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## Islamic accountability framework in the zakat funds management

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### Abstract

The purpose of this paper is to provide a discussion on the Islamic accountability in the zakat funds management. The in-depth understanding over the accountability system and practices of zakat institutions may assist to identify the underlying factors that lead to inefficiency in zakat distribution. The article is primarily theoretical and conceptual in nature. The paper discusses the suitability and applicability of the Islamic accountability framework in the zakat funds management. The Islamic accountability framework presented here, however, is an early attempt in understanding and assessing the effectiveness of accountability practices in managing zakat funds.

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**Keywords:** Accountability; Islamic accountability framework; zakat funds; zakat funds management

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### 1. Introduction

The payment of zakat is one of the five pillars in Islamic principle. Zakat is an important mechanism for the development of the country as it contributes to social security and harmony to help bridge the gap between the rich and the poor as well as to strengthen the economic independence of the Muslim community. It is also an important financial resource for an Islamic state in addition to the tax funds. Generally speaking, the distribution of zakat funds could help the government to generate economic activity through an increase in individual's purchasing power and finally help to alleviate poverty. Zakat funds can assist the government in combating poverty through

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the Government Transformation Plan (GTP), National Key Result Areas (NKRA), and Raising Living Standards of Low-Income Households. Zakat funds could be used to improve the living standards of the people who have low income households.

Given the importance of zakat to the economy and society, in country like Malaysia, zakat institutions have been set up to collect and distribute funds. They are under the control of Islamic Religious Councils (IRC) of each state. The IRC play an important role in the administration and management of zakat institutions.

Empirical evidence indicates that Malaysia's zakat collection has been increasing from year to year and the means of the distribution of zakat has become a model for other Muslim countries (Wahid & Kader, 2010). Zakat institutions as a non-profit financial organization has several direct impacts on the economic system (Khan, 1995 as cited in Norazlina and Abdul Rahman, 2011) and is regarded as a complement to the financial institutions and as part of a comprehensive Islamic economic system.

Some recent studies, however, revealed many shortcomings of the zakat institutions. One of the issues pertaining to this is the surplus of millions of ringgits of zakat funds that are not distributed to the recipients. Reports on zakat collection and distribution in Malaysia from 2007 to 2009 showed the performance of zakat distribution is fairly low as compared to zakat collection. For 2007, the amount of zakat collection across the country is RM805.6 million and this number had increased up to RM1,037.6 million in 2008 and increased by RM1,196.2 million in 2009. The amount of funds distributed, however, yield inconsistent with the amount collected. For example, for the year 2007, only RM640.6 million has been distributed and leaving the sum of RM165 million that are not distributed. The amount of undistributed zakat funds had increased significantly in 2008 when there were surplus of funds of RM288 million. For the year 2009, a total of RM176.1 million undistributed zakat funds.

Prior studies on zakat management have provided us with various useful insights about issues and challenges surrounding the management of zakat funds (see, for example, Hairunnizam, Sanep & Radiah, 2012a; 2012b; 2012c; Mahyuddin & Abdullah, 2011; Muharman et al., 2011; Hairunnizam, Sanep & Radiah, 2010; 2009; Ataina & Achmad, 2010). A number of recommendations including models or frameworks were proposed to improve particularly the distributions of zakat. Despite these suggestions, as stated earlier one of possible effects of the inefficiency of zakat management is the issue of surplus of zakat funds, which are not allocated to eligible recipients.

While there are prior studies that suggest ways to overcome the inefficiency of zakat distribution (see, for example, Azman, Mohamad & Syed, 2012; Norazlina & Abdul Rahim, 2011), there is little studies, however, have been undertaken on this issue by examining the zakat institution's accountability system and practices. The in-depth understanding over the accountability system and practices of the zakat institutions may assist to identify the underlying factors that lead to inefficiency in zakat distribution. Through the identification, the zakat institutions may undertake necessary steps in improving, for example, the procedures and/or processes of zakat fund distribution itself. Thus, the paper aims to explore the accountability relationships of the zakat institutions and develop an initial understanding on Islamic accountability framework in the zakat institutions.

## **2. Zakat definitions and objectives**

Zakat, or also known as Islamic religious tax, is one of the pillars of Islam that must be met by the Muslims who are eligible. According to Islamic history, the word zakat has two different connotations. In terms of language, the word zakat comes from the root of Arabic word of 'zaka'. Qardawi (1988) clarify that 'zaka' means mercy, grown, clean, good, and be proud of. In terms of terminology, zakat means some specific properties that are required by Allah SWT to be given to those who are entitled (Qardawi, 1988). This means that zakat is a blessing, purity, kindness, and progress on the property after the payment of tithes was made at a certain rate and be distributed to its entitled recipient. As clearly stated in the Quran (Surah At-Taubah: 60), there are eight people who are eligible to receive zakat funds, i.e. the poor, the needy, zakat administrators, those whose hearts are inclined towards Islam (including the new converts to Islam who lack of economic support), slaves, debtors (debt due to the real needs), in the way of Allah (Fi sabilillah), and wayfarers (Ibnu Sabil).

The objectives of zakat are twofold. Spiritually, paying zakat purifies and cleanses something from dirt or filth.

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