UTILIZATION OF INFORMATION SYSTEM TOWARDS RESOLVING TRUST ISSUE IN ZAKAT DISTRIBUTION

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ABSTRACT

Zakat is considered to be one of the five central pillar of Islam, the only one dealing directly with the social and economic aspect of the Islamic ummah. In order to achieve its intended objectives, it is critically important to ensure that the two major aspects of zakat management – collection and distribution is handled in the most effective way. Furthermore, the effectiveness of collection and distribution is very much dependent on the existence of the element of trust in the implementation of the two aspects. Increment in collection amount of zakat is very much dependent on the level of trust of zakat payer towards the zakat authority. Trust in turn, is very much a result of an effective zakat distribution mechanism. The central pivot of an effective zakat management thus revolves around the level of trust towards zakat implementation mechanism. This study proposes the usage of information technology to improve the implementation of zakat distribution which in turn increase the level of trust towards zakat management in Kedah. The increase level of trust will further trigger more collection from zakat payer. We have developed a model based on the current zakat management structure in Kedah. The model then will be used as the basis to create an information system specifically to simplify the process of asnaf identification and reporting in zakat distribution process.

Keywords: amil zakat, asnaf, trust, zakat collection, zakat distribution,

INTRODUCTION

Zakat or compulsory sadaqah (alms) is one of the five main pillar of Islam. Zakah is taken from the rich and the able to be delivered to the needy and the poor. Al-Quran has emphasized time and again on the importance of zakat to the wellbeing and development of the ummah. Zakat provides the needed protection for the ummah to survive as independent ummah, to stand head high as a free community economically, socially and politically. Zakat is one of the answer to the modern form of colonialism – economic colonialism which often time resulted in social and political dependent on

the manipulative capitalist of the world. Amin Ahsan Islahi in his tafsir pointed to the above fact in his explanation on verse 110 of surah alBaqarah (Islahi, 2016, p. 311).

" This is the remedy suggested to the Muslim to overcome all the ordeals facing them, establish regular prayer and give regular charity (Zakah). This will provide them with moral and spiritual strength, train them and help protect them against the whispering campaign and mould them into a strong and a truly close knit community able to withstand hostile challenges."

This conclusion is reached from a pre discussion on verses 104 to 109 which according to Islahi details the ordeals and plan of the Jews community to obviate and provide hindrance to the increasing success of the Prophet endeavor to establish Islam in Madinah in its early stage. Al-Quran concludes this revelation of their hidden intention by emphasizing on solah and zakat as the effective answer towards encountering their many encroachments. Building an effective institution of solah and zakat alone is enough for the Muslim to face them and leave the rest to Allah to deal with them until further commands to be revealed (verse 109). This is so because internally developed strength based on solah and zakah is effective enough to face potential economic backlash from the powerful Jewish community in Madinah who were controlling the economy in Madinah at the time.

Zakah is the most effective tool to eradicate poverty from the neck of the Muslim ummah once regulated properly (Embong, Taha, & Mohd Nor, 2013). Clarke et. al. (1996) rightly pointed out that zakat can effectively reduce the gap between the poor and the rich in society. With the amount of collections of zakat in Malaysia reaching to 1.2 billion ringgits in 2009 alone (with increasing trend all along up to recently) (Embong, Taha, & Mohd Nor, 2013) and further reaching to 2.25 billion ringgit in 2013, (Zaman, Kamarudin, & Asman, 2017) it is very potential to become the very potent solution to eradicate poverty in the Muslim community in Malaysia.

While collection of zakat is ever increasing in amount, there is another important aspect of zakat management which requires a closer look. Zakat distribution has always been important issue which very much determine the performance of zakat collection. Weakness in the distribution aspect will decrease the level of trust of zakat payer and hinder them from paying zakat especially to the state as zakat authority. It is pertinent to maintain the level of trust of the taxpayer to maintain the collection. Zakat distribution however has not been very effectively executed albeit some positive development very recently. In 2013 alone, almost 31 % of zakat collection in the country was not distributed

(Zaman, Kamarudin, & Asman, 2017). Zakat distribution aspects has been clearly the important area calling for improvement.

The lower rate in zakat distribution compared to the rate of increment in zakat collection can be attributed to several reasons – one main reason is the lack of knowledge on behalf of the asnaf in the procedure of applying for zakat. The perceive the process as being lengthy and involving complex steps thus keep themselves apart from it (Abd. Rahman & Anwar , 2013). There were other reported problems in the distribution of zakat which was due to either complexity of the process or loophole in the process involving middlemen resulting in asnaf being manipulated and cheated. Lacking of means to check the status of their application is also cited. These scenario is basically pointing to the need for an effective mechanism to provide for a smooth and transparent distribution system which offers an easy means to obtain information directly from zakat authority when needed else the image of zakat authority can be seriously compromised.

In this paper we argue for the case of how technology can be used to improve the zakah distribution status and further provide solutions to different distribution problems. We focus on the need to bring in more asnaf which is left out from the zakah distribution radar. The result of this paper can pave the path towards a conducive tool to tackle the distribution issue related to asnaf handling – i.e. tool to narrow the gap of communication between all potential asnaf to the zakah management hence the zakah itself. The tool should provide for a more direct communication between asnaf and the zakat authority. The usage of technology can also provide for an easy asnaf reporting mechanism simplifying reporting procedures so that more people can report of any needy person without a lot of hassles and red tapes. Utilizing technology also will facilitate 'asnaf hunting' approach rather than waiting for themselves to turn themselves in. In this paper also we argued that utilizing technology, specifically information technology will pave the way to combating misinformation which hurt the image building thus compromise the trust level between the zakah payers and the zakah management authorities.

This paper starts with introduction section stating our intention with this study. The next part explains our problem statement as to what needs to be solved. We then presented different studies from different literatures pertaining to the status of zakat handling in Malaysia and in Kedah especially related to issues in zakat collection and distribution with a focus on the distribution part. In the findings section, we presented our argument as how technology can help resolve the basic trust issue which stands behind all the root of solutions to both zakat collection and distribution issue before

concluding the paper with provision of direction of future steps.

PROBLEM STATEMENT

Zakat distribution is one of the main mechanism in developing the ummah (Ismail & Hussein, 2017). Previous studies have found that the public were not satisfied with the zakat distribution in Malaysia, especially in terms of ineffective zakat distribution and the lacking of information related to zakat distribution to the asnaf (Wahid & Ahmad, 2009). Trust to the zakat authority is very crucial in ensuring zakat contribution from the payers. One of the main factors which can enhance trust in zakat authority is when zakat payers believe that the zakat authority will distribute the zakat fund optimally. It is very important for the zakat authority to be seen as proactive in identifying quickly the potential asnaf.

There are many factors that can lead towards distrust to the zakat authority. One of the main factor is the negative perceptive towards the zakat authority. This perceptive can be the result of wrong information fed to them through social media. In this Internet era, the information spreads out widely in a very short amount of time. One of the very deadly negative perception is that the zakat authority is very inefficient in distributing the collected zakat amount. This impression can result in a very low trust level towards the zakat authority on behalf of the zakat payers (Zainal, Saad, & Abu Bakar, 2016).

Another factor which is attributed to the weaknesses in zakat distribution is the distribution structure. The structure which uses centralize system where all distribution chains are centralized at the zakat headquarters is generally ineffective. Instead, localization is the way to go in handling zakat distribution. Without proper and effective structure, the decision making chain might not be effective which will result in unnecessary delays in zakat applications resolution.

In this era of Internet technology and smart phone, the usage of these kinds of tools should be employed correctly and effectively. With a correct way of leveraging these media, several inherited problems can be addressed. Among the problems that can be addressed are misinformation, whether in terms of asnaf identification, reporting, the availability of various zakat assistance and many others. It can also resolve the issue of information not reachable to public and to the asnafs. To certain extent, it can "democratize" the zakat distribution

process chains increase public involvement in helping making the process more effective. At the same time, it can boost the image of zakat authority in the eyes of zakat payers.

LITERATURE REVIEW

### *The importance of zakat*

The important objectives of zakat in Islam is to eradicate poverty and thus provide for a more just distribution of wealth among the member of the Muslim community. Haron et. Al (2010) specified three main objectives that zakat can help to achieve – fulfilment of all the basic needs (dharuriyat) of all Muslims, reducing gaps in the income of the needy and the well to do in the society and to purify the soul and the capitals of zakat payer. There are wide discussions on the issue of how to distribute the zakat collection to the eight asnaf as specified by al-Quran. It is important to ensure distribution is done strategically to achieve the objective of poverty eradication. A study in the distribution pattern of zakat in Selangor for instance questions the strategic value of providing highest allocation for the ibn Sabil asnaf in achieving the objective of eradicating poverty (Rosli, Salamon, Nur Muhamad, Zulkifli , & Sayed Ahmad, 2017). Embong, Taha, & Mohd Nor,(2013) argued that the first four asnaf as specified by the quranic verse in atTaubah 9:60 (Needy, poor, 'amil and Muallaf) should be given priority over the next four (ar Riqab, Gharimin FiSabilillah and Ibn Sabil).

Zakat Collection and Distribution Issue

It seems that Zakat Distribution Issue dominate discussion more than zakat collection issue with the sheer greater number of papers discussing about distribution. This is so because the issue of distribution is seems as contributing more towards building trust between the zakat payer and zakat management authority. (AbdulLatif (2012) ; Al Haq & Abdul Wahab (2019); Embong, Taha, & Mohd Nor (2013); Ismail & Hussein (2017). The trend cited in several statistics related to zakat management has shown imbalance between collection and distribution. Although the trend have shown steady increment in zakat collection amount, the rate of undistributed zakat has also increase during the same time. Figure 1 shows the widening gap between the collected zakat and distributed zakat between 2000 to 2013 (Embong, Taha, & Mohd Nor, 2013 ; Zaman, Kamarudin, & Asman, 2017).

Figure 1

Collected and Distributed Zakat Amount Between 2000 to 2013
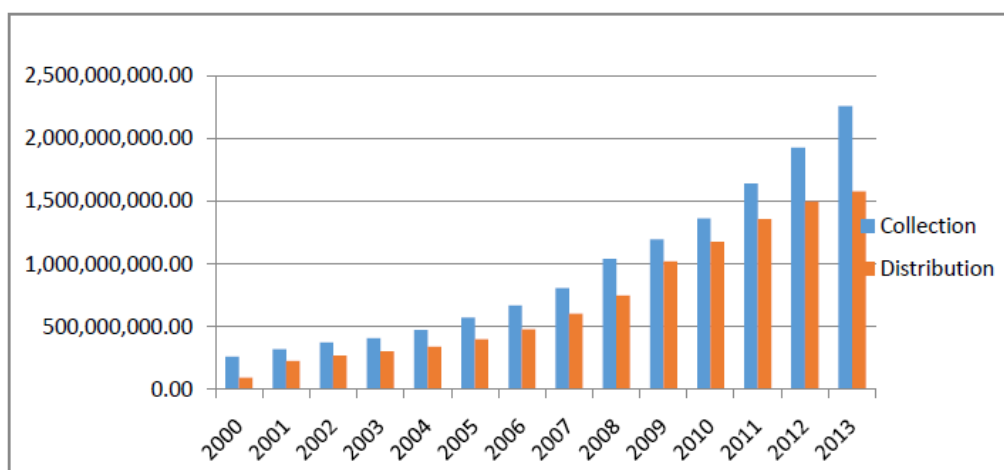
From graph 1, it can be seen that the gap between collection and distribution keeps on increasing throughout the years. This shows that distribution of zakat has not been so efficient. The highest gap recorded in 2013 amounted to RM 679, 580, 651.12 which indicate that close to 31 % of zakat collection was not distributed all over Malaysia. It should be highlighted that zakat collection in Malaysia has long exceeded the psychological level of RM 1 billion in 2008 (Embong, Taha, & Mohd Nor, 2013). In 2013 the value double to about RM 2.25 billion. What contributed more to the decrement of trust on tax payers side is the unaccountability of the undistributed zakat. According to Embong et. al., (2013), no clear explanation has been provided for the total of about RM 1.704 billion undistributed zakat between 1995 to 2007 by the zakat collection centers involved. Embong et. al,, (2013) also cited from the data from the Economic Planning Unit that the During the period of 2007 and 2009, while the rate of poverty is said to be declining in Malaysia, the poverty rate of Muslim is increasing.

This trend is not very favorable to the handling of trust issue in zakat management between zakat payers and zakat management. Low level of trust can result in potentially some potential tax payers refraining from paying to the proper authority. At the same time this also affect the image of the zakat management authority.

It is important to try to identify the reason behind the lacking in distribution rate of zakah collected to rectify or at least provide proposal for solutions to the problem. Trust still plays very important roles behind the picture (Al Haq & Abdul Wahab, 2019). Salleh (2006, pp

216-217) for example mentioned different cases in different states in the pass which have frightened away the asnaf from applying for zakat – among them the existence of those who sold zakat forms illegally to asnaf applying for zakat in Kedah; failure of the Majlis Agama Islam in Bachok, Kelantan to identify the asnaf properly has created negative perception among asnaf that zakat is not able to help them in facing their problem, thus some prefers to pay zakat directly. Problem also existed in identifying properly asnaf due to their residential location which is deep in the remote area (Lubis et. al., 2011). Another reason cited for payers shying away from paying through zakat authority is the failure of the authority in imparting news and information about the distribution activities being carried by them. Payers also are not able to verify status of asnaf application which left them in blind about what the authority does (Rosli et. al. 2017).

Issues of Trust in Zakat Management

It seems that the issue of trust played a pivotal role in ensuring efficiency in zakat management. Takril et. al. (2018) cited a study by Ali & Hatta (2010) showing that corruption and improper managerial body of zakat collection in Malaysia, Indonesia and Bangladesh are the strong reason zakat payers were unwilling to disburse income as zakat. Behind the trust issue is the needs to handle information efficiently, especially in ensuring that proper feedback can reach both sides – the asnaf and the zakat management authority in a timely fashioned. Information manipulation is best achieved with the help of technology. Several initiatives in this direction can be cited. Abral et. al. (2016) propose an information system to map between zakat collection and distribution. Citing the same issue of gap in zakat distribution and amount collected in Indonesia as the same case in Malaysia, the system provides database build using Java Struts technology and MVC architecture based on the J2EE.

Lubis et. al (2011) proposed the use of Geographic Information System (GIS) to locate asnaf especially in remote area. The main concern behind utilizing the GIS is to support the implementation of the principle of localization in zakat management. The main rationale behind this strategy is the argument that localization can bring many benefits and betterment to the zakah management especially in handling of the distribution problem. In terms of effectiveness in distribution, it is pointed out that the smaller the locality of the zakat

collection and distribution the more effective it will be. Steps towards localization is taken for instance by Lembaga Zakat Selangor (LZS) by appointing Institution of higher learning as local zakat authority (Takril et. al. (2018).

In view of localization strategy, different state authority also have utilizes web technology towards localizing zakat management. The Pusat Pungutan Zakat (PPZ) of the three federal territories in Malaysia - Kuala Lumpur, Putrajaya and Labuan utilizes portal systems to facilitate more communication with zakat payers. The portal includes module which provides links to different institutions such as MAMPU, ANGKASA, POST Malaysia and Islamic banks.

An important aspect of trust is to create transparency and openess through sharing of zakat collection and distribution information. Development of Zakat based on accounting Information System was introduced in Acheh, Indonesia. The objective is to ensure that information on management of zakat from the collection, distribution, and utilization of Zakat funds operated by the 'amils of zakat in Lhokseumawe – the capital city of Acheh should be published regularly to the public (Abral, Anwar, & Harianto, 2016).

FINDINGS AND DISCUSSION

The use of technology in zakat management can help in improving image of the zakat management authority which resulted in better trust between zakat payer and zakat management. Zakat management is traditionally deemed to be manned and thus dominated by the supposedly more trusted and pious religious background personnel although misappropriation usually surfaced now and then (Haji Ahmad & Ma'in, 2014). The increase usage of technology in zakat field will include more technical personnel in the zakat management hierarchy. In short this is a positive development and a kind of image building measure for zakat management. Lembaga Zakat Kedah for example currently house a sizable information technology (IT) department under its hierarchy.

Information Technology generally is known to increase efficiency in information handling and shorten processing time. In case of zakat management, the call for increase in technology utilization to straighten out the lacking in zakat distribution issues comes at a high time. One of the important area where technology should be utilized is in the 'democratization of asnaf'

– efforts to reach more asnaf and to include as many as in-need asnaf into the radar. The strategy to achieve this is of two prongs; firstly, is by simplifying asnaf reporting procedure so that anybody can report the existence of an asnaf in need. Secondly, to make information related to zakat application more transparent and readily available to zakat applicants.

Our proposal for the realization of democratization of asnaf strategy is by the introduction of handy apps for reporting asnaf in needs. The apps should be as simple and as usable to as many users as possible. Hence the selected tag name of 'Jom Cari Asnaf – JCA' (literary means 'Lets find the asnaf') was selected for the apps. Secondly, to achieve better level of transparency of information handling, the apps should provide tracking functionality which will allow for the reporter to track the status of their report at the different hierarchy level along the management chain of the zakat management structure. Instance feedback for asnaf application for zakat help is also included in the apps. In the case of zakat Kedah, the management chain includes 'amil helpers (Pembantu 'amil), regional zakat officer and central (headquarters) zakat officer (refer to figure 2). The decision making process following an asnaf report / application will trickle along the chain according to particular class of applications. With JCA, potential asnaf or the reporting person will be able to track the status of their plight along the hierarchy level.

In figure 2, the zakat Kedah decision making chains with their specific functionalities at the different levels is depicted. The reporter task is to identify potential asnafs. The application will then be transferred to the 'amil assistant where the eligibility of the application will be decided. The next level will involve the regional officer determining the suitable type of assistance to be given. The whole process furthermore will be monitored by the central officer. With JCA, the reporter or the applying asnaf him/herself can always check the status of his/her zakat application. He/she can identify at which level his application is currently has reached. By this all application can be carried out in a more transparently manner and any careless or bottleneck can be quickly identified.

Figure 2

Zakat Kedah Zakat Application decision making hierarchy

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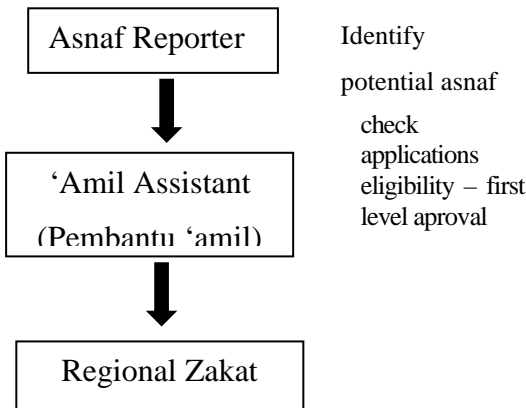
determine the suitable type of

monitor the application processes

CONCLUSION

The use of technology to increase trust in zakat management improvement is a critical need in the current situation. Investment in technology has become a critical Success Factor to ensure that objective of zakat can be achieved. The use of technology also is vital in improving trust factor in zakat handling. It helps creating a more positive image of the zakat management in the eyes of the zakat payers which will furthermore increase the amount of the zakat collection. Zakat distribution, being the area critically in need of improvement can benefit from the strategy of increasing asnaf outreach. In line of this scenario, more research and development work should be carried out in the area of technology application in zakat management in the future with more allocation for the endeavors.

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