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Managing Zakat Distribution Practices Between LZNK Malaysia and BAZNAS Riau

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Article History:

Received: 25 February 2024; Accepted: 13 March 2024; Published: 20 March 2024

Abstract The COVID-19 endemic has become a challenge to the LZNK, Malaysia and BAZNAS, Riau Indonesia in distributing zakat to asnaf. This study aims to examine zakat distribution management carried out between LZNK with BAZNAS during the endemic COVID-19. Qualitative was employed, where a semi-structured interview and thematic analysis were applied. The findings demonstrated three themes: financial plan, distribution approach, and improving asnaf capability identified as the main practices in zakat distribution management. This article contributes by adding a new modification of the construct for themes and can be implemented by other zakat institutions in other countries.

Keywords Zakat, Distribution, COVID-19 endemic, LZNK Malaysia, BAZNAS Riau

Volume 15, 2024

Publisher: The Brooklyn Research and Publishing Institute, 442 Lorimer St, Brooklyn, NY 11206, United States.

DOI: <https://doi.org/10.30845/ijbss.v15p3>

Reviewers: Opted for Confidentiality

Citation: Ismail et al. (2024). Managing Zakat Distribution Practices Between LZNK Malaysia and BAZNAS Riau. *International Journal of Business and Social Science*, 15, 22-28. <https://doi.org/10.30845/ijbss.v15p3>

1. Introduction

Islam is a perfect religion that governs all aspects of human life, whether in the aspects of worship (relationship between man and God, as well as relationship between man with man). Islam obliges every human being to perform Islamic rule, one of which is to fulfil zakat. Zakat is one of the steps to empower the economy of the Islamic people. The Islamic economy is not based on interest nor a system of capitalization with a fixed and certain profit, which was previously guaranteed by capital. However, the Islamic economy is based on a cooperation system, with the distribution of profits, i.e., the equal and known sharing of work and efforts, based on the principle; "Profit faces losses, profit faces shortcomings, and takes faces with giving". The Islamic economy must also be based on the guidance of zakat to give impetus to economic life, as a system of withdrawal of fees, to direct and function money to be invested and developed until the zakat rules do not eat it. Islam has a policy for tackling increased poverty by distributing zakat funds (Antika, 2019). Zakat is the main component of the public financial system and the main fiscal policy in the Islamic economic system. It is one of the elements in the source of national income and its distribution to the recipients of zakat (*asnaf*) such as *fakir*, *fisabilillah*, *ibn al-sabil*, *amil*, *mualaf*, *khadim*, and *yatim*.

1.1 Zakat Distribution Management in LZNK

Zakat is one of the most important instruments of the Islamic economy. Its implementation is comprehensive to all Islamic countries to help the socio-economic people. In Malaysia, the management of zakat is under the state government's jurisdiction, which the State Islamic Religious Council regulates (SIRC). All management structures, even the organization's arrangement, are different according to the provisions of each (Rahim & Ab Rahman, 2017). In Kedah, zakat management has been under Lembaga Zakat Negeri Kedah (LZNK) since 2015, after its management was changed from the Kedah Zakat Department (Lembaga Zakat Negeri Kedah, 2023, June 22). The COVID-19 pandemic that hit the country in 2019 and lasted until 2020 has led to a variety of health and economic crises, including the effects of mental aspects that eventually lead to the existence of poverty that Malaysia rarely deals with (Ibrahim, Raffar, Aida, Mujani, & Yaacob, 2022).

Although the spread of the epidemic has harmed the whole world, including Malaysia, the management of LZNK is always committed to providing appropriate assistance and support to the *asnaf* in Kedah. It has been proven by the cumulative distribution amount of zakat, always recording an increase over the year. Aggression attracts much public attention to the institutions of zakat. It is due to society's concerns, who often see a large provision distribution amount of zakat (Zaki, Sulong, & Zainal, 2021).

1.2 Zakat Distribution Management in BAZNAS, Riau Indonesia

Meanwhile in Indonesia, Riau Province is one of the provinces in with a majority Muslim population. There is an official institution that has the task and function of collecting and distributing zakat, *infaq* and alms at the provincial level. Based on Law no. 23 of 2011 explains that Badan Zakat Nasional (BAZNAS) is declared as a non-structural government agency that is independent and responsible to the President through the Minister of Religion. To enhance the collection and distribution of zakat, BAZNAS, Riau formed Unit Pengurusan Zakat (UPZ) based on BAZNAS Regulation Number 2 of 2016, concerning the Establishment and Work Procedures of Zakat Collection Units. UPZ is important in the National Amil Zakat Agency (BAZNAS), because this unit is required to be able to manage existing zakat effectively and efficiently especially in the current difficult economic situation. This is due to the outbreak of the COVID-19 pandemic which has become a non-natural disaster that has a huge impact on the lives of people with a downward economy. Thus, BAZNAS together with the government is responsible for overseeing the management of zakat which is based on; Islamic sharia, trust, benefit, justice, legal certainty, integration, and accountability.

1.3 Issues of Zakat Distribution Management

Although the distribution amount of zakat by the Lembaga Zakat Negeri Kedah and BAZNAS increases yearly, the mechanism for distributing zakat in the state is less effective in addressing the problem of poverty among Muslims. There are several issues has been addressed in this article such as lack of effective distribution, ethical issues, uncertainty, weak record management, and trust issues (Wahid, Ahmad & Rashid, 2019; Yasin, 2020; Muhaimin, Jasni, & Zainal, 2021). The group of *asnaf* is disqualified from receiving zakat because of the absence of the main factor is the lack of effective distribution methods to cause the group of the *asnaf* to be detached from accepting zakat (Muhaimin, Jasni, & Zainal, 2021). Yasin (2020) found that some of the issues arising in the distribution of zakat in

the country are largely associated with bureaucracy and uncertainty, ethical issues, weak record management, zakat distribution to non-priority apostles, and distribution of zakat by unqualified individuals. Wahid et. al (2019) also measured zakat distribution performance that be managed by institution is not excellent compared to the sophisticated system in zakat collection process. Therefore, the respond in improvement should be done immediately.

In fact, the society want to look the efficient and effective management of zakat that solve current issues and problem mentioned before, so the relevant institution must find suitable approach to convince society through proper administration while the slow response by institution will only raise negative impact on further development of zakat institutions (Yasin, 2020). Due to these limitations, this study offers to identify zakat distribution management carried out between LZNK with BAZNAS during the endemic COVID-19. This article started with previous studies about zakat distribution management, the research methodology employed in this article, findings with supported discussion, and lastly, the conclusion, contributions, and recommendations explained below.

2. Previous Studies on Zakat Distribution Management

The zakat distribution method is a way of distributing zakat from a *muzakki* to people who are entitled to receive it. The distribution also must be accurate and efficient (Antika, 2019). The zakat distribution method implemented by zakat organizations such as planning (finance and human resource), implementation (planned activities), control (monitoring and evaluation), reporting (evaluate the budget and target audience), and priority (distribution towards *asnaf* recipient) (Antika, 2019). These methods can innovate the way to distribute zakat more efficiently. As outline by Rozalinda (2016), there are four form categorize as indicated, namely; (1) distribution is traditional consumptive in nature, that is, zakat is given to be used directly to meet daily needs, (2) distribution is creative consumptive, namely zakat is given in the form of school equipment, (3) the traditional productive distribution of zakat is given in the form of productive goods that can create jobs for the poor, such as livestock, and (4) distribution in creative productive form, namely zakat in the form of working capital for traders or small businesses. If the organization can implement these methods, the efficiency of zakat distribution will be achieved successfully.

However, a study carried out by Wahid et. al (2017) argued that the distribution management system needed to be improved because recording the number of quotations of zakat by almost the entire state was not accurate in the current year. It has created a different value gap between the number of quotations that occurred at the end of the year and the number of distributions that occurred throughout the year. In addition, most of the problems and issues in zakat institutions still arise for the same reason. Many complaints and cases of zakat distribution still need to be received by those who qualify (Razimi, Ramle & Erdri, 2016).

An important phase in managing zakat apart from collecting zakat is the distribution and utilization of zakat. The biggest challenge in optimizing zakat is how to utilize zakat funds so that they are right on target. Appropriate is related to utilization programs that can be a solution to the problem of poverty. Meanwhile, the right targets regarding the receipt of zakat funds are those who are truly entitled to receive them (Ahmad, 2015). Salleh (2006) believes this problem occurs due to bureaucracy and geographical dispersion, which hinder the distribution of zakat to the deserving *asnaf*. Good financial management performance by MAIN can make financial planning use of input and positively impact talent management, especially in asset distribution (Wahid et al., 2017). The transformation of zakat distribution management is essential to ensure efficient and effective zakat distribution. Harun, Rosele and Mansor (2019) suggest that zakat institutions must be creative and innovative in managing zakat to enhance efficiency.

Wahid et. al (2017) suggest the concept of localization to optimize the distribution process that local committee responsible in managing distribution process. It has similar meaning with the decentralized concept by Treisman (2000) in the issue of fiscal who mentioned about transfer of power, resources and responsibilities to the sub national levels of government and it can emerge in form of devolution of major functional responsibilities, major increases in fiscal transfers to sub national governments and in form of more administrative autonomy to sub central or non-central levels relative to the central control or it can also appear as a shift from appointed to elected sub national governments thereby assigning these levels the political functions of governance such as representation.

In fact, In the context of institutional zakat, the leadership that is to be implemented must meet the strong Islamic needs that can be developed through the Islamic framework (Khaliq & Ogunsola, 2011). According to Johnson (2002), leadership is the element that determines the continuity of an organization. Paizin (2017) suggests that all SIRC in Malaysia carry out decentralization of power in each talent management organization to form a better

method of talent management in their respective states. It is because the study carried out found that the practice of decentralization of power in the organization of zakat management gives an advantage over the state that does not practice decentralization of power, especially in the aspects of research of fatwa zakat, human resource management, and achievement of quote zakat.

Organizations should be fully transparent by ensuring that; processes, institutions, and information are accessible and sufficient primarily to stakeholders for monitoring purposes (Saad, Aziz, & Sawandi, 2014). The main results of a study conducted by Nur Zainie, Hashimah, and Shamsinar (2022) found that the mechanism created by the Kedah State Zakat Board or Lembaga Zakat Negeri Kedah (LZNK) to monitor the effectiveness of the distribution of zakat by the appointed representatives (*muzzaki*) still needs improvement. Based on Table 1, there are several criteria that need to complement in distributing of zakat. Such as financial planning, distribution by creative and innovative approach, create a job opportunity to the *asnaf*, and find the right target (the needed *asnaf*) based on geographical. Henceforth, this measurement able to enhance the management of zakat institutions. Next section explained the research methodology as below.

Table 1: Criteria of Distribution Complement in Zakat Management

Author and Year	Criteria of Distribution Complement	Explanation
<ul style="list-style-type: none"> Antika (2019) Saad, Aziz and Sawandi (2014) Nur Zainie, Hashimah, and Shamsinar (2022) 	<ul style="list-style-type: none"> Monitoring Reporting Evaluation Financial plan 	<ul style="list-style-type: none"> Must be accurate and efficient. Evaluate the budget to the needed <i>asnaf</i>. Create job offer and provide financial aids.
<ul style="list-style-type: none"> Wahid, Ahmad and Rasyid (2017) Khaliq and Ogunsola (2011) Paizin (2017) 	<ul style="list-style-type: none"> Localization Leadership 	<ul style="list-style-type: none"> Localization to the target Responsibility of leader to assist <i>asnaf</i>.
<ul style="list-style-type: none"> Harun, Rosele and Mansor (2019) 	<ul style="list-style-type: none"> Creative and innovative distribution 	<ul style="list-style-type: none"> Creative and innovative in managing zakat to enhance efficiency with technology.

3. Methodology

This research employed a qualitative case study by referring to Yin (2009). The research instrument used is a semi-structured interview with three (3) informants that experienced more than ten (10) years in the distribution of zakat from Lembaga Zakat Negeri Kedah and BAZNAS, Riau. Each interview was conducted between May 2023 until June 2023 via Google Meet due to the convenience of informants. The expert sampling technique was employed to answer the objective of the article, as referred to by Nueman (2000). The analysis of themes using the method Istidlal (Dilalat Mantuq and Dilalat Mafhum). Dilalat Mantuq is an analysis based on latent content that indicates direct meaning related to themes. In contrast, Dilalat Mafhum, or manifested content, was employed to understand the indirect meaning and carry out the theme as initiated by the experts. This method was used by Hassan (2013) and Ismail (2019) and is based on the Usul Fiqh method. Thematic analysis was used to analyze the data, which had two (2) main themes that explained the next section.

Lincoln and Guba (1985) stated that ensuring credibility is one of the most important factors in establishing trustworthiness. It refers to internal validity in quantitative studies. Therefore, this study employed the member-checking procedure and peer review when experts validated the emerging themes. According to Brewer and Hunter (1989), Miles and Huberman (1994), and Pitts (1994), member checking should involve verification of the researcher's emerging theories and inferences as these were formed during the interviews. It is the most critical technique to establish credibility and was employed in this article. A similar approach was conducted by Othman (2011) and discussed with the informants to confirm that the conceptual framework aligns with the research objective. In this study, the researchers also applied the member-checking procedures. After the interview sessions ended, the researcher discussed the proposition of themes with the informants to confirm the distributional practices of zakat.

Later, to further support the credibility of the data, the researcher employed peer review. The data were shown to qualitative researchers (i.e., team members) to verify the process of interpretation (data management, data analysis, and conclusion – coding, categorization, themes, and emerging patterns). The reliability and validity of the data were also confirmed during the interviews. For example, when Informant 1 suggested a strategic plan related to distribution practices, the information was verified by confirming the information with Informant 2. Hence, the findings and supported discussion can be achieved conclusively, as indicated in the next section.

4. Finding and Discussions

This section presents the findings and discussion based on thematic analysis as follows.

4.1 Financial Plan

Table 2 summarizes the findings of the study. Based on the study's results, all informants agree that a strategic plan is crucial in distributing zakat to the *asnaf*. The strategy is based on monetary fund planning during the COVID-19 pandemic. This practice can deliver needed *asnaf* by increasing their financial support through providing the aids towards needed *asnaf*. This finding has been supported by Wahid et al. (2017) mentioned that good financial planning performance will positively impact talent management, especially in asset distribution (Wahid et al., 2017).

This talent management is because outstanding leadership creates an opportunity to enhance the organization's value for distribution purposes. As quoted in Al-Quran, Yusuf: 48-49, "Then will come after that, seven hard (years), which will devour what you have laid by in advance for them, (all) except a little of that which you have guarded (stored). 49: "Then thereafter will come a year in which people will have abundant rain and in which they will press (wine and oil)." Surah Yusuf [12]:48-49 explains the ability of prophet Yusuf AS to predict the economic business cycle in the future (Al-Qutb, 1992). It is a concern for organizations such as LZNK and BAZNAS to mitigate the risk during the COVID-19 pandemic by strategizing financial fund planning and other strategies to cope with the crisis as well as risk in a much more effective way. Hence, a strategic plan is important to determine the distribution practices of zakat to the *asnaf*.

4.2 Creative and Innovative Distribution Approach

The second finding describes the distribution approach towards the *asnaf*. Apart from this, the method of distribution as mentioned by Informant 1 and Informant 2 from LZNK more creative and innovated way such as implementation Zakat on Touch (ZOT), Smart Sawah Project, Dialysis *Asnaf* Centre, as well as exposure from enhancement of social media. Hence, the distribution able to achieve. Comparing with BAZNAS, direct distributions method was employed towards *asnaf* such as Zakat Peduli in very type of disasters, also Riau Sehat for medical aid to *asnaf*. BAZNAS is more traditional approach comparing to LZNK. The distribution approach with innovated and creative is important to enhance the organization performance. As supported by Harun, Rosele, and Mansor (2019), that zakat institutions must be creative and innovative in managing zakat to enhance efficiency. Innovative and creative is important to give an easy access towards *asnaf* to acquire the aid from organization, either direct or indirectly distribution.

4.3 Improving *Asnaf* Capability

Lastly, the third finding regard with improving *asnaf* capability, Int 1 and Int 2 from LZNK explained Zakat on Touch, and providing equipment such as paddy filed machine, tractors, and drone able to enhance the *asnaf* performance. Int 3 also indicated Riau Makmur and Riau Dakwah aim to assist the *asnaf* by empowering their capability. This finding was supported by Rozalinda (2015) productive goods as considered a distribution can create jobs for the poor, such as livestock, and lastly distribution in creative productive form, namely zakat in the form of working capital for traders or small businesses (Rozalinda, 2015). This form of distribution has been enhanced by both institutions and well virtuous.

Based on the findings above indicated that the management of distribution by two organizations has similarity (financial plan) and differences (distribution approach and improving *asnaf* capability). In terms of similarity, both organizations implemented financial plan especially the way to mitigate the risk during pandemic COVID 19. Meanwhile the differences for distribution approach, LZNK has more implement technological advancement by using mobile phone application ZOT (Zakat on Touch) and Smart Sawah. In contrast, BAZNAS employed traditional approach by giving to the *asnaf* directly (hand to hand) such as Riau Disaster. Next, on *asnaf* capability, the

differences between LZNK and BAZNAS is related with financial aid can be benefited towards *asnaf* for job carrier, while BAZNAS focusing on assisting the mualaf (convert to Islam) to strengthen their belief. Next section explained the conclusion of study.

5. Conclusion

This research can be concluded that there are three criteria in distribution management such as financial plan, distribution approach, and improving *asnaf* capability. This study contributed by added new modification construct of theme as mentioned.

For future research, this study proposed to employ the quantitative research via data survey toward *asnaf* perception on the effectiveness of distribution management. Lastly for practical implication, this study proposed both organizations should complement the technological advancement which suitable to approach *asnaf* indirectly.

Conflict of Interest: None declared.

Ethical Approval: Not applicable.

Funding: None.

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