

Discharging Accountability: A Case Study of a Zakat Institution in Malaysia

Norfaiezah Sawandi^{#1}, Norazita Marina Abdul Aziz^{*2}, Ram Al Jafri Saad^{#3}

[#]*Tunku Puteri Intan Safinaz School of Accountancy,
Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia*

¹ezah@uum.edu.my

³ram@uum.edu.my

^{*}*School of Language, Civilization and Philosophy
Universiti Utara Malaysia, 06010 Sintok, Kedah, Malaysia*

²azita@uum.edu.my

Abstract— The objective of the study is to explore and examine the forms and means employed by one zakat institution in Malaysia in discharging its accountability to the stakeholders. Case study approach was used in the study involving the use of both of primary and secondary data. The primary data was gathered via the face to face in-depth interviews that were conducted with the representatives of the zakat institution. The secondary data was gathered from different sources such as the zakat collection and distributions reports of the zakat institution. The interview data was analysed using a manual coding and the secondary data was content analysed using a thematic analysis. The study finds that the zakat institution studied has been discharging two categories of accountability that are financial or formal and social or informal form of accountability. The financial/formal form of accountability has been discharged mainly via the zakat collection and distribution reports. Meanwhile, it is observed that the latter category of accountability has been discharged through both of means that are account- and action-based mechanisms, which include zakat collection and distribution reports and various non-zakat society/community programs respectively.

Keywords— *Accountability, Mechanisms, Zakat Institution, Case Study, Malaysia*

1. Introduction

The role of community development-based institutions such as zakat institutions is very important in supporting the government's efforts to develop the country. This is because the main objective of zakat itself is to help the government prosper the people through the improvement of

living standards with the ultimate goal of poverty eradication. It is defined as purification of self and ones wealth [1]. The main purpose of zakat is to make people more valuable than wealth [1]. In Islam, there are eight groups of people eligible to receive zakat. These groups, as stated clearly in Al-Quran (Surah At-Taubah: verse 60), are the needy, the poor, the administrator of zakat (amil), those whose hearts are to be inclined (including new Muslim converts who lack economic support), the slaves, debtors (debts due to real needs), in the cause of Allah (Fi sabilillah), and the wayfarers (Ibnu sabil).

Zakat plays a very significant role in Muslim society where it has the objective to uphold economic and social justice [2-3]. The achievement of this objective would contribute to poverty eradication and solving social problems. Given the importance of zakat to the economy and society, zakat institutions have been established and these institutions are accountable for ensuring the achievement of the objectives of zakat collection and distribution [4].

Although at present zakat institutions are seen to play a role in improving the standard of living of the poor, various issues have inhibited the sustainable development of the institutions and some of the issues are closely related with governance and accountability of zakat institutions [5]. There were many complaints on zakat institutions reported in media, particularly pertaining to zakat distributions [6]. According to Hidayah and Norziana [7], the general public demand more transparency in zakat distribution. Raja Adzrin, Ahmad Marzuki and Muhammad Sufiyudin [8] observed that most of the respondents did not contented with the way the zakat

institutions are managed. The lack of confidence among zakat payers on the zakat institutions could be one of the factors that hinder some of them from using the formal channels to pay their zakat as they may think that the zakat funds have been improperly managed.

There are several factors that influence people's trust or confidence towards zakat institutions, namely reputation, satisfaction of zakat distribution and service quality [9]. Another factor that may influence the public confidence on the zakat institutions is the governance and accountability of zakat institutions [5]. The governance and accountability of zakat institutions have been claimed to be inefficient and inadequate [5, 10]. This is reflected, for example, through complaints made by the general public, particularly the potential zakat recipients regarding the zakat distribution [11-12]. The concern on the governance and accountability of the zakat institutions, to some extent, may negatively affect the image and reputation of the zakat institutions. As corporate image has been argued to be an important factor that influences the confidence towards zakat institutions, therefore it must be upheld [13].

With all the importance Islam has attached to Zakat as its third pillar including all the glowing benefits that are derivable from discharging it, all aspects related to it including the accountability of the zakat institutions have to be well managed and exercised. Despite the vital roles of the accountability aspect of the zakat institution very few studies (except, for example, [5]) have been conducted to explore and examine this issue. Hence, this study attempts to address the following question - what is the accountability practices and means employed in the management of zakat nowadays in Malaysia? In addressing this question, the study explores and examines the forms and means employed by one zakat institution in Malaysia in discharging its accountability to the stakeholders. While a good deal of numbers of studies have been undertaken in studying zakat, little is known about the forms and means used by zakat institutions in Malaysia to discharge their accountability [5]. As it applied case study approach, the unique feature of this study is it is among the very early study that explore and examine in depth the forms and means used to

discharge the accountability of one zakat institution in Malaysia.

2. Literature Review

2.2 Overview of Malaysia's Zakat Practices

In Arabic, "zakaah" means to purify, increase and bless as our assets are purified when a portion of it is set aside for those who are in need [1]. The word zakat literally means purification [14]. To one might expect, zakat is considered as one of the five pillars of Islam that has to be strictly abide by Muslim, who are qualified for the zakat payment [15-16]. To be emphasized, zakat and prayers have been repeated over seventy times in the al-Quran [14]. Zakat is considered as the main responsibility of worship that relates to the socio-economic benefit, especially for the qualified Muslims to perform zakat payment in monetary term basis [16-17]. In general, the term of zakat can be classified as three forms that are purification, growth and blessing [18-19]. The purification refers to the purity of ones' possession of wealth by distributing a prescribed amount of wealth to the poor, the indigent, the slaves or captives and the wayfarer [20]. Allah The Almighty has been promised that the zakat payers will obtain the abundance reward in the world and hereafter. Allah The Almighty says in the al-Quran reveals:

"The parable of those who spend their wealth in the way of Allah is that of a grain of corn. It grows seven ears and each ear has hundred grains. Allah increases manifold to whom He pleases." (Quran 2:261).

The blessings from Allah The Almighty is also reflected in the Prophet Sayings, which translated as:

"Transferring ownership (tamlik) of a part of one's wealth as specified by the Lawgiver to be given to a poor Muslim except one who is from the Banu Hashim... cutting off totally any material benefit returning to the giver, for the sake of Allah, the Most High." (Hadith, Prophet Sayings)

In Malaysia, the management of the zakat institutions, which involves the collection and distribution of zakat is administered by the states under the jurisdiction of the State Islamic Religious

Councils (SIRC) [20] that is directly legitimate under the power of the state or the prerogative of State Sultanate [21]. Each state has its own zakat institutions, which can be considered as part of the state enactments. The main task of the zakat institutions comprises of all zakat affairs including zakat law, enforcement, zakat collection and distribution, administration and legislative execution [14,19]. Zakat is seen as a social welfare for increasing the socio-economic of Muslims and encouraging affluent businesses, which related to pure purification of wealth in the Islamic society [14,21]. Indirectly, zakat distribution will encourage the Islamic state of fiscal policies and remove inequalities in the society [1,22]. Therefore, the zakat management and operations are reckoned important in ensuring that appropriate qualified people are entitled to obtain the zakat distribution [17,21]. A meticulous and relevant actions by the zakat institutions in allocating the zakat monies to the qualified people indirectly reflecting the accountability of zakat institutions in deliberating their acts to the qualified stakeholders.

2.3 The Accountability Frameworks of Zakat Institutions

The efficiency in the zakat institutions refers to the well-managed of the resources in attaining the socio-economic justice for the qualified stakeholders, especially with regards to reducing poverty in the society [19]. Indirectly, the good governance of the zakat institutions refers to the process and structure in operationalizing systems that stimulating upright accountability and transparency of their acts [18-19]. Thus, the zakat institutions have to discharge their accountability to the people in needs and their zakat payers accordingly, with preservation ultimately to Allah The Almighty, whilst realising the requirements parallel to the Shariah Law.

In Malaysia, the government is expected to engage and promote good governance within the zakat institutions [18-19]. It involves the organizational and operational structure, and procedural mechanisms in ensuring the accountability fulfilment for zakat collection and distribution. Thus, the appropriate discharging of accountability in the zakat institutions rely upon the good financial management practices and deliberation of organizational tasks including proclamation of accounting treatment, pertinent acquisition of

auditing standards and accomplishing relevant performance management systems within the zakat institutions. Highly promotion on the good governance systems by the zakat institutions are a beneficial acts due to substantial and complex business activities, which may not reflect the true and fair view of zakat performance [15].

For this reason, the accountability practices including the process and systems in the zakat institutions are imperative in comprehending the reason onto the “who, why and how” discharging accountability can be transpired [15,21]. The implicit accountability, which derives from morality and values especially related to the Islamic teachings provides a significant impact to the elucidation of subtlety accountable acts in the zakat institutions [23-24]. The zakat institutions are held accountable for the upward and downward parties, which has to be reflected significantly in aligning the managerial and procedural practices within their actions. This rigorous accountability practices will indirectly ensure the deliverance acts of the zakat institutions are securely liable for the benefits of the people and zakat payers [18,21].

Based on the above discussion, the accountability practices in the zakat institutions is contemplated to be imperative especially concerning the zakat institutions action in delivering their acts to their stakeholders [18-19,21]. It is an imperative roles in safeguarding the zakat institutions act to be accountable in all aspects of the process and managerial systems. Notwithstanding the crucial roles and the significant effect of accountability practices may have on the zakat institutions, a limited number of prior researches, including the study conducted by Sawandi et al. [5] have been carried out to explore and scrutinize the practices and mechanisms of zakat institutions' accountability. Hence, this study's objective is to explore and examine the forms and means employed by one Malaysian zakat institution, namely Zakat Institution BB in discharging its accountability.

3. Methods

This study employed a single case study approach whereby one Malaysian zakat institution, Zakat Institution BB, was participated. Zakat Institution BB is located in the northern area of peninsular

Malaysia. For private and confidential reason, the actual name of the zakat institution participated in the study was replaced with “Zakat Institution BB”. Zakat institution BB is a semi-corporatized zakat management organisation. Its main duty is to collect zakat on behalf of its State Islamic Religious Council.

Semi-structured interviews and document review were employed in this study to collect research data. The in-depth, semi-structured, face-to-face interviews were held between October to December 2016 with the officers of the zakat institution who are directly responsible in managing zakat funds and preparing accountability means such as zakat collection and distribution reports, zakat statistic, or Facebook. The face-to-face in-depth interviews, which were held between two to two and half hours, were conducted to gather view, opinion, and insights of the zakat institution about the zakat fund collection and distribution, the stakeholders, and the meaning as well as practice of discharging their accountability to the stakeholders.

The questions in the interview were developed by drew upon the objectives of the study, as well as accountability theories and zakat literature. The interview questions were categorised into four themes that are (i) background (ii) responsibility relationship (iii) zakat fund and (iv) zakat accountability [5]. In order to enable the interviewees to prepare and to have at least a brief idea about the issue to be discussed, the interview guide [25], which contains, the main themes and questions, was handed over to them prior to the interview. With the permission from the interviewees, the interviews were recorded. These interviews were later transcribed for analysis purpose. For corroboration and back up purpose, the researchers also prepared field notes during the interview. In addition, to corroborate the interview data, a number of different documents that were mainly issued or published by the case organisation, were also reviewed extensively. The documents reviewed are zakat collection and distribution report and other various publication of the case organization, website and Facebook of the case organization, and newspaper articles.

The interview transcript and field notes were analysed manually. This analysis was carried out by employing a manual coding technique [26]. On the other hand, the documents were content

analysed with the use of thematic analysis [27]. A theme or combination of several categories such as words or sentences, were used in the analysis [5, 27]. In making inferences and drawing conclusions, the interview findings were then compare and contrast (for corroborating purpose) with evidence from document review. The following section presents and discusses the empirical findings and the detailed analysis of the study.

4. Results And Discussion

Evidence reveals accountability practices of Zakat Institution BB can be classified into two forms. This finding is in line with Sawandi et al.'s [5] findings on another Malaysian zakat institution. The delineation of discharging accountability may be scrutinised within the line of financial/formal and social/informal form of accountability. Both forms of accountability has been considered by Zakat Institution BB in discharging accountability for the zakat payers, beneficiaries and the public spheres. Table 1 represents the forms and mechanisms of accountability for Zakat Institutions BB. It is noted that Zakat Institution BB has been issuing zakat collection and distribution summary report. Zakat Institution BB, however, does not issue the zakat report. Nevertheless, the issuance of the zakat collection and distribution summary report, in line with this notion, could be reflected that Zakat Institution BB discharge its financial/formal accountability to its stakeholders. The categorical parties involve the zakat payers and zakat recipients in order to encourage the transparency feature of the zakat institution [18-19].

The summary for zakat collection and distribution report comprises the financial and non-financial data and information of the Zakat Institution BB for a stipulated year. As explained by its representative this report is available in the website of the zakat institution and can be accessed by all zakat payers for enlightening the valuable information concerning the zakat collection and distribution performance of Zakat Institution BB. As argued earlier, the formulation and dissemination of the zakat summary report by the case organization, to some extent, reflects the case organization's initiative to discharge financial and administrative accountability of zakat collection and dissemination of zakat [19] to the appropriate stakeholders. This accountability practice also mirrors the case organisation's commitment towards transparency [18]. The content and types

of information/data provided in this report, however, are not as details as information/data that would be provided in the zakat report. This limitation, to some extent, limit the ability of Zakat Institution BB to adequately “giving of account” or wholly acts in fulfilling its responsibilities for attaining financial/formal accountability to its zakat payers and beneficiaries [25].

Table 1. Forms and Mechanisms of Accountability of Zakat Institution BB

Form/ Element	Financial/ formal form of accountabil ity	Social/informal form of accountability	
		Account -based	Action -based
Mechanism	Zakat collection & distribution summary report	i. Bulletin & Booklets ii. Relevant information/updates on its Website & Facebook	Various non-zakat society/ community programs/events
Stakeholders addressed	Zakat payers & recipients, and the general public		

On contrary, there are two categories of social or denoted as informal form of accountability to be disseminated by Zakat Institution BB that are account-based and action-based [25]. The two categories comprises the delineation of a stakeholders’ group involving zakat payers, zakat recipients and public spheres. The group represents ultimate-specific parties in discharging social accountability for its targeted community in the public spheres.

Firstly, through the account-based mechanisms, the practice of discharging the social accountability can be scrutinised within the publication of the bulletins and booklets by Zakat Institution BB. The bulletins provides coverage on the case organisation’s activities, events and program relating to zakat collection and distribution. Meanwhile, the booklet contained latest updates and information on zakat.

The second medium used by Zakat Institution BB

in “giving-account-for” the stakeholders is via its website and Facebook. Similar to the finding of Sawandi et al. [5], evidence suggests that these mediums have been used by the case organisation to provide real-time information and updates to its stakeholders on the zakat collection and distribution activities, financial performances, and other relevant information. These types of social media become prevalent among the public community. The Zakat Institution BB reveals that this mode of communication is well-engaging, interactive and provide a useful instantaneous two-way connections with social groups. Zakat institution BB keep-abreast with the social community impulses through encouraging social media concepts for reaching a speedy, trustworthy and precise information. The high-rated obligation by the Zakat Institution BB is deemed essential to promote an unwavering and truthful disseminated information for the general public. This reflect an immediate endeavours commenced by Zakat Institution BB to reflect its social accountability engagement with its stakeholders by safeguarding appropriate information accessed by the beneficiaries [19].

The action-based category represents social or informal accountability that can be incorporated from a variety of non-zakat community programs or events specifically to the public community [19,21]. The comprehensive programs and events have been implemented and executed for the public community in creating imperative awareness and huge deliberation pertaining to the distribution of zakat. Zakat Institution BB strongly agree that the constructive circulation and distribution of required and pertinent information could reduce (if not remove) the negative perceptions about the zakat issues and matters from the social community. The Zakat Institutions in Malaysia has becoming a pointed target by the general public in disseminating negative perceptions regarding the zakat issues. This has becoming an alarming signal for the Zakat Institutions BB to overcome carefully the arising issues.

Sometimes, a small matter on certain zakat issues has developing into a huge national disputes and misunderstanding among the general public owing to the negative perception. In line with this, the zakat institutions have to cautiously and thoughtfully execute its actions for the public community. This acts is deem important to ensure harmonious and social-justice are being equally delivered in the multi-racial country, such as Malaysia.

5. CONCLUSION

The study concludes that Zakat institution BB has been discharging two forms of accountability that are financial/formal form of accountability and social/informal form of accountability. Example of means used to discharge this type of accountability is the zakat collection and distribution reports. Meanwhile, evidence suggests that the case organization has been discharging its social form accountability via both account-based and action-based mechanism. The former means includes the release of useful and relevant information as well as updates on its social media that are the website and Facebook. Meanwhile, the action-based mechanisms have been utilized to discharge Zakat Institution BB's social accountability particularly to the public spheres in more flexible and impactful ways. This means also enable the case organization to reach broader groups of stakeholders in attempts to discharge its social accountability.

While the study has been able to document some useful and interesting evidences on the practices and means of discharging the accountability of the case organization, the findings of this study are not appropriate to be generalised to other zakat institutions in Malaysia or in other contexts due to the nature of the case study approach applied in the study [5, 25]. Further studies may be undertaken in the future by, first, assessing the ways and means used to discharge accountability against any relevant framework, for example, of Saad et al. [4] and Abdul Wahab and Abdul Rahman [20] that could provide additional evidence of the effectiveness and/or efficiency of the accountability practices of the zakat institutions in Malaysia. Second, a multiple-case study approach may also be adopted by comparing the similarities and differences of accountability practices and means of two or more Malaysian zakat institutions to gain richer new insights on the matter. Despite its limitations, the study provides new insights on the current practices and means of accountability used by the zakat institution BB in discharging both its financial and social accountability to its stakeholders.

Acknowledgments

The authors would like to thank Universiti Utara Malaysia for awarding us the Research Generation Grant and the support to make this research feasible.

References

- [1] Al-Qardawi, Y. "Fiqh az-Zakat: A Comparative Study – The Rules, Regulations and Philosophy of Zakat in the Light of the Qur'an and Sunnah", *Translated by Monzer Kahf*; Dar Al Taqwa Ltd. 1999.
- [2] Abu Bakar, U. F., Md Idris, K., & Saad. R.A. J., "Predicting the Intention of Civil Servants to Pay Zakat", *International Journal of Innovative Knowledge Concepts*, 5(7), 21 – 29, 2017.
- [3] Zainal. H., Abu Bakar, A. & Saad. R. A. J., "Tahap Kepercayaan Institusi Zakat di Kedah, *Journal of Humanities, Language, Culture and Business (HLCB)*, Vol. 1: No. 4 (September 2017), 69-77, 2017.
- [4] Saad. R. A. J., Abdul Aziz N. M. & Sawandi, N., "Islamic accountability framework in the zakat funds management." *Procedia-Social and Behavioral Sciences* 164, 508-515, 2014.
- [5] Sawandi, N., Abdul Aziz N. M. & Saad. R. A. J. "Zakat Accountability Practices: Case Study of Zakat Institution AA", *International Journal of Economic Research*, 14 (16), 223-232, 2017.
- [6] Aziz, M. A., Din, B., & Abdulsomad, K., "The Contribution of Localization Management System on Zakat Institution Performance", *International Journal of Supply Chain Management*, 7(1), 201-208, 2008.
- [7] Hidayah, S., & Norziana, J., "Information security governance model to enhance zakat information management in Malaysian zakat institutions. In *International Conference on Information Technology and Multimedia*, 200–205, 2014.
- [8] Raja Adzrin, R. A, Ahmad Marzuki, A. O., & Muhammad Sufiyudin, S., "Assessing the satisfaction level of zakat recipients towards zakat management. *Procedia Economics and Finance*, 31(2015), 140–151, 2015.
- [9] Zainal. H., Abu Bakar, A. & Saad. R. A. J., "Reputation, Satisfaction of Zakat Distribution, and Service Quality as Determinant of Stakeholder Trust in Zakat Institutions", *International Journal of Economics and Financial Issues*, 6(S7), 72-76.
- [10] Saad. R. A. J., Md Idris, K., Shaari, H., Sawandi, N., & Derashid, C., "Governance of Non-Profit Organizations: A Case of Zakat Institutions in Malaysia", *International Journal of Economic Research*, 14 (16), 253-265, 2017.
- [11] Hairunnizam, W., Sanep, A., & Radiah, A.K. "Pengagihan zakat oleh institusi zakat di Malaysia: Mengapa masyarakat Islam tidak berpuas hati? *Jurnal Syariah*", 17(1), 89–112, 2009.

- [12] Saad. R. A. J., Sawandi, N. & Mohammad, R., "Zakat Surplus Funds Management", *International Journal of Economics and Financial Issues*, 6(S4) 46-54, 2016.
- [13] Hairunnizam, W., & Sanep, A., "Faktor mempengaruhi tahap keyakinan agihan zakat: Kajian terhadap masyarakat Islam di Selangor", *Jurnal Ekonomi Malaysia*, 48(2), 41-50, 2014.
- [14] Zarqa, M.A., "Distributive Justice in Islam" In Ausaf Ahmad & Kazim Raza Awan (Eds.), 1992.
- [15] Abdullah Ibrahim, A.A.A., Mohd Rizuan, A.K., & Syed Mohd Ghazali Wafa Syed Adwam Wafa, S.A.W., "Assessing Financial Reporting on adopting Business Zakat Guidelines on Malaysian Government Linked Companies". *International Journal of Business and Social Science*, 3(24), 220-230. 2012.
- [16] Adel, S., "Zakat as a Benchmark to Evaluate Economic Growth: An Alternative Approach", *International Journal of Business and Social Science*, 3(18), 243-245, 2012.
- [17] Ghazali, M. Z., Saad. R. A. J. & Abdul Wahab, M. S., "A Conceptual Framework for Examining Trust towards Zakat Institution", *International Journal of Economics and Financial Issues*, 6(S7), 98-102, 2016.
- [18] Muhammad Akhyar, A. & Nur Barizah, A. B., "Accounting treatment for corporate zakat: a critical review", *International Journal of Islamic and Middle Eastern Finance and Management*, 2(1), 32-45, 2009.
- [19] Abdul Wahab, N. & Abdul Rahman, A. R., "A framework to analyse the efficiency and governance of zakat institutions", *Journal of Islamic Accounting and Business Research*, 2(1), 43-62, 2011.
- [20] Dhar P., & Ali Akhan J., "The role of zakat in Islamic accounting and finance: an overview", *Journal of Business and Economics Issues*, 2(1), 37-45, 2010.
- [21] Fuadah, J., Muhammad Ridhwan, A.A. & Ahmad Fahme, M.A., "A review on literatures of zakat between 2003-2013". *Library Philosophy and Practice, E-Journal* (1175), 1-16, 2014
- [22] Syed Mohd Ghazali Wafa Syed Adwam Wafa, S.A.W., "*Harmonization of Conditions of Zakat Accounting into the Accounting Reporting Framework*", Bangi: Universiti Kebangsaan Malaysia, 2010.
- [23] Lehman, G. "Moral will, accounting and the phronemos", *Critical Perspectives on Accounting*, 2 July, 1-7, 2013.
- [24] Narvaez, D. & Lapsley, D.K., "Moral identity, moral functioning, and the development of moral character", *Psychology of Learning and Motivation* 50, 2307-2274, 2009.
- [25] Sawandi. N., "Authentic, strategic and symbolic stakeholder engagement: an evaluation of CSR and accountability practices in Malaysian unit trust industry." PhD thesis, University of Strathclyde, 2014.
- [26] O'Dwyer, B. & Unerman, J., "The paradox of greater NGO accountability: A case study of Amnesty Ireland", *Accounting, Organizations, and Society*, 33, 801-824, 2008.
- [27] Krippendorff, K., "*Content analysis: An introduction to its methodology*", Sage, 2012.