report of zakat institutions from 2005-2010. Primary data-questionnaire sent to managerial level executive for 14 zakat institutions</td>
<td>There is an improvement in distribution performance of zakat institutions, although the efficiency scores obtained are not consistent. Majlis Agama Islam Negeri Sembilan (MAINS)- achieved the best score for financial distribution efficiency. While Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK)-achieved the best score for non-financial distribution efficiency. Majlis Agama Islam Wilayah Persekutuan (MAIWP) is among of zakat institutions, which has the lowest score for both distribution efficiency.</td>
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<td>The Importance of Zakat Distribution and Urban-Rural Poverty Incidence among Muallaf (New Convert)</td>
<td>Fuadah et al (2014)</td>
<td>Descriptive Analysis and interview with two officers from Selangor State Islamic Religious Council (SIRC)</td>
<td>The finding suggest that, a huge of amount of zakat been allocated to the development of asnaf Muallaf in the state of Selangor especially in urban area.</td>
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<tr>
<td>Authors</td>
<td>Title</td>
<td>Methodology</td>
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<td>Wahid &amp; Ahmad (2014)</td>
<td>Faktor Mempengaruhi Tahap Keyakinan Agihan Zakat: Kajian Terhadap Masyarakat Islam di Selangor</td>
<td>Interview the respondent. The respondent was chosen based on the district in Selangor.</td>
<td>Every factor is significant and influences the level of confidence in zakat distribution.</td>
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<td>Irfan &amp; Laily (2016)</td>
<td>Measuring Zakat Impact on Poverty and Welfare Using CIBEST model</td>
<td>Interview through questionnaire in DKI Jakarta and Bogor Regency with 221 respondents within February until May 2015. CIBEST model comprise 4 indices: welfare index, material poverty index, spiritual poverty index and absolute poverty index.</td>
<td>Zakat utilization program able to increase welfare index by 96.8%. The material poverty index and absolute poverty index, be reduced by 30.15% and 91.30%. An increase of two households living under spiritual poverty which means suffer weakening spiritual values despite materially better off in the presence of zakat program.</td>
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5. DISCUSSION
Analysis of the articles published related to zakat distribution has provided as follows:

- There are various articles that have been published and discussed on various issues of zakat distribution.
- In term of study on efficiency of zakat distribution, most authors prefer to use empirical research method. However, there are few studies that applied descriptive and exploratory method.
- Most researchers using mixed method, since the topic of zakat distribution involve in figure and analyze thought from Islamic scholar.
- Malaysia has the most published articles in the area of zakat management specifically zakat distribution.

Result from the review of articles had shown that some of the positive and negative issues of zakat distribution practice are being widely discussed among researchers. Issues that mostly being discussed are related to the management of zakat. It is crucial to determine the effectiveness of zakat collection and distribution to alleviate poverty among the recipients. The proposed model and framework of zakat efficiency can be discussed extensively using a real data. However, the impact of zakat distribution issues has limited articles to conclude that zakat distribution can eliminate poverty or increase the recipient income. Thus, future research could examine the impact of zakat distribution to the extent of any programs implemented by institutions or by the groups of recipients. Therefore, more conclusive empirical evidence would be provided.

6. CONCLUSION
The economic impacts of zakat can positively affect economic variables such as poverty alleviation and economic growth. This paper presents a review of literature on the importance of zakat management especially zakat distribution. It is very important for Muslim to really understand the benefits of zakat fund. Zakat as a charity tool can be used as poverty alleviation for the eight groups of recipients. The effectiveness of zakat distribution in terms of creating economy programs or such can help the recipients for their daily life. Since there are quite few studies related to the impact of zakat funds, it is important for researchers to continue their studies in this field. It is also suggested that articles related to this field should be available online to help researchers on finding article journals.
REFERENCES


